

June 21, 2010

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Delivered to:

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Dear Mr. Stevenson & Ms Beaudoin:

RE: Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*, Form 41-101F2 and Related Amendments

Thank you for the opportunity to comment on the Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*, Form 41-101F2 and Related Amendments. USC Education Savings Plans Inc. has for some time,

advocated for improvements to existing securities regulation for scholarship plans and looks forward to working with the CSA in its efforts to modernize our current prospectus disclosure, in order to make it more meaningful and effective for investors.

As we have reviewed the Instrument, which includes the Proposed Rule and the Form and developed our detailed comments, we've found ourselves going back, time and again to the comments found in the Introduction & Background information. While much of this portion of the document is valuable in establishing the history and context for the proposals found in the Instrument, we simply concluded leaving the perspectives and opinions expressed there, stand without comment, seemed inappropriate.

Accordingly, we have included comments on the Introduction, the Plan Summary, the General Prospectus Requirements, the Form and Related Amendments.

We trust you will find them helpful and constructive and would be pleased to discuss them with you further at your convenience.

Sincerely,



Paul Renaud
Corporate Secretary & General Counsel
Chief Compliance Officer

cc: R. George Hopkinson, President & Chief Executive Officer, USCI
Robin Morrissey, Director, Product Management
John Crockett, Director, Investments
Cheryl Storey, Manager, Compliance
Paul Chang, Compliance Consultant

USC Education Savings Plans Inc. Comments
Proposed Amendments to National Instrument 41-101 *General Prospectus*
***Requirements*, Form 41-101F2 and Related Amendments**

Introduction & Background

We commend the Canadian Securities Administrators (CSA) for its initiative to modernize the securities regulation of scholarship plans, by providing investors with more meaningful and effective prospectus disclosure and we agree that the Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*, Form 41-101F2 and Related Amendments as published, is an excellent first step in the journey to accomplish that goal. Unfortunately, this initiative has been prefaced by comments that cannot, in our opinion, be left unaddressed. In order for this initiative to reach the goals it sets out to achieve, the principles and *raison d'être* upon which it has been built, must be unequivocal.

While the Introduction states *"The Instrument proposes to address the shortcomings of the current disclosure regime by focusing on providing investors with key information about a scholarship plan and providing that information in a simple, accessible and comparable format"*, the proposals that follow seem to be directed only at highlighting risks and concerns and are not balanced in any way, with features and benefits.

We note with some considerable degree of concern, that the new disclosure form is to be *"tailored"* in order to allow securities regulators to address *"investor issues"*. The Introduction notes the sources of these *"investor issues"* are:

- The findings in the OSC's Industry Report on Scholarship Plan Dealers, published in July 2004
- The findings of the HRSDC Review of Registered Education Savings Plan Industry Practices, published in August 2008, and
- The number of complaints securities regulators, HRSDC and other government agencies continue to receive about scholarship plans, particularly group scholarship plans.

This suggests to us that this Instrument is less about providing investors with more meaningful and effective prospectus disclosure and is really more about focusing on providing investors with issues and concerns about scholarship plans. This apparent focus raises a number of concerns, including:

- The OSC's Industry Report is now 6 years old. Relying on it as part of the foundation for this initiative, suggests that the CSA believes the Scholarship Plan Dealers have not dealt, in a meaningful way, with the issues and concerns that were described at that time and must now be mandated to do so via regulation. For USCI, this is simply not the case.

- The HRSDC report was published almost a full year after the research in support of its findings was collected and contains and conveys several perspectives about scholarship plans with which the dealers who participated in that study disagree. On behalf of the dealers involved, prior to the completion of the report, the RESP Dealers Association of Canada (RESPDAC) took the opportunity on several occasions to meet with the authors of the report to assist them in addressing their misconceptions and ultimately published a response to the report, in an attempt to address the deficiencies it contains. For your convenience, RESPDAC's response to the HRSDC report is available to the public on the Association's website, www.respdac.com.
- Of course, the most challenging and frustrating foundation upon which this Instrument seems to be based, is the claim that there are a number of complaints that securities regulators, HRSDC and other government agencies continue to receive about scholarship plans, particularly group scholarship plans. For years, we have attempted to get to the details of this statement, without success. We receive no information about the nature or volume of these complaints and have no basis upon which to assess either the magnitude or severity of the problems they may highlight. Since 2008 USCI, together with the other RESPDAC member firms have utilized the complaint and dispute resolution services of the Ombudsman for Banking Services and Investments (OBSI). Its records indicate they have handled a minimal number of complaints (25 for 2008 and 12 for 2009) on behalf of RESPDAC members. Recent information published by OBSI (Consumer Complaints about Banking Services and Investment Grow Rapidly) seems to suggest that its time and energies are being expended elsewhere. As such we are left with no basis upon which to have meaningful dialogue with the CSA in this regard and yet it seems to be one of the cornerstones upon which a new, more meaningful and effective prospectus disclosure framework is to be built.

As such, the Instrument appears to lack the balance required to be meaningful and effective and instead simply has a focus to highlight investor issues.

As we will reference subsequently in our comments, we support and in fact have previously recommended many of the proposals contained in this Instrument. What we find disturbing, is that these proposals appear to have been brought forward for the purpose of highlighting and addressing investor issues and concerns and therefore miss the mark when it comes to achieving the goal of more meaningful and effective prospectus disclosure. We encourage the CSA to revisit the purpose of this initiative and to re-examine it more carefully from that perspective.

Plan Summary Document

We support the efforts of the CSA to provide more meaningful disclosure to Canadians wishing to invest in all investment products, including Scholarship Plans. We recognize the importance of providing customers with important information about their investment in a concise and easy to understand manner in order to make their investment decision, and we agree with the CSA's proposal to provide customers with a Plan Summary disclosure document at or before the point of sale.

Harmonizing Pre-Sale Disclosure Documents

While we support the Plan Summary Document concept, we find that the proposed model duplicates certain aspects of the Relationship Disclosure document introduced in National Instrument 31-103. We believe that the Plan Summary Document would benefit greatly from a harmonization with the Relationship Disclosure document, for instance, an elimination of the duplicate disclosures related to the description of the product, fees and cost to the investor, and risks to the investor. We also noted the CSA has recently stated, relative to its initiative to improve mutual funds disclosure through its 'Fund Facts' document, that further review and consultation with stakeholders on issues related to point of sale delivery are necessary. We encourage the CSA to explore point of sale disclosure and delivery options for all comparable investment products, including scholarship plans.

Competitive Disadvantage

We believe that it is the intention of the CSA to ensure that all products are treated similarly with respect to point of sale disclosure to ensure all products are positioned competitively in the market. If not, it will create a selling advantage for some products, which does not serve the investing public well. Given much work has been done on the Point of Sale disclosure model for mutual funds, and that the Plan Summary Document appears to be modeled from the Point of Sale document that was introduced in National Instrument 81-406, we would recommend that the CSA review both documents to ensure that the Plan Summary Document does not put Scholarship Plans at an unfair disadvantage against those other products, which would have a long term negative impact on our industry and the markets.

A brief comparison with the Point of Sale document, it appears that the overall layout and sub titles are very similar, but the order in which the sub titles appear are not consistent with one another. For example, the sample Plan Summary Document starts with a risk disclosure while the Point of Sale disclosure starts with a Quick Facts data and what the Mutual fund invests in. Further additional and we would suggest, irrelevant risk elements, have been added to the Plan Summary Document that are not contained in the Point of Sales document. For instance, the drop-out rate, which has no bearing on the risk factor of a scholarship plan, seems to show a negative bias towards our industry. In the mutual fund Point of Sale document, redemption rates are not included. We question how we can predict the percentage of subscribers will drop out of the

plan in future years, or the relevance of the number that have dropped out in the past.

In addition, the disclosure of the Independent Review Committee (IRC) fee in absolute dollars is not consistent with how the other fees are shown (percentage vs. absolute amount). Also, to show the dollar amount of the overall IRC fees the document must show the total assets in the plan to fairly qualify the fees shown. This too is inconsistent with the Point of Sales document.

We would propose that the Plan Summary document be overall more consistent with the Point of Sales document and we favor the overall approach of the Point of Sale document over the Plan Summary document because the Point of Sale document only describes the facts of the mutual fund, the product.

The Plan Summary Document seems to focus more on risks rather than on what the plan invests in and the performance of the actual plan. There are repetitive remarks regarding risks to the client if they do not continue the plan until maturity. There are no risks disclosed in the Point of Sale document stating that “a person’s retirement may be affected” should they not continue to save for retirement, however the Plan Summary document includes a statement that “a child’s education may be affected”, as an example.

Finally, we would recommend that the Plan Summary document be consolidated to 2 pages similar to the Point of Sale document since it will be used by consumers as the comparison document to mutual funds.

Prescriptive Language

We have observed a high level of prescriptiveness in the language used throughout the proposed instrument, and we do not believe that the choice of wording in many instances is a true reflection of the product we offer to consumers. In some cases, we have found inaccuracies that are likely the result of the differences in the plans offered by the various scholarship plan dealers. In other cases, we have found some of the prescribed language negative and in fact, somewhat offensive. We believe that it unfairly places scholarship plans in a negative light when compared to the pre-sale materials provided by other industry participants.

To address the diversity of the plans offered by scholarship plan dealers and to ensure accurate disclosure is provided to our customers, we would recommend a less prescriptive model with more flexibility to differentiate ourselves in the areas where we are not the same. This would better allow the consumer to make an accurate and fair comparison and a more informed investment decision.

We believe the negative tone of the language used in the Plan Summary Document, is an unfortunate outcome of the outdated background information outlined in the Notice. In fact, we enlist the services of an unrelated third party to conduct surveys of our customers on a quarterly basis and have been doing so for 2 years. Our most recent scores include:

- “Overall Value of the USC Plans” was 8.3 out of 10
- The “Likelihood to Recommend USC Plans to someone else” was 8.4 out of 10
- The “Overall Rating of your Sales Representative” was 8.7 out of 10

The results of these surveys suggest that USC Plan investors are very satisfied with the product and services they receive from USCI.

The following are some examples of the inaccurate and negative language found in the current form of the Plan Summary Document:

- The term “sales charge” is used as opposed to “enrolment fee”, which is a term used by USCI in all of our other disclosure documents (i.e. prospectus, Education Assistance Agreement)
- In the example where the ongoing plan fees are described, we believe the proper wording should be “\$2500 on deposit” as opposed to “you invested \$2500 last year”
- In the section “For more information”, the word “Advisor” should be replaced by “dealing representative”
- In the section “Who is this plan for?”, it states “If this doesn’t describe you, you should consider another type of plan”. Since the USC Family Group Plan offers an option to transfer to our one of our Individual Plans, there are many advantages to staying in the Group Plan until more is known about the student’s choice for post-secondary. Considering another plan may not be in their best interest, but this is not described in the Document.
- In the section “What are the risks?”, it states “Your child’s education could be affected”. A child’s financial capability to attend post-secondary may be affected, but not their education.
- In the section “What are the risks?”, it states that if you miss a contribution, “you’ll also have to make up what your contributions would have earned”, which is not always true. Instances where a minimum number of contributions have been missed, will not require an interest adjustment also be paid when the plan is returned to good standing.
- In the section “What are the risks?”, it states “Otherwise, your child may lose this money.” While this risk may be greater at other scholarship plan dealers, if you look at our take-up rate, the risk is very small to nil that they will lose their money if they don’t meet our August 1st deadline.

General Prospectus Disclosure Requirements

We support the CSA initiative to modernize the securities regulation of scholarship plans through meaningful and effective prospectus disclosure. We also believe that in order for prospectus disclosure to be meaningful and effective, it must also be balanced, straightforward and written in a fashion that will be generally understood. The CSA proposal designed to ensure that the new prospectus form will be generally understood is unfortunately not a workable solution for this purpose. For example, the Flesch-Kincaid tests only work on

English text and since we also produce our prospectus in French, some other form of test would need to be adopted and applied, leaving the potential for different meanings to creep into the different language versions. In addition various word processing programs, creating the same text, produce different results when tested. We recommend the CSA simply preserve the requirement for the use of plain language and then provide guidance in order to ensure compliance.

Our review disclosed that many items in Part B are also explained in Part C, creating a lot of overlap and repetition. Since we understand the intent of Part B is to provide information that is common to all plans (in case of multiple plans disclosed in the same prospectus), we suggest keeping only the following items as part of Part B, in the following order:

- (a) Item 5 – Overview of RESPs
- (b) Item 6 – Common features of the Plan(s)
- (c) Item 7 – General Plan risks
- (d) Item 8 – Investment Risks
- (e) Item 9.1 – Overview of how a plan or plans work(s) – to maintain a cohesive flow for a reader, this section is more suitable after Item 6 “Common features of the Plans”.
- (f) Item 10 – Unregistered education savings account
- (g) Item 11 – Optional Services
- (h) Item 12 – Statement of Rights
- (i) Item 13 (3), (4) and (5) – rework this into a small “Government grants” section and place it after Item 6 “Common features of the Plans” and “Overview of how a plan or plans work(s)” .
- (j) Item 19 – Income tax considerations
- (k) Item 20 – Other material information (if any)
- (l) Item 21 – back cover page

In addition, we would also like to comment on the following specific items:

Maturity Disclosure

Disclosure about maturity of the plans is missing completely from Part B. This is a very important stage in a group scholarship plan’s lifecycle and should be included. We would be pleased to consult with the CSA to develop this aspect of the new prospectus disclosure rules.

Item 1.3(1)

Scholarship plans do not issue “options or warrants” – the reference to these types of securities should be deleted.

Item 2.2

The first sentence following the two bullets should include reference specific to the beneficiary, ie: “If you don’t provide the social insurance

number *for the beneficiary* when you enrol...” The social insurance number for the subscriber(s) is required at the time of enrolment.

Item 2.3

The required disclosure set out in (1) is unduly negative and omits important information. We suggest the following subheading and disclosure: **“Payments from the Plan(s)”**. *If all Plan requirements are met, you will be eligible for return of your principal. To qualify to receive payment(s) from the Plan, your beneficiary must meet the requirements set out in this prospectus. The amount of such payment(s) is calculated as described on page X. We cannot tell you in advance the exact dollar value of such payment(s) or whether such payment(s) will be enough to cover your child’s post-secondary education.*

The required disclosure set out in (4) is also not balanced and omits important information. We suggest the following disclosure for group scholarship plans: *“If you cancel your plan and withdraw all of your contributions early, you will be eligible for refund of principal only. Government grants will be returned to the government. Under the Group Plan, you will lose earnings on your principal. You may be eligible to receive earnings on government grants provided certain criteria are met. Under the Individual Plans, you may be eligible to receive earnings on your principal and government grants provided certain criteria are met. If your beneficiary does not meet the terms of the plan, the beneficiary may not be eligible to receive some or all of the payments from the plan.”*

Item 2.4

It is important to include information about what will happen to the earnings on grant money. We recommend the following statement for group scholarship plans *“You may be eligible to receive earnings on principal and grants provided certain criteria are met. Income earned in the Group Plan will be transferred to the income pool for that beneficiary group.”*

Item 4.1

The mandatory disclosure about documents incorporated by reference should be part of the inside cover disclosure.

Item 4.2

We do not disagree with the concept of a list of defined terms, but we feel that the Form is too prescriptive in mandating that all scholarship plan organizations use exactly the same terms and define them using the same words. We are concerned that, by so specifically mandating terms, we will lose the flexibility to change our terminology as circumstances or government regulation changes. A definition of “principal” is necessary given that this word is currently commonly used and understood by subscribers. Further, the prescribed definitions for certain terms are not

completely accurate, or include information that is superfluous and not related to the definition of the term.

Item 7.1

The emphasis on risk disclosure is unparalleled when compared to the disclosure documents of other investment products and seems excessive in the case of an investment product such as a scholarship plan. We would like to discuss with the CSA how this disclosure can be presented without requiring disclosure “under separate sub-headings” and to the degree proposed in subsections (5), (6), (7) and (8). We would also like to discuss the instructions, since these instructions appear to suggest that a scholarship plan must provide disclosure of a specific risks, regardless of the nature, severity, or likelihood of loss that may be experienced by a Subscriber.

Item 8.1

Given the types of investments mandated for scholarship plans, we believe, as noted above, that the extensive emphasis on investment risk is excessive, particularly given that these proposed requirements would be even more extensive than those for mutual funds.

Item 11 Instruction

We do not agree with the CSA’s position regarding the materiality of the insurance component of a scholarship plan, particularly, as is the case with the USC Plans, the insurance is an embedded feature of the product. The insurance protection feature of the USC Plans is an integral part of this product and appropriate disclosure regarding the insurance protection needs to form part of the prospectus disclosures.

Item 13.1 (2)

This requirement appears to be similar to that required for mutual funds where an investor needs to know the pros and cons of various purchase options (front load, back load, no load, DSC, etc.). However, scholarship plans offer different frequency of contributions (monthly, annual etc.). These are simply different convenient options for contributions. We are not clear about what “consequences”, particularly “negative” ones would be described in response to this item. We find instruction 1 particularly odd, since it appears to be a direction on how a scholarship plan organization should operate its business and what contribution options it must give consumers. We submit the prospectus disclosure requirements should be limited to ensuring full disclosure of existing material facts.

Item 13.2 (2) (3) and (4)

The term “overcontribution” has specific meaning within the Income Tax Act (Canada). This section appears to be addressing three different issues that have been generically called overcontributions not necessarily with the same meaning as contained in the ITA and that could be discussed separately.

The sections could be separated as follows:

- “Contribution limits” which could address tax implications with respect to 13.2(1).
- “If you contribute more than your plan requires” could address 13.2(3) and 13.2(4).
- “If you contribute above the limits set for receiving government grants and incentives” could address 13.2(2).

Items 16, 17 and 18

All of the disclosure under these items essentially amount to the same thing. How can a subscriber cancel or change his or her plan? We recommend consolidation of the disclosure required under these items.

PLAN SPECIFIC INFORMATION

USC Education Savings Plans Inc. offers both group and individual scholarship plans. The Proposed Instrument seems to have only considered the group plans in creating the requirements for plan specific information. The following comments are presented for both types of plans:

Format and Sequence of Sections

For the sake of cohesive flow and readability to prospective investors or existing subscribers, it is preferable to keep all sections in Part C in a more chronological order, i.e. from enrollment, making contributions, changes to the plan, to maturity (payments to subscribers in group plans) and EAPs (payments to beneficiaries). We note that a discussion of the maturity stage of the plan is missing completely. This is a crucial point in the lifecycle of the group plan and should be properly disclosed, e.g. what is maturity, when it happens, what to expect, what the scholarship plan provider does, what subscribers should do, etc.

Items 9, 10 and 11 (investments) should be part of Part B.

Item 12 (risks) is already part of Part B and should be excluded from Part C.

Item 20 (cancellation of the plan) seems out of place

Item 4.1

In sub-paragraph (c), it is unclear what we would include as “the legal nature of the securities”. Scholarship plans are considered to be issuers of securities because a subscriber enters into an investment contract.

In sub-paragraph (d) the requirement to state whether a scholarship plan is “eligible for investment for RESPs” is incorrect. The whole essence of a scholarship plan is that a subscriber’s plan will be registered as an RESP. This will be clearly stated in many places in the prospectus and Plan Summary.

Item 5.1

In our opinion the suggested table will not be useful for subscribers. The age/year can be calculated easily without referring to the proposed table.

The requirements are drafted to suggest that a scholarship plan “offers” or “makes available” beneficiary groups under the prospectus. We don’t understand the requirement to describe “the connection” between the group plan and the beneficiary group. This is inaccurate and seems overly complicated. We suggest it would be more beneficial to simply describe the concepts behind beneficiary groups and how a subscriber will be allocated to a group.

We also point out that subscribers are permitted to change their beneficiary groups. This should be discussed.

Item 7.1

We believe the suggested table will be irrelevant as all scholarship plans allow programs with the same time limits (hours per week/months/year). This may be a presentational tool, but it will take up a lot of space. The 2nd column requires a relatively short answer, however the 4th column “what else to consider” will either be blank or will contain detailed explanation. We would appreciate further guidance on the expectations for the disclosure in the 4th column. We believe the current prospectuses provide a clear and concise disclosure of program limitations, which are taken substantially from the government materials.

Item 8.1

The Key Dates table seems out of place. It could serve as a summary and might possibly belong along with the risk factors disclosure. However, the prospectus form already requires disclosure about all risks concerning missing deadlines, so the information will be repetitive and in the interests of streamlining the prospectus we suggest removing it.

Item 13.1

In section (3), we are unable to determine what we would disclose in response to this item. The particular reference to comparability of units of one plan to other scholarship issuers is very difficult to understand. We

question the relevance of this information, in addition to asking what is expected here. We suggest the focus of the prospectus should be on the plan itself and not on the plans of other providers.

In Section (5), the information required for this table is available in the Contribution Schedule. The table will get very complicated if the plans were to attempt to determine the contribution per unit minus applicable fees and sales charges as per item 6 (a). Overall, the table seems complicated and repetitive since the information is available in the Contribution Schedule. We recommend removing it. The lead-in paragraph is also inaccurate. A subscriber does not pay a “price” to “buy a unit” – he or she agrees to a contribution schedule of specified deposits.

Item 13.2

In Section (1), the statement “Missing a contribution can be costly” makes a very negative assumption, and in, our view, is misleading. A subscriber can miss a \$25 monthly deposit and make it up within a week – incurring little to no expense. Similarly in the same paragraph, the statement “If you miss contributions, we may cancel your plan” – is very one-sided. In the vast majority of circumstances missing a contribution will not result in the cancelation of the plan. At the very least we recommend a cross reference to the disclosure in item 13.2(5) which speaks of about options available if contributions are missed.

Item 14.1

In section (2), the discussion of how the sales charge is applied is very simplistic. While this was fine for the Plan Summary, it deserves more explanation in the prospectus. The disclosure form should allow for a more complete description.

In Section (3), the requirement to disclose in a footnote how the sales charge is allocated between the dealer, the sales rep and “any other party” will be duplicating information presented in the relationship disclosure information, which we submit is where this disclosure fits. We understand the plan prospectus provides true and plain disclosure of the distribution of the securities. Information about the sales charge is not within the control of the plan. It is internal to the dealer and its sales representatives. In addition, we don’t understand the reference to “any other party” – who would this be?

The Section (4) disclosure requirement is also unclear to us. What will be expected? Can we provide this disclosure in a 4th column to the table required by 14.1 (2)?

Item 14.2

In Section (2), it will not be possible to accurately calculate the number that would be inserted in the sentence “It takes approximately X years to pay off the sales charge”. This number will be different for each subscriber

as it will depend on the number of units purchased, the term of the investment, and the contribution schedule selected.

Items 16.2 and 16.3

We would suggest changing the order of disclosure so that *Changing the maturity date* precedes *Changing the year of eligibility*.

Item 16.6

This disclosure should be included with 16.5 as one of the circumstances that may prompt a change in beneficiary.

Item 17.2

In Section (3), we submit this disclosure should not be required. There is no requirement for a plan to have the **same** rules as the government. A subscriber will not understand the disclosure and we suspect it will be perceived very negatively.

In Section (4), the first sentence should also be removed. There are no requirements for plans to have the same rules as the government rules. We suggest the sentence read: "In addition to the current Income Tax provisions, the plan has specific requirements for beneficiaries to qualify for EAPs".

In Section (5), there are other options available in addition to the ones mentioned in this item. Plans must be able to disclose all options. The potential confusion surrounding the disclosure to be included in the last paragraph of this item are discussed above. This will not be useful or relevant disclosure for current subscribers.

In Section (7), we do not understand how this disclosure would be calculated and provided.

Item 18.2

In Section (2), the information in the required table should be provided on a per unit basis, similar to the table in item 18.1.

Item 20.1

An RESP that has been de-registered cannot be re-registered. This term should be replaced with wording relevant to the re-activation of a cancelled plan prior to de-registration.

Item 22.1 (2)

The mandatory disclosure is misleading as attrition does not affect contributions. Attrition affects the education assistance payments to the beneficiaries. The sentence: "You will not get back any earnings" is also misleading. We must be able to explain how the earnings could have been partially already paid to the beneficiary as a part of an EAP, as well as the eligibility for earnings on grants as an AIP.

Item 22.2

In Section (2), the mandated table is not disclosed in the financial statements. In addition, we suggest the table will prove to be far too complex and dense to assist a subscriber's understanding and should only be available to those who request this information.

In Section (3), the Plans should be permitted to explain that the 60 day refund is a full refund of contributions (or contributions and income for some providers).

In Section (4), the disclosure under this section would be completely repetitive of earlier discussions about the plan in Part C.

Item 23.1

The (net) annual return is currently disclosed in our prospectus and MRFP and is calculated as prescribed for scholarship plans in Form 81-106F1 where it notes in section 4.4, "An investment fund that is a scholarship plan must comply with this Item, except that year-by-year returns and annual compound returns must be calculated based on the scholarship plan's total portfolio adjusted for cash flows."

Reflecting differences between scholarship plans and mutual funds, a scholarship plan's method of calculating annual returns is "based on the scholarship plan's total portfolio adjusted for cash flows."

The gross annual return, management expense ratio and trading expense ratio should be calculated on the same basis.

Also, it should be noted that Item 23.1(2) implies that the difference between gross annual return and (net) annual return is total expense ratio (i.e. management expense ratio plus trading expense ratio). This may work if dollar amounts are used, but it will not necessarily work for percentages because of differing calculation methodologies (e.g. return calculations are time weighted, expense ratios are dollar weighted).

Item 24.1

The requirement to repeat the MRFP disclosure in the prospectus is completely at odds with the CSA's objectives in providing non-duplicative and concise information to investors. This information is completely available to investors and should not be repeated.

INFORMATION ABOUT THE ORGANIZATION**Item 1.1**

In Section (1) the CSA uses the phrase "scholarship plan issuer". The scholarship plan issuer legally speaking is the individual plans that are

reporting issuers. These issuers are organized as trusts and therefore do not have “directors, officers, partners”. We don’t understand the reference to “shareholders”. This item must be revised to reflect the true nature of the required disclosure.

Item 2.1

In Section (3)(h) the oversight and governance of the plans resides with the Foundation. This information is important for plan holders. It is incorrect to speak of the IRC having “oversight” over the manager, when the real oversight is by the Foundation’s board of directors. The IRC only oversees specific conflicts of interest that have been referred to it.

Item 5.1

For Section (2), the above-noted comment applies equally to this section.

Item 6.1

Section (1) implies that plans must disclose compensation paid to the five highest paid officers of the administrator of the plans who performing management functions. These are the disclosure requirements of Form 51-102F6. This is completely at odds with the disclosure requirements for other investment funds, in particular mutual funds. Scholarship plans, like mutual funds, pay fees to the administrator/manager, who then is responsible for the operation of the plan, including paying salaries to its staff. The plans do not pay separately for the employees of the administrator. This item must be deleted or revised.

Item 8.2

This item has been taken from the mutual fund requirements and they do not fit within the context of scholarship plans that are distributed through one affiliated dealer. We would like to discuss the concept behind this disclosure with the CSA to ensure appropriate understanding. It is not possible to simply transpose mutual fund requirements on the different structures of scholarship plans.

Item 16.1

Given NI 31-103 to what extent does the CSA expect this disclosure and to what level of detail. Mutual fund managers do not provide this level of disclosure to our knowledge. Why are scholarship plan industry participants expected to provide additional disclosure than mutual funds?

Item 19.1

In Section (3), the contribution schedules provided as part of our members’ existing prospectuses already provide information about each beneficiary group, but does not break it up into the 15 or 16 tables that this item appears to require. This will add close to 12 additional pages to the prospectus for, we suggest, no additional clarity.

RESPONSE TO CSA QUESTIONS

The CSA ask three questions in the Notice and Request for Comment. The following are USCI's answers to those questions:

Should each Prospectus include a separate Part C for the various accounts operated by each Foundation for holding subscription proceeds until such time as the subscriber provides a SIN for each beneficiary?

As is disclosed in our current prospectus, we maintain a separate savings account to hold subscription money deposited by subscribers who wish to create an RESP for their beneficiary, but who are unable to provide a SIN for that beneficiary at the time they wish to begin saving, as required by applicable tax laws. This is a service we provided to our subscribers in recognition that not everyone may understand the requirement to have a SIN before creating an RESP and subscribing to one of our Plans. It is our view that the subscriber still subscribes to invest in the chosen Plan (and therefore enters into an investment contract, which is a security) and that in addition we provide that subscriber with an additional service and accommodation to address those circumstance when they have not yet obtained a SIN for their beneficiary. This service is transitional and time-limited in nature. In our view, it would be overly complex and potentially quite confusing to an investor to create a separate Part C for these accounts. The accounts quite simply are not separate "issuers" of securities. A separate Part C would mean that we would have another reporting issuer for whom audited financial statements and other requirements would apply.

We suggest simply that we continue to disclose this service in largely the same way as today.

Should the Part D disclosure of the Prospectus be made available only on request?

We strongly recommend that the entire Prospectus be made available on demand and that an expanded Plan Summary be the only document provided to investors at the point of sale. Investors would be clearly told about the Prospectus' availability in the Plan Summary (and potentially also in the relationship disclosure information) and sales representatives would be trained to explain what purpose the Prospectus serves, as well as the types of information that is provided in this document. Accordingly, we agree that the Part D disclosure should be made available only on request.

Should the prospectus have additional disclosure about the trustee of the scholarship plans – including policies on business practices and conflicts of interest, proxy voting and particulars about conflicts of interest?

Although we are not entirely certain of the reasons why the CSA are asking this question, in our view, this question displays a misunderstanding of the role of the trustee of a scholarship plan. For the purposes of disclosure, there really is no difference between a trustee of a scholarship plan and a trustee of a mutual fund.

Both trustees are third party trust companies, whose business is acting as a trustee as required under Ontario law. Our structure includes The International Scholarship Foundation, which provides the overall oversight and governance of the USC plan operations, and USC Education Savings Plans Inc., the administrator of the scholarship plans, which is also our scholarship plan dealer. These two industry participants provide all of the operational administration and governance of the scholarship plans (supplemented to a limited extent, as to governance, by the independent review committee of the scholarship plans). As to specific disclosure on proxy voting and conflicts of interest, we believe both these topics are adequately and extensively addressed in other disclosure regulatory instruments, as well as the prospectus disclosure form.

SUMMARY

While our comments may seem to suggest that we do not support the CSA's initiative to modernize the securities regulation of scholarship plans, by providing investors with more meaningful and effective prospectus disclosure, we want to be clear that the Proposed Amendments to National Instrument 41-101 *General Prospects Requirements*, Form 41-101F2 and Related Amendments as published, is an excellent first step in the journey and we are eager to work with the CSA to accomplish that goal. We look forward to hearing from you.