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Changes to the regulatory landscape in 2008

As your trusted transfer agent, CIBC Mellon is tracking several impending and potential regulatory changes that might affect you in the future. While it is too early to provide a detailed discussion of the specific impacts of each change, here is an overview:

1. Anti-money laundering and terrorist name checking

In December 2006, amendments to Canada's Proceeds of Crime (Money Laundering) and Terrorist Financing Act were passed by Canada's Parliament. As of June 23, 2008, when dealing with an entity, CIBC Mellon must obtain, document and keep records of directors, partners and beneficial owners (individuals who own or control, either directly or indirectly, 25 per cent or more of the entity). The law requires this information to be screened against applicable watch lists.

The amendments also contain:

- Changes to requirements when establishing an account, which applies primarily to plans (dividend reinvestment plans and employee plans). Account opening forms will be changed accordingly.
- Requirements to identify and monitor accounts of "politically exposed foreign persons" (PEPs). As regulators will not be publishing a list of PEPs, a vendor will need to be engaged to provide PEP lists for screening purposes.

CIBC Mellon may be requesting additional information from you and/or your shareholders in certain circumstances to comply with these amendments. We will give you more details as we near June 23, when these changes become effective. Read the [amendments to the act](http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=2613403&Language=e&Mode=1) [<http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=2613403&Language=e&Mode=1>].



2. Deadline extension for Direct Registration System

At the last minute, the deadline for Direct Registration System (DRS) eligibility was extended from Jan. 1, 2008, to March 31, 2008. The following explains why:

In August 2006, the U.S. stock exchanges amended their listing rules for all U.S.-listed securities, including those of Canadian incorporated issuers, so as to require that all such securities be DRS-eligible by Jan. 1, 2008. By the end of 2007, 7,018 listed securities had met this requirement, with 1,461 of those issuers electing to be eligible but not participating. However, despite the best efforts of issuers and their transfer agents, approximately 225 issuers were not able to meet the deadline - many for reasons beyond their control.

According to the Depository Trust Company's (DTC) website, to allow these companies to become fully compliant and to avoid investor confusion, the U.S. exchanges received approval from the U.S. Securities and Exchange Commission (SEC) to extend the deadline. However, it seems that any issuers not in compliance by March 31, 2008, may be subject to sanctions.

Read the full [DTC announcement](http://www.dtcc.com/leadership/issues/nomorepaper/about/announcements.php?lpos=home_slot3&lid=nomorepaper_drs_deadline) and access links to the exchange's amended rules [http://www.dtcc.com/leadership/issues/nomorepaper/about/announcements.php?lpos=home_slot3&lid=nomorepaper_drs_deadline].

3. Alberta Unclaimed Personal Property and Vested Property Act

On Dec. 7, 2007, Bill 23, Alberta's unclaimed property legislation, received royal assent, and will come into effect upon proclamation. The bill provides an understanding of the overall requirements of Alberta's unclaimed property regime, but many of the specifics will be prescribed in the regulations, which are unavailable at the time of this writing.

Under the Alberta approach, the "holder" of an unclaimed asset is the issuer of that asset, not the transfer agent acting as the recordkeeper. This distinction affects which issuers fall under the regime's jurisdiction and determines who has the onus of remittance.

Once the final regulations are published, we will provide you with more information.

4. SEC revisions to Rule 144

On Dec. 17, 2007, revisions to Rule 144 under the Securities Act of 1933 were published in the federal register. The SEC indicates that effective Feb. 15, 2008, these revisions will:

- "Shorten the holding period requirement for 'restricted securities' of issuers that are subject to the reporting requirements of the Securities Exchange Act of 1934 to six months."
- "Substantially reduce the restrictions applicable to the resale of securities by non-affiliates."

If you are an issuer with restricted securities issued under Rule 144, you may wish to [review the full text of these revisions](http://www.sec.gov/rules/final/2007/33-8869fr.pdf) [<http://www.sec.gov/rules/final/2007/33-8869fr.pdf>] with your legal counsel to determine if you will be affected.

5. Cost basis reporting

If you are an issuer required to send and file 1099B tax forms, you may be affected if certain proposed tax-reporting revisions are passed in the United States. Under the proposal, if a transfer agent is required to generate 1099Bs on behalf of their issuers, the transfer agent will need information that it does not currently have. For example, transfer agents could be required to gather and report information on the adjusted cost basis and asset holding period. Unfortunately, the certificate issuance date recorded on the share register is not the date of purchase.



Therefore, this date cannot be used to determine the start of the holding period for cost basis purposes. Furthermore, the purchase price is not part of the information provided by the holder or the broker on the presentment of the transfer, and the transfer agent has no authority to demand it.

It is anticipated that the proposed reporting regulations will be attached to a bill that will become law sometime in 2008. The U.S. transfer agent association continues to talk with the appropriate groups in Washington to ensure that the final regulations will not be overly burdensome.

We will monitor the progress of all these changes and provide updates as appropriate.

By William Speirs, assistant vice president, product management stock transfer

Who does what: understanding the roles and processes for the annual meeting

For many issuers, understanding all roles and responsibilities required to prepare for an annual general meeting (AGM) can be challenging. It doesn't need to be.

Let's look at the five steps you need to follow to ensure a successful annual meeting.

Step 1: The meeting planner

CIBC Mellon's early involvement can help you experience a smooth and efficient AGM planning process. To get started, you can complete our [investor meeting planner](http://www.cibcmellon.com/Contents/en_CA/English/IssuerCentre/IssuerTools/Investor_meeting_planner.html) [http://www.cibcmellon.com/Contents/en_CA/English/IssuerCentre/IssuerTools/Investor_meeting_planner.html]. This form conveniently groups all the information you need to organize AGM-related investor communications. It also identifies important dates, which are driven by the **record date for voting** (the date by which a person must be an investor to participate in the annual meeting).

Once you complete and submit the meeting planner form, it becomes the source document we use to ensure that all subsequent steps of the annual meeting process are executed in a timely and accurate basis.

Step 2: Determining mailing quantities

Based on the information in your planner, CIBC Mellon will, at your request, send a meeting notification to all financial intermediaries, reported by the Canadian Depository for Securities (CDS), that hold positions in your security, as well as selected U.S. financial intermediaries, if you wish. Under National Instrument 54-101 (NI 54-101), these financial intermediaries have three business days to provide CIBC Mellon with an approximate number of investors to receive meeting materials; these numbers are reported to you so that you can order sufficient quantities of material for your mailing.

To reduce the possibility of costly reprints or production of unneeded materials, each year we compare volumes requested by financial intermediaries with those of the previous year to identify potential problems. We then work with the financial intermediaries and their recordkeeper to resolve any significant variances.



Step 3: The investor mailing

The investor mailing contains all the documentation an investor needs to make a decision on matters to be discussed at your annual meeting. Though all investors receive the same materials, different methods are used to communicate with the various categories of investors.

The rules for communication with registered investors, whose names are recorded directly on your share register, are found in the various federal or provincial business acts. Based on the information in your meeting planner, CIBC Mellon sends meeting materials directly to all registered investors holding positions in your company as of your record date for voting.

Rules for communication with non-registered (also known as beneficial) investors, whose shares are held by a financial intermediary, are defined by NI 54-101. Mailings to beneficial investors vary depending on whether the investors are considered "non-objecting" or "objecting":

- **Non-objecting beneficial owners (NOBOs)** are investors whose identities can be disclosed to you. NI 54-101 explicitly specifies that you decide who communicates with your NOBOs. On the meeting planner, you can choose CIBC Mellon or your financial intermediary. If you choose CIBC Mellon, you must also complete [NI 54-101F9](http://www.cibcmellon.com/Contents/en_CA/English/IssuerCentre/IEforms/54101F9.html) [http://www.cibcmellon.com/Contents/en_CA/English/IssuerCentre/IEforms/54101F9.html], which contains an undertaking that the NOBO information will only be used for certain specified purposes such as the annual meeting.
- **Objecting beneficial owners (OBOs)** are investors whose identities are not available to you. The financial intermediary is always responsible for mailing to OBOs. Most intermediaries use the services of mailing agents to accomplish this requirement. The issuer is not required to pay the costs of communicating with these investors but is often asked to do so to ensure all investors are treated equally. Regardless of the payment arrangement, the cost of the materials themselves is always the responsibility of the issuer.

It is important to note that under NI 54-101, it is the financial intermediary that confirms whether investors are NOBO or OBO - usually when they first become an investor in your security. If investors do not make their choice known to the financial intermediary, under NI 54-101 they are deemed to be a NOBO.

Step 4: Tabulating investor responses

Proxy tabulation is the process by which CIBC Mellon collects responses from investors who do not plan to attend your meeting but wish to have company management (or another appointee) vote on their behalf on matters being considered:

- For the registered investor, proxy tabulation consists of receiving (by mail, fax and, if desired, telephone or Internet), validating and recording investor proxy responses. These are recorded on our records and summarized to you, upon request, prior to your meeting.
- For the non-registered investor, the process is slightly more complicated. If you choose CIBC Mellon to mail proxies to your NOBOs, an **omnibus legal proxy** must be completed. This form allows CIBC Mellon to treat NOBOs similarly to registered holders, and it is executed by your management appointee to ensure that proxies voted by NOBOs are shown to be part of a continuous voting chain. When another mailing agent is used for the NOBO and/or OBO mailing, the **voting instruction form** is used to solicit investor responses. These responses are recorded by the mailing agent, which periodically forwards proxy reports for the totals to CIBC Mellon as your proxy tabulator; we incorporate these into our records.



To be included in the final proxy totals for the annual meeting, all investor proxies must be received and deposited by the **cutoff date**, typically 24 to 48 hours prior to your meeting. Shortly after that time, we provide you with final proxy voting totals.

Step 5: At the annual meeting

The final step in this process is, of course, the meeting itself. Acting as your scrutineers, we register investors, distribute and tabulate ballots and provide you with final voting totals. Final reporting – consisting of the attendance and scrutineers' and ballot reports, for example – is provided one business day after the meeting.

Preparing for the annual meeting is an important event for the corporate secretary and investor relations professional. By understanding the responsibilities of each participant and by using CIBC Mellon's meeting planner, you can ensure that this year's meeting process is smooth and seamless.

If you would like additional information on any aspect of this process, please contact your client service representative.

By James Hinnecke, director, product management

Elimination of withholding tax

In the May 2007 edition of Inform, we gave you a heads-up about the federal government's intention to eliminate Canadian withholding tax on interest paid to all arm's-length (unrelated party) non-residents, regardless of their country of residence. This amendment was to take effect once the fifth protocol to the Canada-U.S. Tax Treaty was ratified, sometime in 2008.

On Nov. 13, 2007, Canada's minister of finance moved up this change with a motion to eliminate withholding tax on payments of interest, regardless of the timing of the fifth protocol. This legislation was passed, and, as of Jan. 1, 2008, interest (other than participating debt interest as defined in the Income Tax Act) paid to **all arm's-length non-residents of Canada** (including residents of the United States) is exempt from withholding tax.

How does this affect you?

Previously, withholding tax was imposed at a rate of 25 per cent of the gross amount of interest but was generally reduced to 10 per cent due to bilateral tax treaties. This has been an obstacle for non-residents who lend in the Canadian marketplace. The removal of this tax will allow Canadian borrowers greater access to foreign capital for cross-border loan and securitization transactions. Also, borrowing costs will likely be lowered and loans will be made with less restrictive conditions.

Please be aware that payments of interest to related (non-arm's-length) parties will continue to be subject to the applicable withholding tax. Moreover, the elimination of the withholding tax does not apply to other forms of income, like dividends, trust distributions and royalties.

How is CIBC Mellon Trust responding?

As of Jan. 1, 2008, CIBC Mellon no longer applies Canadian non-resident withholding tax on arm's-length payments of interest. To make sure these changes have minimum impact on you, we have:



- Contacted all non-resident debt holders to confirm whether they are arm's-length or non-arm's-length lenders
- Updated our register and payment system by removing tax withholding rates, as appropriate
- Amended our tax reporting system to ensure that we correctly record information on the relevant tax forms

For further information about the changes we have made, please contact your account manager.

By Mahomed Limbada, executive director, corporate trust services

CIBC Mellon introduces new website for secure e-mail delivery

In April 2008, CIBC Mellon will introduce an enhanced level of security for e-mails to issuers, investors and other external parties. This service, known as secure mail delivery (SMD), recognizes that some communications need an increased level of security, and gives us the option of securing electronic documents. Please note that if your company uses the transport layer security (TLS) cryptographic e-mail encryption protocol, you will continue to securely receive e-mails in your own inbox.

When sending an e-mail message (which could also include attachments), the sender will specify that an e-mail must be delivered securely. As a recipient, if your company does not use the TLS protocol, you will receive a notification that a secure e-mail message is available.

Secure e-mails will be located on a specially designated CIBC Mellon website. The first time you receive a secure e-mail, you will be asked to create a user ID and password. Once you have access to the site, you will be able to view the original secure e-mail, respond to it and perform other basic e-mail functions. Your ID and password will be used for any subsequent secure e-mails from CIBC Mellon. Passwords do not expire, and they can be reset.

We will also use the SMD service to communicate with investors when sending personal investor information electronically. To assist investors, all call centre representatives are being trained to help anyone who encounters difficulties retrieving information sent securely.

CIBC Mellon takes safeguarding our clients' confidential information very seriously. The introduction of e-mail encryption using SMD is a further demonstration of this ongoing commitment.

If you would like more information about this new feature, please contact your client service manager.

By Simon Baker, security architect, information services

Message from the CEO

At CIBC Mellon, we know that your annual general meeting is an important opportunity to make a positive impression on the key groups who influence your company's future: investors, analysts, employees, customers, suppliers, lenders, regulators, special interest groups, media and business partners. This once-a-year event offers you the opportunity to engage these key



influencers, communicate with them face-to-face and to approve decisions critical to the future of your organization.

A successful annual meeting does not just happen. Its success entails careful planning, preparation and coordination with various parties. It also requires staying on top of regulatory changes and having the technical and personal expertise on your side.

As your transfer agent, CIBC Mellon can help you plan and deliver an effective annual meeting. We have the expertise to help you strengthen relationships with your key stakeholders and you can rely on our experience to navigate the various challenges and choices you will face this annual meeting season.

Our early involvement in your planning can help to achieve a smooth and efficient process. We offer a comprehensive array of services throughout the process and can perform many annual meeting functions on your behalf. Our knowledge of logistical considerations and best practices comes from our experience in handling all aspects of mailing, tabulation and scrutineering functions for hundreds of annual general meetings each year. Our client service managers are experts in the most recent regulatory developments and annual meeting requirements.

By taking advantage of everything CIBC Mellon has to offer, you get the service you need and investor satisfaction; so you can stay focused on moving ahead.

Wishing you a stress-free and successful annual meeting.

By Thomas C. MacMillan, president & chief executive officer at CIBC Mellon

CIBC Mellon makes Section 5970 report available

Maintaining your security holder records and performing securities transfers are integral aspects of CIBC Mellon's securities transfer and registrar services. To demonstrate our commitment to client service and operational excellence, CIBC Mellon engaged KPMG LLP to conduct an independent assessment of our internal control objectives and procedures, in accordance with Section 5970 of The Canadian Institute of Chartered Accountants' Handbook (CICA Handbook). The resulting report, as of Nov. 30, 2007, is now available.

If you would like to receive a copy of this report, please contact your client service manager in writing.

By James Hinnecke, director, product management

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