

September 26, 2002

Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, ON
M5H 3S8
Email: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson:

Re: Ontario Securities Commission Proposed Rule 13-502 – Fees

Introduction

We have reviewed the Proposed Rule 13-502 (the “Fee Proposal”) and we appreciate the opportunity to comment on the Fee Proposal. We support the stated intention of the Ontario Securities Commission (the “Commission”) to reduce the overall fees charged to market players, to simplify, clarify and streamline the current fee schedule, and to ensure that fees charged more accurately reflect the Commission’s cost of providing services. However, we have significant concerns with some of the key concepts and/or methodology outlined in the Fee Proposal.

Shift in Fees/Expenses to Mutual Fund Managers

In reviewing the Fee Proposal and its potential impact upon the relationship between our Company and the investors in our funds, it seems to us that the Commission is seeking to unilaterally alter the relationship between investors and fund managers by charging participation fees to fund managers that cannot be recouped from either the funds themselves or the investors in those funds.

The implications that arise from an economic restructuring of the relationships in the industry are among the most obvious and significant of the potential consequences of the Fee Proposal. The organization of our business is tied significantly to how revenues are derived from and expenses charged to the funds that we manage. We make product pricing decisions, organize business structures and establish contractual relationships on the basis of certain costs, such as regulatory fees, being expenses that are to be recaptured by being charged to funds under management.

Our Annual Information Form and Simplified Prospectus state that each fund pays all of its operating expenses excluding the costs of investment management, investment advisory services, marketing and advertising, which are provided in return for the payment of the management fee. The Fee Proposal would inappropriately alter the pre-existing contractual relationship that exists between us (the fund manager) and the investors in our funds. In addition, there is no logical basis to exclude specifically the regulatory fees from the pool of costs that can be recovered from the funds.

We understand that managers could, theoretically, obtain investor approval to raise management fees so as to be compensated for the new fees that managers will be made to bear. However, having to seek unitholder approval to increase management fees would be redundant insofar as the real purpose of this request would effectively be to facilitate the flow-through of regulatory expenses. Attempting to recapture the cost of participation fees in this manner would unjustifiably compel fund managers to expend additional resources to maintain the status quo (i.e. the Management Expense Ratio would be unchanged, only the allocation between the management fee and the expenses charged to the funds would be amended). There is a significant administrative cost associated with unit-holder voting, especially when all unit-holders in all

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funds are being asked to vote on this matter, it would be both unrealistic and impractical to seek unitholder approval for an increase in management fees.

Gross Revenue Attributable to Ontario

Dealers, advisors, registrants and each unregistered mutual fund manager (the “subject firms”) are to pay an annual participation fee based upon the proportion of gross revenues for the most recently audited financial year that is attributed to the entity’s business in Ontario for tax purposes.

We are concerned with this proposed method of income attribution for the purpose of calculating participation fees in the province of Ontario, as we believe the methodology to be seriously flawed.

The definition of Ontario Percentage as set out in Part 1 of the Fee Proposal, prejudices firms where the management of the firm and most of its activities occur in Ontario. In such situations, while the manager may have sales offices or similar establishments in other provinces, all management fee revenues may be attributable to Ontario for income tax purposes. Thus, Ontario-based mutual fund companies would, under the Fee Proposal, pay fees to this province that are inappropriately high, while still being required to pay fees to other provinces that are based on net or gross mutual fund sales. This, is unfair and it would result in a regulatory fee burden that is both duplicative and unjustifiably oppressive.

Any type of “Ontario Percentage” allocation methodology should be chosen carefully otherwise it would result in some duplication of fees unless regulatory fee methodologies are sufficiently harmonized across the country such that it is unlikely that a fund manager would be required to pay regulatory fees in different provinces/territories on the same assets and/or sales. For example, an allocation methodology based on assets under management for Ontario resident investors would be more appropriate.

Conclusion

It is our view that key aspects of the Fee Proposal are unreasonable and inappropriate and if the Proposed Rule as currently drafted becomes final, it will significantly change the economics of our business and of the industry as a whole. As a result, it is imperative for the Commission to address the issues and concerns raised herein and come to a resolution in a more considered manner.

Thank you for the opportunity to submit our comments. Should you have any questions, please call me at (416) 947-8019 or e-mail srostowsky@ggof.com

Yours truly,

“Steven Rostowsky”

Steven Rostowsky
Chief Financial Officer

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