



Addendum to October 22, 2002 Corporate Actions and Other Entitlements White Paper

May 2003

EXECUTIVE SUMMARY

Purposes: This addendum summarizes the results of public feedback¹ on the Corporate Actions and Other Entitlements White Paper², published for comment by the Canadian Capital Markets Association (CCMA)³ on October 22, 2002, supplemented by further analysis and deliberations by the Corporate Actions Working Group (CAWG)⁴. The CAWG findings were also presented to those attending CCMA conferences in Toronto (November 19, 2002), Montreal (February 25, 2003) and Vancouver (March 13, 2003) and new members have been added to the CAWG to further expand input opportunities. CAWG members and observers would like to thank all those who took the time to review and comment on the paper and its recommendations.

Findings: There was full agreement with the mandate and goals of the original white paper.

There was agreement on most recommendations and suggested improvements, including the need for best practices and standards that are to be tabled in June 2003.

There was not full agreement on two CAWG recommendations where further analysis and work is underway, although all agreed in principle with the stated goals of these two recommendations, namely, risk reduction, greater efficiency and, assuming issues raised can be addressed, improved investor service. The two areas are:

- Mandated entitlement reporting hub, to which issuers or their agents would file an expanded list of entitlements in standard form, where further industry analysis is required, further discussions with issuers and their agents is needed and desirable, more background on an equivalent U.S. effort is being pursued and feedback from the Canadian Securities Administrators will be sought – in this regard, the CAWG is undertaking additional review and consultation and expects to publish an update this summer
- Mandated payment of entitlements by issuers to depositories via the Canadian Payments Association (CPA) Large Value Transfer System (LVTS) (or the similarly final and irrevocable settlement via participant funds accounts at The Canadian Depository for Securities Limited (CDS)) – in this regard, the CAWG is awaiting feedback on a letter sent on May 12, 2003 to the Canadian Securities Administrators (CSA).

As well, there was a query as to the order of implementation of the recommendations (e.g., best practices and standards first or concurrently with the entitlements hub, domestic changes first or in parallel with the U.S. or globally), however, the view that

¹ See www.ccma-acmc.ca, Media/Publications page, White Papers, March 31, 2003

² See www.ccma-acmc.ca, Media/Publications page, White Papers, October 22, 2002

³ See www.ccma-acmc.ca, Home page

⁴ See www.ccma-acmc.ca, Committees page, Corporate Actions Working Group

further analytical work on all outstanding recommendations should continue as quickly as possible.

The white paper recommended further review in a number of potentially problematic areas and this has been undertaken, leading to a number of issues being closed.

Caveat: All work done to date has been undertaken with the ultimate goal of being workable in a T+1 environment. This said, if and when there is further discussion of reducing the settlement cycle from the current standard of three days (T+3) to T+1, the day following a trade, a number of issues will have to be re-examined, including best practices and standards. In all cases, the CCMA encourages and welcomes further feedback from and participation of all stakeholders in the marketplace, including issuers, their agents and advisors; regulators; and market participants

If there are any outstanding questions at this time, contact the CCMA at info@ccma.acmc.ca.

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SECTION 1 – BACKGROUND

Below is the outcome of the Corporate Actions Working Group's further review and analysis of recommendations in the October 22, 2002 Corporate Actions and Other Entitlements White Paper, as well as the detailed comments received on the white paper. The CAWG thanks all those firms that took the time to respond and continues to encourage comment and discussion. The full transcript of comments received can be found on www.ccma-acmc.ca, Media/Publications page, March 31, 2003.

In the comments received, there was unanimous agreement on the problems and general agreement on solutions with three exceptions: (1) payment of entitlements by Large Value Transfer System, (2) entitlement information repository/dissemination hub(s) and (3) the order in which recommendations should be implemented.

Section 2 below sets out the original recommendations with a summary of comments received and action completed or to be undertaken.

Section 3 identifies next steps.

Appendices follow.

SECTION 2 – RECOMMENDATIONS AND ACTIONS TAKEN/TO BE UNDERTAKEN

The table below lists October 22, 2002 white paper recommendations in the left-hand column (refer **Appendix #1** for the detailed October 22, 2002 white paper recommendations) and the outcome of analysis, resolution, proposed action or issue status in the right-hand column.

#	Recommendation	Finding/Status
a.i	Mandate entitlement reporting to central hub	Considerable commentary received (refer feedback received on white paper on Web site, Media/Publications, White Papers, March 31, 2003). The main areas of benefits were accepted without reservation. Outstanding questions relate to: specifics of the proposed solution, potential cost and who will/should bear it, extent of the risk that the hub seeks to address, impact on issuers, alternative solutions and solution parameters. A letter to the CSA responding to questions posed by the CSA is being prepared; further work on the specifics outlined above is underway and will be published when available. Additional consultation with issuers and their agents and advisors will be sought.
a.ii	Set standards for reporting to entitlement hub	See a.i above and draft reporting template (Appendix #2). Proposed best practices and standards will be tabled in June 2003.
a.iii	Establish compliance measures for non- or late reporting to entitlement hub	See a.i above; further discussion underway and further comments to follow.
a.iv	Further analyze investment fund impacts	The key issue raised in comments received on the white paper is the importance of getting information to calculate the net asset value (NAV) of investment funds on a complete and timely basis. Developing further detail on this was assigned to the institutional and retail committees proposing best practices and standards, with agreement that ISINs for new issues should be available on the day prior to trade date (T-1) to facilitate trading of newly issued securities on the first date to trade in the new security. Refer proposed best practices and standards to be tabled in June 2003.
a.v	Further analyze time zone impacts	No new concerns were raised, however, time zone impacts come into play most when it comes to (1) making elections and (2) making entitlement-related payments – particularly corporate-actions-related ones – by large value transfer system. The former is a problem in the current environment and does not just relate to STP. In this

#	Recommendation	Finding/Status
		<p>regard, the CAWG reviewed the French model, which provides for a three-day window after a corporate action's legal expiry date when custodians can collect, compile, reconcile and submit instructions to the tendering agent, which, in Canada would serve to mitigate time zone impacts, even if the window were only a day – this model will be reviewed further. This said, the information repository/dissemination hub should get information <i>out</i> more quickly, more certainly and in a more easily usable format. The use of standard payment times should help reduce potential end-of-day challenges (refer proposed best practices and standards to be tabled in June 2003). Providing better information faster helps address time zone impacts at the front end.</p>
b.i	Corporate actions during trades	<ul style="list-style-type: none"> • If there is a deadline for an election, and the security is still trading, there are operational problems, however, they are logistical and not specifically STP-related. • Logistical issues would be more of an issue in a T+1 environment, with a shorter settlement cycle, but these issues are out of the scope of the CAWG's current STP work. • Also, logistical issues can be resolved at the time of the issuance of the prospectus by efforts between the Toronto Stock Exchange (TSX) and The Canadian Depository for Securities Limited (CDS) to align the trading expiry and election expiry dates.
b.i	Corporate actions involving securities on loan	<p>Four areas were reviewed:</p> <ul style="list-style-type: none"> • Loaned positions may have to be recalled to receive a proxy for voting rights. This is based on individual client requirements as set out in the legal agreement governing the securities lending arrangements. As well, each firm has its own systems and processes to identify when to recall a position based on announced annual meeting record dates. While there are challenges in this process, they exist in the T+3 environment. They are not specifically STP-related and therefore are outside the scope of the CAWG mandate. • During the life of a loan, the underlying asset or security loaned may be involved in a number of other events where an entitlement is due. If the underlying asset pays a dividend or interest payment, the lender, on behalf of the beneficial owner, is entitled to receive the proceeds from the borrower on the payable date and the beneficial owner retains the right

#	Recommendation	Finding/Status
		<p>to collect all entitlements and rights of ownership associated with the assets. The underlying asset may also be involved in a corporate action event ranging from name changes and mergers to tender offers. If the event is mandatory and no decisions are required, the borrower returns the new asset at the conclusion of the loan or time of the exchange. As above, any challenges caused by this process are not specifically STP-related and therefore are outside the scope of the CAWG mandate.</p> <ul style="list-style-type: none"> • The asset may be involved in a tender offer or bid to acquire the shares. In such cases, the underlying beneficial owner has the right to submit his or her shares to the offeror and the lender will attempt to recall the loan to fulfill the beneficial owner's request to tender the shares prior to expiry of the event. If the borrower is unable to return the securities in time, the lender issues a direction to the borrower to tender the shares on the beneficial owner's behalf. The borrower acknowledges receipt of the direction, taking on the liability for ensuring that the shares are tendered for the appropriate proceeds. The borrower will then return to the lender the applicable proceeds when they are received from the depository. Again, any challenges are not specifically STP-related and therefore are outside the scope of the CAWG mandate. • The borrower may be a foreign resident and there may be residency restrictions. In these eventualities, the borrower must fulfill the beneficial owner's request. Once more, any challenges are not specifically STP-related and therefore are outside the scope of the CAWG mandate.
c.i	Mandate entitlement payment by LVTS to recognized depositories	Refer Appendix #3 , Letter to Canadian Securities Administrators.
c.ii	Standardize payment process, compliance measures, compensation parameters	Refer Appendix #3 and proposed best practices and standards to be tabled in June 2003.
c.iii	Publicize Canadian	Done; visit www.cds.ca , Welcome page.

#	Recommendation	Finding/Status
	Depository for Securities cut-off times	
c.iv	Further analyze share exchange process	Canada does not face the same share exchange problems that are reported to exist in the United States, in part because of the proportionally smaller transfer agent community. Refer to the proposed best practices and standards to be tabled in June 2003.
c.v	Update and communicate solicitation fees standard	Refer Appendix #4 and proposed best practices and standards to be tabled in June 2003.
d.	Promote electronic voting and shareholder options	From further research, CAWG members agreed that sufficient progress appears to have been/is being made in this area. No comments were received that suggested that this needed to be given any further priority.
e.	Set physical certificate turnaround standards (for regular transfers)	Refer proposed best practices and standards to be tabled in June 2003.
f.	Co-ordinate standards/practices/rules with U.S., U.K., others:	CAWG is periodically in touch with U.S. and U. K. counterparts and will continue to work to harmonize best practices and standards efforts with these countries and others, for example, CAWG considered aspects of the French corporate action processing model in its review of practices and standards elsewhere. CAWG's announcement information template contains, with one or two exceptions due to market differences, the same proposed fields as the Securities Industry Association's (SIA's) proposed 29 data elements (see Appendix #2). Work on harmonization will also be a part of efforts to address the Group of Thirty report on clearing and settlement.
g.	Foreign exchange	<p>Two issues related to foreign exchange were raised for the CAWG's review relating to the ability to elect a currency.</p> <ul style="list-style-type: none"> • Northbound/southbound flips, where transactions are executed within a couple of days of record date, may result in dividends being paid in a currency (either U.S. or Canadian dollars) depending on where the securities were held. This is due to insufficient time for the re-registration to be effected prior to record date. The transfer agents recognize U.S. Depository Trust and Clearing Corporation (DTCC) and CDS to be U.S. or

#	Recommendation	Finding/Status
		<p>Canadian entities respectively and payments to the depositories may be converted to the currency of the relevant country prior to payments being made to their respective participants.</p> <ul style="list-style-type: none"> The case of income currency options is similar to the above where securities movement requests between depositories by participants and close to record dates may result in the depository's default currency being received by the participant. Issuers' agents require DTCC to make currency elections two days prior to record date to book forward contracts, resulting in equitable and timely payments to its participants. For movement between depositories within a couple of days to record date, there is again a risk that the currency of choice may not be received by the participant. <p>These challenges exist today and are hence outside of the CAWG's mandate. This being said, they are being discussed by the Canadian Depository for Securities Limited with DTCC with a view to reviewing options with the transfer agents. These issues will also be reviewed through CDS's Entitlements Task Force. Further updates may be covered in future CCMA newsletters and/or on the Web site.</p>
h.	<p>Set liability standards/ practices and compliance measures</p>	<p>Current Canadian Practice: The current situation in Canada in relation to liability for failures to deliver, in relation to custodian relationships with delivering brokers, is that a "liability letter" is used, which parallels the U.S. "180 letter" practice. It appears that this letter is used uniformly in Canada, but that there has been no legal test case that would confirm the enforceability (or otherwise) of its contents. It also appears that there are some differences among the letters, but it is thought that the differences are not material.</p> <p>The other basic variant in the Canadian marketplace involves deliveries made under specific contractual arrangements such as takeover bids and the like. In that case, a "notice of guaranteed delivery" is used that relates to delivery by the tenderor and specifies liability for non-performance. This type of contractual provision, in a sense, governs the other side of the picture from the liability letter – these are the arrangements governing</p>

#	Recommendation	Finding/Status
		<p>deliveries from the client side into an entity like a transfer agent or a depository.</p> <p>Current U.S. Practice and Proposed Changes: In contrast, the U.S. situation is driven by various rules, involving substantial variation, although some of the add-on practices are not sanctioned under the rules to which they relate. It is understood that the U.S. Securities Industry Association will be seeking amendment to these rules to harmonize them, to incorporate events that are currently not contemplated and to make them more appropriate (e.g., by eliminating the requirement for the non-defaulting party to give notice).</p> <p>After the above review of Canadian and U.S. proposed practices, it appears that, in Canada, there is some legal risk in not having the liability letters better rooted in law or regulation (or in master agreements between the parties). On the other hand, the absence of any challenge or problem to date indicates that a rule/regulation may not immediately be required. The second situation involving contractual provisions also does not appear to present any industry issue that need to be addressed.</p> <p>The need to harmonize North-American (if not world) practices is, however, recognized and Canada will monitor the regulatory solutions being developed in the U.S. When that work is approaching completion, the Canadian industry should consider whether the solution should be brought to Canada and, if so, how. The CCMA will also monitor global developments of relevance.</p>
i.	Further analyze legal issues	See h. above; no further legal issues materialized during the comment period.
j.	Communicate with issuers, agents, other stakeholders	CAWG will continue efforts to meet with issuers and is planning communications efforts with the Communications and Education Working Group.

SECTION 3 – NEXT STEPS

The main remaining tasks for the CAWG in calendar 2003 are as follows:

- Complete and publish/promulgate best practices and standards
- Complete entitlement hub analysis and obtain feedback
- Follow up with regulators on response to payment by LVTS
- Liaise with counterparts who are working on similar issues in the U.S., U.K. and, as required, France
- Work with the Communications and Education and Legal/Regulatory Working Groups to develop and implement a plan to work with issuers and their agents to develop viable ways of achieving the goals of the hub and payment by LVTS.

Additionally, a number of new issues arose as part of the development of best practices and standards, which will be analyzed or otherwise pursued further:

- A potential turnaround best practice for dividend re-investment plans (DRIPs)
- The implications of trying to standardize due bill dates between Canada and the U.S., at least for interlisted securities: in Canada, the ex date precedes record date whereas, in the U.S., the ex date is after the record date
- Development of a Canadian “liability letter” once the U.S. has completed the development of its approach to ensure consistency of wording if possible.

APPENDICES

Appendix #1: CAWG Initial Recommendations

Appendix #2: Standard Entitlement Data Fields and Comparison to U.S.

Appendix #3: Letter to Canadian Securities Administrators on LVTS

Appendix #4: Solicitation Fees

OCTOBER 22, 2002 RECOMMENDATIONS**a. Dissemination of Corporate Action Announcements****Recommendation #a.i – Mandate entitlement reporting to central hub:**

Mandate issuers or their agents to report preliminary, final and amended current and ongoing entitlement information in electronic STP format on the announcement date within specified time parameters to a central repository paid for by users (pricing model to be determined by supplier(s)), assuming that a cost-benefit analysis (**Note:** to be conducted by potential hub service suppliers within a suggested four-month timeframe – tentatively targeted to take place February 1 – May 31, 2003 – from the CCMA publishing that the majority of comments on the white paper support proceeding with the hub recommendation) shows that such a hub can be cost-justified. The proposed central repository solution must meet the tests of transparency, ease of access, accuracy, comprehensiveness, timeliness, efficiency/usability, security and reliability. Once such a hub has been implemented and the results evaluated, other current filing and notification requirements, which should continue until that time, should be reviewed and rationalized after ensuring that access of securities holders directly or indirectly to entitlement information is not compromised. As well, explore a link with, as a minimum, the Depository Trust and Clearing Corporation (DTCC) corporate action hub, as well as others that may develop, e.g. CREST. **Note:** During the comment period, potential hub suppliers are encouraged to identify themselves to the community to promote discussions.

Recommendation #a.ii – Set standards for reporting to entitlement hub:

Develop through further discussion standardized content/template/messaging formats and rules concerning when details of a corporate action should be published/filed with the hub or other approved site (System for Electronic Data Analysis and Retrieval (SEDAR), Toronto Stock Exchange), along with minimum quality standards governing content, for example:

- Prospectus summaries should include specified information in specified fields and be written as much as possible in plain language
- Corporate action details must be filed concurrently with a news release
- News releases must include key information such as timing, etc.
- Filings must be made “x” business days prior to the respective action’s record date, expiry date or effective date with details such as, but not exclusively:
 - Name, share code and CUSIP, ISIN or standard number of the security on which the event has been announced
 - Name, share code and CUSIP, ISIN or standard of any other security affected by or resulting from the event
 - The options and respective quantities/ratios involved

- The tax implications associated with each option/investor election for residents and non-residents
- The terms and conditions of guaranteed delivery letters
- If applicable, the deadline for releasing/advising of the pro-ration factor
- The date/time when the cash/position entitlement associated with each option will be distributed
- The type of event
- The basis of calculation(s)
- The default election
- Last date to trade
- Ex date and record date
- The election deadline date
- Payment date, currency and location
- The first date to trade in the entitlement (this will be a mandatory field in all cases where the entitlement is a share that does not exist in this form when the related announcement is made)
- Solicitation fees and/or other fees/costs that may be associated with the corporate action.

Turnaround times must be established (in discussion with Western participants) for all corporate actions, current as well as those that can be processed at any time at the option of the holder (e.g., lifted U.S. 1933 restriction, early exercise of warrants officially expiring the following year).

Recommendation #a.iii – Establish compliance measures for non- or late reporting to entitlement hub: To ensure that issuers and others report their events to the proposed entitlements database in a timely, comprehensive and accurate manner, identify progressive options to promote compliance from disclosure through, for repeated non-compliance, penalties that are the same as for non-reporting of material changes under the continuous disclosure provisions of provincial securities legislation. This would include the imposition of fines on the person making the filing or cease-trade orders in respect of securities of the defaulting issuer. Where the filings contain misrepresentations causing loss to security holders or financial intermediaries relying on the filed information, civil liability should also be imposed upon the person making the filing.

Recommendation #a.iv – Further analyze investment fund impacts: Investigate in greater depth the challenges facing the investment fund industry due to the impact of corporate actions on the calculation of net asset values and opportunities to address these challenges.

Recommendation #a.v – Further analyze time zone impacts: Examine further the implications of time zone challenges that may be faced by Western participants and identify opportunities to address them.

b. Trading and Settlement of Trades on/Securities Lending Related to Issues Undergoing a Corporate Action

Recommendation #b. – Further analyze corporate actions of securities in the process of trading and settlement/under securities lending arrangements:

Investigate existence of any concerns regarding issues undergoing a corporate action during trading and settlement and in securities lending situations and identify recommendations for improvement.

c. Payments/Securities Delivery Due as a Result of a Corporate Action

Recommendation #c.i – Mandate entitlement payment by LVTS to recognized depositories: Mandate the payment of corporate entitlements to recognized depositories using LVTS by a legally enforceable standard payment time to ensure that:

- All payments within the securities clearing and settlement system remain final and irrevocable
- The costs involved in these irrevocable entitlement payments are borne by those responsible for the payments
- Beneficiaries receive entitlement payments that are immediately available to them
- Canadian capital markets become more efficient
- Canada is able to ensure the finality of payment required should Canada move to a T+1 environment.

Recommendation #c.ii – Standardize payment process, compliance measures, compensation parameters: Set payment process standards and best practices, including a best practice for the delivery of payment-related information, including form of payment and amounts and a reporting breakdown, with an industry-accepted identification number (e.g., CUSIP, ISIN, etc.) and the amount of money associated with each payment.

Recommendation #c.iii – Publicize Canadian Depository for Securities (CDS) cutoff times: Ensure that the CDS standardizes and publicizes the depository's established payment cutoff time(s) on payable date.

Recommendation #c.iv – Further analyze share exchange process: Review process where shareholders receive new securities in exchange for their old securities (mergers, name changes, reverse splits) to see what standardization and streamlining is possible.

Recommendation #c.v – Update and communicate solicitation fees standard: Review and update CIBC Mellon and Computershare proposal dated October 3, 2001, for implementation as a standard, with a date that everyone is aware of and abides by.

d. Proxy Voting and Shareholder Communications

Recommendation #d. – Promote electronic voting and shareholder options:

With the CCMA's Communication and Education Working Group, IICC and the Security Transfer Association of Canada (STAC), develop a communications program to issuers promoting that all issuers at least offer their investors the option of electronic submission of proxy votes and voluntary corporate action instructions. Included in this option would be reporting to investors.

e. Physical Certificates

Recommendation #e. – Set physical certificate turnaround standards:

Establish standards/best practices to set timeframes for the turnaround of physical certificates submitted to transfer agents for corporate action events, akin to the 48-hour rule for routine transfers currently in effect. Include specific language in industry standards and best practices that address turnaround times for physical securities from transfer agents, e.g., a three-business-day turnaround for securities pertaining to a merger.

f. Global Issues

Recommendation #f. – Co-ordinate standards/practices/rules with U.S., U.K., others:

Discuss implications of requiring/how to require electronic dissemination of corporate action material and announcements for domestic and foreign securities to achieve efficiency and reduce risk. Work with the LRWG and U.S. counterparts on the SIA Corporate Actions Subcommittee (and, to the extent possible, with Euroclear, CHESSE, CREST and SWIFT) to encourage Canadian, U.S. and other regulators to undertake necessary standards/best practices/rule changes to allow electronic distribution of proxy and corporate action materials and to remove any impediments to allowing the submission of proxy votes or voluntary corporate action instructions via electronic means as the growth of the Internet allows new opportunities for transparency.

g. Foreign Exchange Issues

Recommendation #g. – Further analyze foreign exchange issues: Promote discussion between issuers, depositories and participants to allow for greater flexibility in receipt of entitlements in the currency of the security-holder's choice.

h. Liability Issues

Recommendation #h. – Set liability standards/practices and compliance measures:

While bilateral agreements will generally continue to establish liability, establish industry standards and practices to specify a common reference point and interpretive context for those agreements. Set timelines for when liability notices should be delivered/received by brokers with an

enforcement mechanism provided. Make liability standards more consistent across all self-regulatory organizations (SROs) and industry utilities within Canada and, ideally, within North America, through engaging in discussions with the SIA Corporate Actions Subcommittee and equivalents.

i. Legal Issues

Recommendation #i. – Further analyze legal issues: Solicit input on potential legal impacts of the proposals and work with the Legal/Regulatory Working Group to further identify legal, regulatory and rule changes required to promote the straight-through processing of entitlements.

j. Communications Issues

Recommendation #j. – Communicate with issuers, agents, other stakeholders: Work with the CCMA's Communications and Education Working Group to develop a modular communications package to target communications for different audiences (issuers, their agents, other stakeholders).

Appendix #2

STANDARD ENTITLEMENT DATA FIELDS AND COMPARISON TO U.S.

Field				Comments
<ul style="list-style-type: none"> • Date and time filed 	<ul style="list-style-type: none"> • Date of announcement 	<ul style="list-style-type: none"> • Hub number and version 	Mandatory – date, time and number will be system-generated; number will remain with corporate action but the version will change automatically as new information is added, with a new date and time stamp added	
<ul style="list-style-type: none"> • Name of the securities on which the event has been announced 				Mandatory – multiple securities could be involved and the template would have to allow for this; a system-generated number would be needed for items such as a private placements
<ul style="list-style-type: none"> • CUSIP, ISIN, SEDOL or hub-generated (UNK) number for all target securities 				
<ul style="list-style-type: none"> • Offeror 				Mandatory if for a takeover or offer to purchase
<ul style="list-style-type: none"> • Name of the securities of any other security affected by the event 				Mandatory depending on type
<ul style="list-style-type: none"> • CUSIP, ISIN, SEDOL or hub-generated number of these related securities 				
<ul style="list-style-type: none"> • Name of the securities of any other security resulting from the event 				Mandatory depending on type
<ul style="list-style-type: none"> • CUSIP, ISIN, SEDOL or hub-generated number of these related securities 				
<ul style="list-style-type: none"> • Category 				Mandatory – Categories would be mandatory, voluntary, mandatory with options, distributions
<ul style="list-style-type: none"> • Type 				Mandatory – Pre-defined event types to be agreed on; will have to define a way to quickly add new types or have an interim solution for them
<ul style="list-style-type: none"> • Payment limits <input type="checkbox"/> Yes <input type="checkbox"/> No 				Mandatory if applicable – e.g., subject to maximum cash or shares
<ul style="list-style-type: none"> • News release (preliminary), prospectus, as well as news releases for updates/changes and amended prospectuses 				Mandatory – Insert text of releases or attach as available; attach prospectus
<ul style="list-style-type: none"> • Restrictions <input type="checkbox"/> Yes <input type="checkbox"/> No 				Mandatory
<ul style="list-style-type: none"> • Option 	<ul style="list-style-type: none"> • Quantities/ratios 	<ul style="list-style-type: none"> • Withdrawal date/time/time zone 	<ul style="list-style-type: none"> • Option expiry date/time/time zone 	Mandatory where applicable – Option (cash, shares, currency) – one row per option; tax implications will be reflected in the different options listed; detailed tax information would be in the prospectus
<ul style="list-style-type: none"> • Default option 	<ul style="list-style-type: none"> • Quantities/ratios 	<ul style="list-style-type: none"> • Withdrawal date/time/time zone 	<ul style="list-style-type: none"> • Option expiry date 	Mandatory
<ul style="list-style-type: none"> • Letter of transmittal terms and conditions 				Mandatory – Attach or link
<ul style="list-style-type: none"> • Guaranteed delivery letter/notice 				Mandatory – Attach or link
<ul style="list-style-type: none"> • Liability letter 				Mandatory – Attach or link
<ul style="list-style-type: none"> • Date of event expiry 				Mandatory – Legal/market expiry
<ul style="list-style-type: none"> • Date/time/time zone when cash/position entitlement will be distributed 				Mandatory, as available

Field			Comments
• Location(s)	• Paying agent/ depository name and contact information (name, tel. no., e-mail, fax, address)	• (Co)transfer agent(s) contact information	Mandatory
• Information agent contact data, number			Mandatory
• Basis for calculation			Mandatory
• Deadline for releasing/advising of pro-ration factor			Mandatory, as available
• Ex date	• Record date	• Due bill date	Mandatory
• Last date to trade offeree securities	• First date to trade in new entitlement	• Symbol if entitlement is a new security	Mandatory (last date to trade determined by Toronto Stock Exchange; advised to and entered by issuer or their agent)
• Target payment date			Mandatory
• Cash in lieu date	• Effective date		Mandatory
• Solicitation fees <input type="checkbox"/> Yes <input type="checkbox"/> No	• Other fees/costs if any <input type="checkbox"/> Yes <input type="checkbox"/> No		Mandatory – Attach or link
• Offeror contact information			Optional – Name, tel. no., e-mail, fax no., Web site

Differences between U.S. 29 Data Elements and Canadian Proposed Fields

All fields above are consistent with the modifications/clarifications noted below (these divergences between Canada and the U.S. may be revisited further later):

<u>U.S. Field Name</u>	<u>Canadian Fields</u>
------------------------	------------------------

Name Differences

- | | |
|----------------------------|------------------------------------|
| • Consent fee: | Covered in Other Fees/Costs |
| • Protect expiration date: | Same as Guaranteed Delivery Letter |
| • Security rate: | Part of Options |
| • New restrictions: | Included as Y/N |

Divergences

- | | |
|-----------------------------|----------------------------|
| • Shares outstanding: | Not required |
| • Utility eligibility: | Not required at this stage |
| • Back-end odd-lot: | Not required |
| • Disposition of fractions: | Not applicable |
| • Odd-lot preference: | Not applicable |

LETTER TO CANADIAN SECURITIES ADMINISTRATORS ON LVTS

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Mr. Stephen Sibold
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Chair, Alberta Securities Commission
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Dear Mr. Sibold:

Re: Responses to Canadian Securities Administrators (CSA) Questions on Mandating Use of Large Value Transfer System for Entitlement Payments

In the Canadian Capital Markets Association's (CCMA's) letter to the CSA dated July 17, 2002, the CCMA requested that the CSA mandate that payment of corporate entitlements to recognized depositories be made using final and irrevocable Large Value Transfer System (LVTS) funds. In this regard, we note that 99.5 per cent of U.S. entitlement payments are made via FedWire, the U.S. LVTS equivalent, and we hope that we can make these payments correspondingly irrevocable in Canada. We also note that an alternative – debits to the funds account of participants (e.g., brokers and banks) in The Canadian Depository for Securities Limited (CDS) – provides equivalent finality and should therefore also be allowed. Below are our answers to the questions that the CSA asked in its November 28, 2002 letter related to our request.

Introduced in 1999, LVTS processes more than \$115 billion in payments daily or approximately 87 per cent of the total value settled through Canadian Payments Association (CPA) systems. The number of LVTS users continues to grow, particularly for large-value and/or time-sensitive payments because settlement of payments through the Automated Clearing Settlement Service (ACSS) – predominantly cheques – is not certain. The CPA notes benefits to LVTS customers, including allowing senders to deliver payments quickly, securely and efficiently. This permits payment recipients to

access funds the same day, with certainty that as soon as the funds are received, the payment is final and cannot be reversed for any reason. These factors, the CPA points out on its Web site, enable an organization making or receiving wire transfer payments via LVTS to optimize its cash flow operations.

The CPA's LVTS initiative is consistent with international best practices, including as espoused by bodies to which Canada subscribes directly or indirectly:

- the International Monetary Fund (IMF) has urged countries to promote stability in their financial systems by maximizing the value flowing through systems that provide certainty of settlement, such as LVTS
- the Committee on Payment and Settlement Systems/International Organization of Securities Commissions (CPSS/IOSCO), on which Canada has representatives, also supports payment certainty
- the Group of Thirty, which recently made recommendations on clearing and settlement systems, identified payment certainty and elimination of paper in all its forms as goals.

In fact, all G-10, and many G-20, countries have already put in place measures similar to those of the CPA.

Below are answers to the specific questions posed in the CSA's letter.

i. What are the anticipated costs to issuers in implementing such a Rule? Should these costs be more appropriately borne by intermediaries instead?

The costs to issuers will vary depending on their size, the nature of their relationship with their financial institution (e.g., fees may be bundled into the overall relationship package), how the entitlement payments are funded and other factors. The costs could, therefore, be made up of one or more of the following components:

- As noted above, depending on the size of the overall relationship, the explicit cost of a particular LVTS payment could be nil. The listed fee per LVTS/wire payment generally ranges from an estimated \$10-\$25 per payment. Assuming an average of 500 entitlement payments a month below the CPA \$25 million *maximum* threshold for cheque payment through the ACSS, this would mean an estimated annual cost of \$150,000 (net of any savings from cheque fees, paper-handling cost reductions such as courier, etc. that no longer have to be paid).
- There may be costs of collateral or conversion costs that will apply as the costs to hold collateral to support aggregate payment and settlement activities are real. This said, for individual payments, few financial institutions will charge for collateral costs unless the amount is very high (several hundred millions of dollars) and/or, for example, the payment instruction was received

at the very last minute/unadvised, allowing no cash management planning by the financial institution. The extent of any costs will depend on whether the issuer's LVTS payment is effectively collateralized (1) from payments received ("good" cash on hand), (2) by Tranche 2 collateral, allowing the participant to draw on limited credit lines from the central bank or (3) by use of the LVTS participant's Tranche 1, which effectively requires dollar-for-dollar collateralization. In a worst-case scenario, where a \$25 million transaction must be collateralized using Tranche 1 at a cost of \$3 per million at a rate of 20-25 basis points for a short time, the cost would be small. As noted above, usually with adequate notice, the collateral or cheque conversion costs should, in fact, be close to zero. Each institution addresses collateral costs and pricing arrangements with clients as it deems necessary.

- Should the issuer have to borrow to fund the entitlement payment for one day, there would also be a cost of borrowing, however, this would also apply in the case of payment by cheque. Most issuers will already have bilateral daylight credit arrangements, but some may need to make or increase these arrangements.

It should be noted that there are no implicit cash flow impacts to an issuer from paying LVTS over cheque as payments received for entitlements due on a certain day will be paid on a same-day basis for LVTS and, effectively, same day if by cheque – cheques enter the overnight clearing system but are backdated the following day to the payment date – the previous day. There are, however, some intraday cash flow implications: to make an LVTS payment, payors will need to have the funds in their accounts or the credit available at the time of the payment. To issue an uncertified cheque, payors need only ensure that they have the funds in their accounts or the credit available at the close of business on the day the cheque is deposited. This said, that is why there is the potential for cheques being returned due to insufficient funds, which LVTS avoids.

Issuers have traditionally paid for the cost of payment of entitlements, although, from an economic perspective, it is effectively the beneficial holder who pays (see ii. below).

ii. Why is the proposed Rule needed? Is this requirement strictly necessary for STP or is it needed for a broader market efficiency goal?

The Rule is needed for both STP and market efficiency goals.

From an STP perspective, an LVTS payment received can be automatically set up to trigger payment to the underlying beneficiaries; payments by cheque are handled with a higher degree of manual intervention, with the correspondingly greater potential for error and delay.

The arguments from a market efficiency perspective are set out in the CCMA's July 17, 2002 letter. The end recipient or beneficial owner benefits from receiving "good" and "irrevocable" funds – recipients can therefore invest the funds with confidence, whereas payment by cheque is revocable because of the potential for stop payments, insufficient funds, forged endorsement or the unlikely possibility that the institution on which the cheque is drawn fails overnight, etc. Should a payment by cheque not be completed, this could have a chain effect if the payment has been used to fund further investments.

The second beneficiary from the move to entitlement payment by LVTS is the overall capital markets through greater efficiency and reduced risk. Improved efficiency and reduced risk are features that investors, and in particular foreign investors, will consider in selecting markets to invest in. In highly exceptional circumstances, the failure of very large entitlement payments to be completed may cause (or leave the perception of) appreciable risk, which use of LVTS would reduce. Migrating value from ACSS to LVTS eliminates the potential for this risk, since LVTS provides certainty of settlement for all payments that flow through this system. While it seems unlikely that a single payment could have a significant impact, entitlement payments are increasing in size with a single transaction for the Imasco/Canada Trust/TD Bank reorganization totalling \$9 billion, the significant majority of which was paid to the Canadian Depository for Securities Limited (CDS) as nominee for beneficial owners. We also note that there is an ongoing focus on STP as a way to reduce the risks in disaster scenarios. Payments made by LVTS or, in the United States, FedWire on the day of a disaster would be final and irrevocable whereas payments made by cheque could be in question for some time.

iii. What business processes and which parties (including transfer agents) will be impacted by this rule?

Parties Impacted	Processes Impacted by LVTS for All Payments
1. Issuers	In the current environment, issuers arrange for the preparation and delivery of a cheque, sometimes three to four days in advance of receiving the money as issuer treasurers manage these events carefully, often orchestrating maturities to match obligations and receiving funds from different sources only on the payable date. In an LVTS environment, issuers will give instructions for payment to be made by wire; LVTS will require issuers to focus on intraday cash flows and may require them to negotiate new or increased daylight credit arrangements (see i. above).
2. CDS	CDS currently often receives cheques before or early on payable date, meaning both that there is a payment in hand ready to be processed on pay date and there are manual processes related to receiving the cheque, data entry, reconciliation, safekeeping, cheque conversion, etc. With all

Parties Impacted	Processes Impacted by LVTS for All Payments
	payments coming by LVTS, a single processing stream would be used, with the associated effort and cost reduced and the risk of lost cheques or non-payment eliminated after receipt.
3. Transfer Agents	In today's environment, transfer agents make dividend payments to CDS based on different payment methodologies depending on the banking arrangement, funding, etc. of the issuer, currently providing CDS with a cheque on pay date or as much as three to four days prior to the payable date post-dated to pay date. The transfer agent would no longer prepare and deliver such cheques, however, there could be delays to the anticipated receipt of payment at CDS and thus a delay in being credited to participant accounts due to internal work required at the transfer agent to sort out incoming and outgoing LVTS payments where payment is received late in the day. Transfer agents would also need to get permission to initiate an LVTS payment, which is currently being sought from issuers with payments of \$25 million or over relative to the CPA rule requiring LVTS for such payments.
4. Banks, Intermediaries, Etc.	There are expected to be few impacts on banks and intermediaries to the extent that current processes are automated, but impacts on infrastructure should be examined as lower-value entitlement payments begin being processed through LVTS to the extent that they are time-sensitive and require collateralization. The CPA has advised that handling of all payments over \$1 million would not be a concern for the LVTS system from a payment volume standpoint and that there should be no collateral concerns for members should these payments move to LVTS.
5. Canadian Capital Markets	We note that the recently released Group of Thirty Report, "Global Clearing and Settlement: A Plan of Action," lists as recommendation 11 "Ensure full simultaneous transfer and availability of assets." While Canada's securities settlement system is based on delivery versus payment, we believe that mandating the use of LVTS for large entitlement payments is fully consistent with this recommendation as this will make settlement processes associated with entitlements more certain and reduce risk to participants and the capital markets generally.

iv. **Can it be implemented without a CSA rule? Is there a less intrusive way of achieving this goal (CSA notice to issuers)?**

There is a range of options that could be considered as a way to achieve the goal. For a variety of reasons, set out in our July 17, 2002 letter and the table below, none would be as satisfactory as a Canadian Securities Administrators' rule.

Mandating Entity	Issue
Bank of Canada	<p>The Bank of Canada has indicated its support for the initiative to expand the use of LVTS and is concerned that CDS, as the central counterparty in DCS, is exposed to some risk that, if realized, could significantly affect the operations of securities markets. However, it is the Bank of Canada's view that they do not have the jurisdiction to impose this requirement on issuers of securities (or their agents). They also emphasize the clearing and settlement efficiencies to be gained by a more concerted move to LVTS, noting the contradiction between continued paper use while the technology is available and risks of paper are known, as highlighted in the Group of Thirty and Committee on Payment and Settlement Systems/International Organization of Securities Commissions (CPSS/IOSCO) reports. From a market attractiveness perspective, continued use of paper to settle entitlements will not escape the notice of foreign investors, potentially with negative effects on Canadian markets.</p>
CDS	<p>Payments on many securities come from issuers/paying agents that are not participants in CDS, e.g., trust companies acting as paying agents, which are not subject to CDS Participant Rules. That said, three CDS options were considered:</p> <p>(1) Delay payment of entitlements by CDS in the Debt Clearing Service (DCS)/CDSX (when implemented) until the entitlement cheque has cleared: This has been rejected as unrealistic, since it would materially impact market efficiency by altering existing practice and create major systems and other cost burdens. The systems of financial intermediaries, such as custodians, would need alteration to distinguish available from unavailable funds and their clients would experience credit and liquidity problems in relation to the funds that they could not yet use. The difficulties of delayed payment are reflected in the</p>

Mandating Entity	Issue
	<p>willingness of participants to date to pay substantial current cheque conversion costs.</p> <p>(2) Have CDS assume the costs and pass them on to users as part of the overall price structure and/or assume the additional credit risks through the credit conversion process within the DCS/CDSX (when implemented): Additional costs have been rejected because passing those costs along through increased DCS/CDSX charges is felt to be an inappropriate way to distribute the costs related to issuer entitlement payments as it shifts economic costs to beneficial holders of a limited group. Any increased credit risk in the DCS/CDSX would be borne by CDS, which is thought to be inappropriate.</p> <p>(3) Impose under CDS Rules the requirement for LVTS payments in relation to all securities that are cleared through the DCS/CDSX (when implemented) by withdrawing eligibility of issues that do not make payments in that manner: This has been rejected as it would be counter to the overall efficiencies and risk reduction sought through the increasing immobilization/dematerialization of securities holdings.</p>
Toronto Stock Exchange (TSX)	The TSX's current mandate does not extend to debt payments or issuers that do not list on the TSX.
CPA	Originally, there was discussion of lowering the \$25 million cap over time, however, we have been advised that there is at present no plan to further lower the threshold as the CPA perceived that there was little to be gained from a further reduction in threshold and because the number of issuers impacted would increase. This said, the CPA has confirmed that even lowering the CPA's current threshold to \$1 million would have a major impact on the total value flowing through the ACSS (ergo amounts at risk), but affect only a small number of additional payments per day with the number of customers affected being even smaller and primarily in the securities industry, governments at various levels and large corporations.
Office of the Superintendent of Financial Institutions	OSFI would not appear to be a reasonable body to mandate payment by LVTS. Its mandate focuses on institution-specific rather than systemic safety and soundness, with a goal of safeguarding "policy holders,

Mandating Entity	Issue
(OSFI)/Provincial Financial Institution Regulators	<p>depositors and pension plan members from <i>undue loss</i>” [emphasis added; in most cases where entitlements payment is being sought by LVTS, those whom OSFI seeks to protect are unlikely to ultimately face a loss]. Also, while OSFI supervises and regulates banks and federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and pension plans, these are only a subset of the institutions that would need to be affected by the proposed mandating. Pursuing similar changes with provincial financial institution regulators would still not cover the entire group of intermediaries and agents that would have to be captured if mandating of entitlements payment by LVTS is to be achieved through indirect means, for example, we understand that a number of transfer agents may not be covered.</p>
Other	<p>Another alternative is to obtain voluntary agreement, for example, from issuers through a CSA notice to issuers to make entitlement payments using LVTS funds. While possibly helpful, few issuers in Canada appreciate the implications of systemic risk due to Canada’s excellent payments reliability record and the number of issuers makes this impractical. It also seems unlikely that voluntary agreements among paying banks or other relevant intermediaries would be achievable, even if there were no possible <i>Competition Act</i> concerns to address – for example, banks, other intermediaries and paying agents may not participate due to concerns about being unable to pass along the increased costs.</p>

The various securities commissions, acting through the CSA, have a mandate under the provincial and territorial securities acts, we believe, to foster fair and efficient capital markets and maintain public and investor confidence in the integrity of those markets. For example, under Sections 3.2(2) and 1.1(b) of the *Ontario Securities Act* (the Act), the Ontario Securities Commission is responsible for the administration of the Act and the purposes of the Act include “to foster fair and efficient capital markets and confidence in capital markets.” These powers of administration and the related regulations, as exercised, have clearly governed the obligations of issuers, wherever located, wishing to raise money in the relevant jurisdiction. And those obligations, in turn, already include the filing of prospectus and material change statements, as well as other numerous and significant administrative requirements. We believe that certainty and timeliness of payment is a material issue and is related, both directly and indirectly, to efficiency and confidence in market integrity.

Furthermore, we believe that recent CSA practice reflects increasing extension of various requirements beyond registrants to other participants in the capital markets. For example, the provisions of National Instrument (NI) 21-201 have extended to all subscribers (not just dealer registrants) the requirement to specify by agreement who will be settling the trades submitted through an alternative trading system. As well, and again taking the Act as an example, under paragraph 127(1)(2) in Part XXII – Enforcement, the OSC may make orders “if in its opinion it is in the public interest” in relation to a broad range of activities of a “market participant,” which is defined very broadly to include: “a registrant, ..., a reporting issuer, ..., a manager or custodian of assets, shares or units of a mutual fund, a recognized clearing agency, a recognized quotation and trade reporting system, a recognized stock exchange, ..., a transfer agent or registrar for securities of a reporting issuer, ... or any other person or company or member of a class of persons or companies designated by the regulations.”

We believe this broader context for commission action is also consistent with the approach taken in the recent concept proposal, *Blueprint for Uniform Securities Laws for Canada*, which also uses a broad “market participant” definition. We acknowledge that the above discussion does not attempt to distinguish technically among the several powers that commissions have to implement policy. We suggest that, where power to effect the changes requested here is thought to be available only through a relatively slow process (for example, through issuing regulations), consideration be given to a legislative amendment that would provide the power through a faster process (for example, through rule-making). Again, we suggest that the legislative amendment would be appropriate not only in this instance, but would enable the affected commission to more effectively respond to other market changes either now or in the future. We also suggest that this approach is consistent with what is being advocated in the *Blueprint for Uniform Securities Laws for Canada*, cited above.

As we have not identified a satisfactory alternative to regulation despite extensive industry discussion over the past several years and, as CSA mandating of LVTS payment, we believe, is within your powers and would be the most “regulatorily efficient” means to achieve the goals mentioned in the preamble, we ask the CSA to consider a rule mandating entitlement payment via LVTS **by noon, Eastern Time, on payment date** (or by debits to the funds account of participants (e.g., brokers and banks) in CDS).

- v. **Why is the proposed CPA rule that will place a \$25 million cap on ACSS payments not sufficient to deal with this issue?**

See iv. above.

- vi. (a) **What is the practice in the U.S. with respect to the use by issuers of FedWire in making corporate entitlement payments? Do issuers in**

the U.S already use the FedWire system as a matter of market practice without regulatory requirements?

In the U.S., market practice, supported by wording in Depository Trust Company (DTC) contracts with participants, is for firms to demand payment by FedWire (the U.S.'s LVTS equivalent). It is understood that 99 per cent of entitlement payments by value is received by DTC by FedWire with only one per cent received by cheque, apparently from municipal bond issuers and other similar types of bodies, where credit exposure is viewed as minimal. We understand that the names of late payers are posted and additional fees apply and, moreover, that payments of payors that pay by cheque rather than FedWire are held until the associated cheques clear. Entitlement payments paid by FedWire that are received after 3:00 p.m. are held until the following day, in contrast to Canadian practice, which is to make payment almost to the point of payment exchange.

Market practice of using FedWire in the U.S. is understood to have arisen from the patchwork of banking rules and regulations that had developed in the States, leading to former multi-day delays in the clearing and settlement of cheques, particularly when drawn on out-of-state banks. It should be noted that it is also more general practice in the U.S. to pay beneficial owners on the basis of payment received unlike in Canada, where payment is often made on a contractual basis, currently avoiding the potential chain effects described earlier. It should also be noted that, in the U.S., most major transfer agents release cheques only on pay date, compared to Canada, where cheques are often mailed to payees one to three days in advance of pay date.

(b) Is there or will there be a Securities and Exchange Commission (SEC) Rule in respect of the use of FedWire? Are there U.S. self-regulatory organization (SRO) regulatory measures in connection with this issue?

We are unaware of any current plans to issue an SEC Rule or to take any other regulatory measures to mandate payment by FedWire. As noted above, uncleared funds placed in accounts are not generally available except on a basis that reflects the credit risk involved. Accordingly, entitlement payment practices in the U.S., while involving significant inefficiencies in other respects, do not seem to result in a significant accumulation of risk in relation to uncleared funds. With close to 100 per cent final and irrevocable payment by FedWire, the issue does not exist in the U.S. to the extent that it does in Canada and, ergo, the solutions needed in Canada are not required in the U.S. marketplace.

We would be pleased to meet with you to discuss any of these issues. We would also like an opportunity to review with you what an appropriate threshold might be above which payments would have to be made via LVTS. If you have any questions or would like additional information about our views, please contact Barbara Amsden, (416) 365-8704 (e-mail: bamsden@cds.ca), or me at the co-ordinates above.

Yours truly,

Cc: Clyde Goodlet, Bank of Canada
Pierre Roach, Canadian Payments Association
Nicolas Burbidge, Office of the Superintendent of Financial Institutions

CORPORATE ACTION SOLICITATION CLAIMS PROCEDURES

All solicitation payment requests must be made in accordance with the terms of the corporate action outlined in the circular. In general, those terms are:

1. All requests must be made at the time of tender.
2. Failure to execute or to properly execute the solicitation request form on the Letter of Transmittal will result in no claim being made on your behalf.
3. Your firm must be part of the soliciting dealer group.

Beneficial holder lists for solicitation payment requests can be filed in either an electronic file format or by hard copy.

Hard Copy List

1. Can only be used if the total number of beneficial holders from all eligible tenders does not exceed 25 (See **Attachment I**).
2. The hard copy list must accompany the letter of transmittal the solicitation panel has been executed on. Hard copy lists will not be accepted after a tender has been made.
3. Hard copy lists will not be accepted via facsimile.

Electronic File Format List

1. Must be used if the total number of beneficial holders from all eligible tenders exceeds 25.
2. Can be provided after the tender has been made as long as written instruction to the effect that the electronic file is to follow the tender is received with the tender.
3. An electronic file will not be accepted more than three business days after the corporate action has expired.
4. One electronic file can be submitted for all beneficial holders for all tenders that are eligible for solicitation provided that:
 - the electronic file is received with the covering letter as in **Attachment II**,
 - the total shares being solicited is less than or equal to the total number of eligible shares tendered and
 - the file is in the Excel Format as outlined below in **Attachment III**.
5. The electronic file cannot be sent by e-mail or any other means except by the delivery of a diskette.
6. The file must contain the following details:
 - Offeror and/or offeree's name
 - Expiry date
 - Soliciting dealer's firm's name
 - Soliciting dealer's CDS FIN or DTC participant number
 - Beneficial holder's name or account number

- The number of shares solicited on behalf of each beneficial holder listed
- The aggregate total of all the shares solicited.

Tenders Made Through the Canadian Depository for Securities Limited (“CDS”)

1. Since the physical tender is made by CDS on behalf of its participants, a participant of CDS who has tendered through CDS can file a request for solicitation and the beneficial holders list as outlined above. A hard copy list will not be accepted any later than three business days after the tender has been made by CDS.
2. Hard copy lists provided for this purpose cannot be sent by facsimile. They must be delivered physically and be accompanied by the covering letter as in **Appendix I**.

Tenders Made Through The Depository Trust Company (“DTC”)

1. When Automated Tendering Online Program (ATOP) is not used, the procedures above for filing hard copy and electronic files will apply.
2. When ATOP is used, participants of DTC must submit their solicitation requests through the ATOP system.
3. Beneficial holder lists can be provided as outlined for participants of CDS above.

Note: *Members of U.S soliciting dealer groups should only submit requests when the terms of the corporate action provides for solicitation payments to these members.*

It is important for you to be aware that:

1. Beneficial holder lists cannot be sent via facsimile transmission to the facsimile number specified for Notices of Guaranteed Deliveries. They must be delivered by hand, courier or mail in one of the manners expressed above.
2. Electronic files will not be accepted via e-mail. The trust companies require a diskette accompanied by the Electronic Filing Claim Letter.

By following the above process, the transfer agents hope to be able to deal with the financial community in a consistent and timely manner.

Attachment III

EXCEL FILE FORMAT

XYZ CORPORATION LIMITED				
Offer to Purchase				
ABC Company Inc.				
Date:				
Soliciting Dealer Member's Name:				
CDS FIN:				
DTC Participant Number:				
Beneficial Account	Shares Solicited			
16016	500			
57597	1,500			
65206	500			
561056	1,250			
1065765	1,000			
1295875	1,250			
2047297	500			
2965406	500			
7239174	500			
9475498	500			
19234049	500			
45615041	1,500			
56401641	1,000			
184561085	500			
862864236	1,000			
1654650465	500			
1963298461	500			
5165042876	1,250			
7497209347	500			
8659843653	1,000			
12386320864	1,000			
13875643085	1,000			
20965032965	1,000			
34856058631	1,000			
56105981265	1,250			
66786567890	1,500			
Total Shares Solicited:	23,000			