

## NI 54-101 – Positive Results And More

The shareholder communications environment has changed a great deal and is more complex than just a few years ago.

Two updates on NI 54-101:

1. The positive results of Computershare's work in conducting NOBO mailings on behalf of our issuers since we started in August 2004.
2. Changes that were effective February 9, 2005.

Computershare has been very active in carrying out mailings of proxy-related materials to beneficial holders for our issuer clients. To date, we have mailed proxy-related materials to 619,000 beneficial holders. Our goal is to have mailed proxy-related materials to more than 1.5 million NOBOs by the end of this proxy season.

We believe this is a reflection of the confidence that our clients have in us to carry out this new and important work on their behalf. It is also significant because we are accomplishing these numbers in the face of a very determined competitor.

NI 54-101 was always about issuer choice in a competitive market and we have moved very quickly towards achieving that while improving the overall service levels.

### Issues remain

We continue to work with the CSA on various outstanding problems. Issues include the price for the NOBO data, the control of the delivery of data by ADP-IC.

Another concern is the content of the NOBO file itself. Quite often these files contain data that we do not need but nevertheless have to pay for and then eliminate from the file following receipt.

### Results show increased efficiency

From our NOBO mailings we are able to see how NOBOs vote. We have moved the NOBO group, as well as many more of our registered shareholders, to Computershare's **scannable form of proxy or Voting Instruction Form (VIF)**. Early analysis shows a large component of NOBOs prefer to vote electronically. More than 30% vote using telephone and over 15% vote using the Internet. These numbers—combined with the almost 50% of proxies that are scanned—mean that only about 6% require data entry, making this whole process much more efficient and timely.

The number of holders who vote electronically on the beneficial side are much higher than the number of registered shareholders who vote using the same technology. We believe that as we

continue to expand telephone and Internet voting opportunities to the registered holders, we will see a higher percentage use these methods.

Computershare's goal is to move as many of our proxy mailings to scannable documents, to achieve a reduction in paper handling and data entry work previously required in proxy processing.

#### **Recent changes - February 9, 2005**

For most issuers, the most important change in NI 54-101 is the repeal of the section that referred to routine business, effective February 9, 2005. The introduction of the concepts of "routine" and "non-routine" business created much confusion among issuers and created significantly higher costs as many issuers were required to mail to their group of holders—registered and beneficial—as a result of their meetings being "non-routine".

We have now moved back to the concept of "special" meetings as these are defined in corporate statutes. The CSA believes this will achieve the right balance between keeping investors informed and their desire not to receive materials—but will bring to the attention of all holders those issues which require a special meeting. This will also help to reduce costs associated with annual meetings and related mailings by limiting mailings relative to annual general meetings to only those beneficial holders who have actually indicated that they wish to receive materials.

#### **Legal proxy**

Another important issue that has become prominent as a result of issuers conducting NOBO mailings of proxy-related materials is the use of a "legal proxy". There has been much discussion about this particular document: when it gets delivered, to whom, its treatment by those doing proxy validation, etc. The industry is working to set "standard practice" that would be in effect for most meetings and would also be documented in the Proxy Protocol which is used in most circumstances for rules of proxy validation. Our goal is to have Proxy Protocol amended soon—in the interim, we are dealing with this issue and consulting with clients as we go. (Please see the CHATTA article on Proxy Protocol in this issue.)

The shareholder communications environment has changed a great deal and is more complex than just a few years ago. Computershare's goal is to help issuers like you successfully manage the complexities and develop a communication strategy that works for you and your investors.

For more information, please contact Bob Mackenzie, VP, External Mandates, at [robert.mackenzie@computershare.com](mailto:robert.mackenzie@computershare.com) or 416-263-9204.

## **NI 51-102 - Continuous Disclosure Obligations Update**

Regulators are reviewing time tables established under NI 51-102.

NI 51-102 is changing—at least temporarily—while the Canadian Securities Administrators (CSA) review the new deadlines which accelerate the filing and delivery of annual financial statements and MD & A. This has a direct affect on annual meeting timetables for issuers like you.

### **The problem**

The problem is that the new filing and delivery schedules proposed under NI 51-102 make it difficult for many issuers to file and deliver within the new time frames. Instead of having 140 days from their financial year end within which to file and deliver these materials, TSX companies are now required to file and deliver within 90 days, and TSX Venture companies are required to file and deliver within 120 days.

Thus, the issue that these new rules create for issuers is that in order to avoid multiple mailings of financial statement materials to holders (followed by a later mailing of proxy-related materials), an issuer would have to bring forward its annual meeting date to be able to do one mailing of all material within the time frames permitted for shareholder meetings.

### **Original intention**

These new time frames were intended to achieve two purposes:

1. Regulators were looking for earlier and complete disclosure.
2. Regulators believed the disclosure and delivery should be easier to achieve as changes to the shareholder communications rules permitted companies to confirm with their holders whether they wished to receive annual financial statements and only deliver these materials when requested.

So, in theory—given the reduced amount of material issuers would have to mail—they would be able to meet the reduced time frames. This was probably based upon the assumption that most holders would not want to receive the materials in question and that the rule would be equally applicable to both registered and beneficial holders.

While most holders may not wish to receive the materials, the assumption that this rule would apply to both kinds of holders is incorrect, as most corporate statutes require issuers to deliver annual financial statements to all their registered holders. Some acts (OBCA, CBCA, Bank Act, etc.) relieve issuers of the obligation to mail in respect of those registered holders who have indicated in writing that they do not wish to receive this material. But few registered shareholders have done so

and there can be significant numbers of registered holders; therefore issuers are often still required to perform substantial mailings.

### **Applicable corporate law**

NI 51-102, in a way, recognizes this fact. In section 1.3 of the Companion Policy to NI 51-102, issuers are alerted that corporate statutes may impose requirements that address similar matters to those addressed by NI 51-102—requirements that may even be more onerous. For example, the Company Policy specifically points out that applicable corporate law may require the delivery of annual financial statements to shareholders or may require the board of directors to approve interim financial statements.

Given the requirements of the statutes that govern issuers as well as the potential problem the new rules create for public companies (in having to manage multiple mailings of financial statement materials to their shareholders), Canadian securities regulators have advised that they will review the new annual financial statement and MD & A delivery obligations in light of issuer concerns regarding meeting mailing deadlines and maintaining their annual meeting timetables.

### **Temporary relief**

Canadian securities regulators have advised that they will **not** object if the delivery requirements under NI 51-102 are interpreted to require the mailing of annual financial statements and MD & A to all registered and beneficial holders within 140 days of the issuer's financial year end.

As a result, issuers will be able to avoid the need to either conduct two separate mailings of the material (it previously mailed at the same time), and will not be required to bring forward their annual meeting date to accommodate the earlier mailing time frames. **However, filing of all relevant materials still must take place within the 90 or 120 day periods**, as applicable.

Issuers should keep in mind that this “no action” relief is for this proxy season **only**, while the CSA reviews the time tables established under NI 51-102. The CSA has published an FAQ on the NI 51-102 which is available on all securities commissions' web sites. The FAQ should be reviewed in detail by all issuers, and legal counsel should be consulted in regard to mailing and filing deadlines. We expect to be able to provide further information regarding amendments to NI-102 that result from the CSA review of this issue in future editions.

For more information, please contact Bob Mackenzie, VP, External Mandates, at [robert.mackenzie@computershare.com](mailto:robert.mackenzie@computershare.com) or 416-263-9204.

## Proxy Protocol – Final Draft Is Here

The new protocol should be in place for the bulk of the current proxy season—by the end of March.

When we last discussed Proxy Protocol, the industry rulebook for proxy validation and related issues, it was to inform you that it was being updated for the first time since 1991. Much of the document is still valid for today's purposes, however, developments like NI 54-101, changes to statutes, the use of technology to promote voting by Internet and telephone and electronic delivery, require an overall revision to protocol.

### Final draft circulated

The final draft of the amended Proxy Protocol has been distributed to the members of the committee that the Stock Transfer Association of Canada (STAC) assembled for this purpose. Bob Mackenzie of Computershare is a member of this committee.

Other issues which the committee is addressing include:

- allocation of votes from intermediaries when they have shares in different places and names
- the ability of tabulators to spot overvoting potential early enough in the tabulation cycle to resolve
- the possible need for even more overvoting rules—there are currently 8 choices provided by protocol
- the expansion of the list of corporate statutes covered beyond the OBCA and CBCA

The next step is a meeting of the committee members, followed by review by counsel to STAC. The new protocol should be in place for the bulk of the current proxy season—by the end of March.

For more information, please contact Bob Mackenzie, VP, External Mandates, at [robert.mackenzie@computershare.com](mailto:robert.mackenzie@computershare.com) or 416-263-9204.



## Canadian eTree Success Story

A creative, practical and popular solution will save TELUS \$87,000 a year.

[Pepper](#), a wholly owned Computershare company since 2004, offers unique services based on marketing consulting and technology. TELUS, one of Canada's leading providers of data, Internet, voice and wireless communications services, has a reputation as an environmentally-friendly company.

Pepper worked with TELUS to implement a cost-effective initiative, [eTree](#), to reduce TELUS' printing and mailing costs. How? By using incentives to encourage registered shareholders to receive annual reports and other financial materials via email (e-delivery).

### What is eTree?

eTree offers your shareholders a unique and rewarding proposal: sign up for e-delivery and a tree will be planted on their behalf. eTree is a partnership between Pepper and [The Tree Canada Foundation](#), a leader in promoting the value of urban forests in Canada.

To promote awareness and encourage signup, Pepper utilized traditional marketing methods—direct mail and flyers—to reach out to TELUS' registered shareholders.

### The result?

20% of TELUS' registered shareholders opted in! The cost savings proved to be significant—\$87,000 per year. Shareholders were extremely enthusiastic about the program, as many expressed positive comments.

In addition to the cost savings and positive response from shareholders, TELUS now has another success to add to its corporate and social responsibility report.

For more information on how to put Pepper to work for you, please contact Nadia Tomev at 416 263-9674 or [nadia.tomev@computershare.com](mailto:nadia.tomev@computershare.com).



## Independent Client Survey On Its Way

You should soon receive Stockholder Consulting Services' annual survey of public companies—it asks for your opinion of your transfer agent services. This survey, along with the Group Five survey that comes out in the summer, are important benchmarking instruments for our industry.

Please note that an adequate number of responses is crucial to ensure a quality result—we appreciate you taking the time to complete survey and return. Computershare takes these surveys seriously and look to this feedback to help us provide the best possible service.

For more information, please contact your Relationship Manager.



## Georgeson Shareholder & The Financial Community

An overview of who Georgeson works with on the 'street'.

Georgeson Shareholder is the leading provider of proxy solicitation and other shareholder response services, including information agent services, Asset Reunification™, small shareholder programs, mutual fund services and depositary services. Georgeson's extensive experience in designing and managing programs for any type of security-related communications issue allows for custom programs.

1. Some examples of Georgeson's interaction with various organizations and groups and the activities with each.

### Transfer agents

- Obtain lists for shareholder analysis to project voting/tender results
- Fixing spoiled items on proxy deposits and tender offers to assist in providing the clients' target
- Letters of guarantee, assisting the brokerage community to meet its compliance requirements

### Canadian Depository for Securities (CDS)

- Notices—review for accuracy and that time lines are understood by community (i.e. tender offers, offer options, Canadian & US residency requirements on tender offers and reorganization)
- Cut-off dates (by client, TSX, CDS, each broker, custodian) can vary and will impact the response rates
- Nuances of each deal (i.e. proxy and/or corporate action) can dictate proper action to be taken by brokers and their NOBO/OBO clients

### Depository Trust and Clearing Corporation (DTCC)

- Notices on a Canadian offer can have many fine distinctions—Georgeson checks that the notice is accurate and clear message is conveyed to retail shareholders

### Arbitrageurs



- Georgeson has the largest database of arbitrageurs globally, with over 100 active North American, plus over 20 that specialize solely in each of the UK, European and Asian markets
- Constant contact leads to multiple strategies, as opposed to the monolithic approach when a solicitor opens dialogs with limited arbitrage contacts

#### **Legal community**

- Relationships are very supportive—using our expertise and knowledge to help develop the strategy and tactics on the transaction

#### **M & A advisors**

- Will seek our advice and counsel on how to project a vote and get the message out to the shareholders
- Influential to hiring us on any specific transaction, based on our reputation and results-orientated approval
- Work closely throughout an entire campaign

#### **Custodians** (banks, trust companies, brokerage houses)

- Frequent contact with this group allows us to develop a strong working relationship to promote the execution of a transaction
- Makes certain all shares are captured on tenders, or votes on proxy campaigns
- Both re-organization and proxy divisions are the focus of our efforts

#### **IR & media consultants**

- Most high profile deals will have external groups retained to make sure the audience is properly informed—Georgeson works with these groups to develop and deliver the messages
- We work closely to develop key messages, determine best methods of communication

#### **ADP-IC:**

- Canada—can be huge benefit to make sure the process of the mailing/documents is structured properly
- Mailing is organized to meet deadlines, votes are monitored and reported to all of the working group
- US—managed by our NY office via a co-ordinated effort with Canadian office

2. Georgeson's interaction with clients and their shareholders. Aside from our regular, ongoing contact with clients, we also assist in key areas.

#### **Company executives**

- We work closely to set the objectives, define and refine the message and make sure all institutional and retail shareholders are contacted
  - President, Board
    - CEO
    - CFO
    - Investor Relations
    - Corporate Secretary
    - Governance Committee
- } each campaign may involve any or all of these senior executives

#### **Retail shareholders**

- Size and demographics analyzed to make sure efficient use of time and resources are allocated to the proper threshold of share accounts and share positions
- We make certain key messages delivered and feedback provided to client
- Shareholder feedback can dictate the strategy and tactics the working group develops (working group consists of client, lawyers, consultants, merger/acquisition team)
- Call centre is utilized to reach out for a response from the retail holders, and institutional holders via the Wellington staff members

#### **Objecting Beneficial Owners or OBOs**

- Decision-makers, contacted at the institutional level; some examples are:
  - Public pension funds
  - Money managers
  - Hedge funds
  - Mutual funds
  - Private pension funds

#### **Non-Objecting Beneficial Owners or NOBOs**

- Our leading edge technology in the call centre is used to find shareholders' phone numbers promptly and accurately to allow us to conduct an outbound call campaign.
- Database loaded and customer service representatives are then trained on the details of the deal and answer questions from your NOBOs & OBOs

3. Tools utilized by Georgeson.

#### **Market Surveillance**

- Bloomberg, EDGAR and SEDAR
- SuperTop—in-house software database
- Reuters, CNN, other wire services to monitor news and information on a transaction
- In-house proprietary database
- Daily trades monitored, if applicable to any specific transactions

**Advertisers**

- Newspapers are utilized to promote the transaction and encourage shareholders to respond to the transaction and to use our call centre for direction on the transaction
- Wall Street Journal ads are used frequently on cross-border deals on takeover offers
- LEXPERT, the legal community's trade magazine, highlights deals driven and the lawyers involved on many of our deals

**Institutional Shareholder Services (ISS) Canada**

- Frequent communication with this corporate governance firm on any specific transaction concerning governance, compensation or acquisition transactions
- Act as a conduit between client and ISS Canada to make sure recommendations are comprehensive and accurate for any complex transaction

For more information on how Georgeson can assist you, please contact Georgeson Shareholder, at 416-862-8088 or [rshanks@gsCorp.com](mailto:rshanks@gsCorp.com).

## Hewlett-Packard + Pepper = Success

How Pepper's expertise helped Hewlett-Packard's global communications.

[Pepper](#), a Computershare company that designs and implements integrated solutions for relationship management, is working closely with Hewlett-Packard (HP) on a global project. HP is a leading provider of innovative products, solutions and support in the market segments of IT infrastructure, IT services, personal computing, printing and image processing. HP needed help to create a unified system for the entire company's e-marketing initiatives in order to launch a monthly business-to-business e-newsletter.

### HP's needs

HP world-wide programs needed a multi-competence partner with the skills and experience to launch the e-newsletter on time every month—at the rate of several new countries per month. They also needed a global editorial process for content harvesting inside the HP organization, as well as established local media relationships.

### HP's objectives - internal

- Consolidate several communication vehicles into one integrated business publication for efficiency reasons
- Build a scalable one-to-one global e-newsletter infrastructure

### HP's objectives - external

- Improve customer loyalty and increase sales over customer lifetimes and product lifecycles
- Consolidate content from all HP business and product groups into one publication
- Increase relevance through matching of reader interests and content

### Pepper's expertise

Pepper's tasks included information gathering—within a tight deadline—and establishing a global team, including opening a Singapore office to service HP in that region.

### The results

It was launched on time, after putting in place an international, service-oriented system (and multi-lingual team), working closely with HP to meet each of their objectives. Pepper enabled rollout to 34 countries (up from 7) and 19 languages (up from 6) within just 14 months. Key success factors include relationships established by Pepper with HP to gather information needed for content, as well as promoting 'buy in' of this new initiative across the HP organization.

Results and research show that increased personalization in e-marketing can lead to more successful demand generation through targeted offers and improved ROI.

Click here to see a sample of [HP's e-newsletter](#).

For more information on how Pepper can help you, please contact Rob Gibbs, Director of Creative Services, at (312) 588-4744, [robert.gibbs@pepperglobal.com](mailto:robert.gibbs@pepperglobal.com), or Nadia Tomev, Consultant, at (416) 263-9674, [nadia.tomev@pepperglobal.com](mailto:nadia.tomev@pepperglobal.com).

## Upcoming Events

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### 6<sup>th</sup> Annual Commercial Mortgage Backed Securities (CMBS) Conference

- Benefit from input from recognized industry experts

April 5, Toronto, St. Andrews Club and Conference Centre

For more information, visit [www.insightinfo.com](http://www.insightinfo.com).

Featuring Stuart Swartz, Vice President, Corporate Trust. Computershare is a proud sponsor—be sure to stop by our booth to learn how we can help you.

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### Canadian Corporate Counsel Association (CCCA) 2005 National Spring Conference

Corporate Counsel and the Global Village:

Meeting the Challenges of Doing Business Beyond Our Borders

- Get the knowledge, skills and international connections for the global environment

April 17 - 19, Toronto, Hilton Hotel

For more information, visit [www.cancorpccounsel.org](http://www.cancorpccounsel.org).

Computershare and Georgeson Shareholder are proud sponsors—be sure to stop by our booth to learn how we can help you.

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### Mergers & Acquisitions Conference

Leading Players - Leading Deals

- Deal dynamics in today's economic climate
- Takeover battles - strategies to pursue, traps to avoid, deal protection devices

April 17 - 19, Vancouver, Four Seasons Hotel

For more information, visit [www.insightinfo.com](http://www.insightinfo.com).

Featuring Roy Shanks, Vice President, Georgeson Shareholder.

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## **18<sup>th</sup> Annual Canadian Investor Relations Institute (CIRI) Investor Relations Conference**

Today's IRO: Swifter, Smarter, Stronger - Turning Potential Into Reality

May 29 - 31, Banff, Fairmont Banff Springs Hotel

For more information, visit [www.ciri.org](http://www.ciri.org).

Computershare and Georgeson Shareholder are proud sponsors—be sure to stop by our booth to learn how we can help you.

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## **Financial Executives International (FEI) Canada's Annual Conference**

North American Rendezvous Conference 2005

New Frontiers – for the CFO and for International Business

June 1 - 3, Whistler, The Westin Resort & Spa

For more information, visit [www.feicanada.org](http://www.feicanada.org).

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## **8<sup>th</sup> Annual Asset Securitization Asset Backed Securities (ABS) Forum**

Prospects for Growth – Implications For Change Analysis of Market Trends and Techniques

- Trends, challenges and opportunities for the Canadian ABS market

June 5 - 8, Whistler, Fairmont Chateau Whistler Hotel

For more information, visit [www.insightinfo.com](http://www.insightinfo.com).

Computershare is a proud sponsor—be sure to stop by our booth to learn how we can help you.

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## **7<sup>th</sup> Annual Canadian Society of Corporate Secretaries (CSCS) Conference**

Sept 12 - 14, Banff, The Rimrock Resort Hotel

The first time being held outside Ontario. Watch for more details in our June CHATTA.

For more information, visit [www.cscs.org](http://www.cscs.org).