

Corporate Securities

MARCH 27, 2003

OSC Rule 13-502 - Fees

Overview

Effective March 31, 2003, Rule 13-502 - Fees (the "Rule") of the Ontario Securities Commission (the "OSC") will come into effect. The OSC has established a new fee regime to reduce the overall fees charged to market participants, create a clear and streamlined fee structure and adopt fees that accurately reflect the OSC's costs of providing services. An annual corporate finance participation fee and an annual capital markets participation fee will replace most of the continuous disclosure filing fees and the new activity fees charged to market participants under the previous fee regime.

Corporate Finance Participation Fee

The annual corporate finance participation fee will apply to each reporting issuer in Ontario (other than investment funds - mutual funds (including pooled funds), non-redeemable investment funds and scholarship plans - that have a manager). If the fund does not have an investment fund manager, the fund is made subject to the corporate finance participation fee. The corporate finance participation fee does not apply to a reporting issuer that is a subsidiary entity for its financial year if the parent of the subsidiary entity is a reporting issuer, the parent has paid the participation fee and the net assets and gross revenues of the subsidiary entity represent more than 90 percent of the net assets and gross revenues of the parent for the parent company's previous financial year.

The Rule classifies each reporting issuer as either a Class 1, 2 or 3 reporting issuer, with the capitalization for each class of reporting issuer being calculated differently. The participation fee is determined in accordance with the reporting issuer's total capitalization amount and can range from \$1,000 per year (capitalization from \$0 to \$25 million) to \$85,000 per year (capitalization over \$25 billion).

The corporate participation fee must be paid no later than the date on which the reporting issuer's annual financial statements are required to be filed and must be accompanied by a Form 13-502F1 which is filed via SEDAR.

Initial Corporate Finance Participation Fee

In addition, each reporting issuer which has a financial year ending later than March 31st will be required to pay an initial corporate finance participation fee based upon the previous year's annual financial statements in accordance with the following formula:

$$\text{The total corporate finance participation fee payable} \quad \times \quad \frac{\text{Number of entire months remaining in current financial year after March 31, 2003}}{\text{12}}$$

THE UPDATE

This initial corporate finance participation fee must be paid by each reporting issuer in accordance with the following chart:

Year End	Fee Due
April 30, 2002	June 30, 2003
May 31, 2002	
June 30, 2002	
July 31, 2002	
August 31, 2002	
September 30, 2002	
October 31, 2002	April 21, 2003
November 30, 2002	
December 31, 2002	
January 31, 2003	June 20, 2003
February 28, 2003	July 18, 2003
March 31, 2003	No transitional fee owing

In the situation where a Class 2 or Class 3 reporting issuer does not have financial statements available, the participation fee is to be calculated on a good faith estimate of its capitalization as at the end of that financial year. Once these annual financial statements become available, the Class 2 or Class 3 reporting issuer shall either pay the applicable additional participation fees or request a refund of any overpayment of such fees.

A late filing fee of 1% of the corporate finance participation fee will be charged for each business day, to a maximum of 25%, that a corporate finance participation fee is late.

Capital Markets Participation Fee

The annual capital markets participation fees will apply to a person or company that is a registrant firm (advisers and dealers) and an unregistered investment fund manager. The capital market participation fee is determined in accordance with the specified Ontario revenues of the registrant firm or unregistered investment fund manager for its previous financial year earned from capital markets activities. The capital market participation fee can range from \$1,000 (Ontario revenues from \$0 to under \$500,000) to \$850,000 (Ontario revenues over \$1 billion).

A registrant must pay the capital market participation fee no later than December 31 of each year via the National Registration Database (the

“NRD”). A registrant must also complete and file a Form 13-502F3 via the NRD no later than December 1 of each year. In the situation where the annual financial statements of a registrant are not completed by December 1, the registrant may file the Form 13-502F3 due on December 1 on the basis of a good faith estimate of its specified Ontario revenues as at the end of its previous financial year and pay its participation fee by December 31 based on such estimate. At the time of completing its annual financial statements, the registrant must file a revised Form 13-502F3 reflecting the annual financial statements and either pay the applicable additional capital market participation fees or request a refund of any overpayment of such fees.

The capital market participation fee that applies to an unregistered investment fund manager must be paid no later than 90 days after the end of each financial year. The capital market participation fee of an unregistered investment fund manager must be submitted together with a Form 13-502F3, in paper, to the OSC.

A late filing fee of 1% of the participation fee will be charged for each business day, to a maximum of 25%, that a capital market participation fee is late.

Activity Fees

Market participants will be charged activity fees only for activities undertaken by the staff at the request of the market participant. Examples include the filing of a prospectus or rights offering circular, applications for discretionary relief, pre-filings, take-over bid and issuer bid documents, initial annual information forms and registration-related activity. The OSC no longer request fees for private placements and other exempt market transactions.

In addition to limiting these fees to activities undertaken by the staff, the Rule sets out a late filing fee of \$100 per day, to a maximum of \$5,000 for a financial year, for any market participant who files documents required to be filed with the OSC outside the prescribed time. Examples of such documents include annual financial statements, material change reports and management proxy materials. Late filing of insider reports will trigger a late filing fee of \$50 per day to a maximum of \$1,000 a year per reporting issuer.

THE UPDATE

We invite you to contact any member of the Goodmans securities team to discuss the Rule.

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