

- 1 **Dividend Paying Process for Issuers**
- 2 **securities lingo brain teaser**

1 **Dividend Paying Process for Issuers**

An issuer pays dividends when it has surplus earnings or accumulated profits that it would like to return to shareholders.

The following is a list of considerations for Canadian issuers paying dividends to their shareholders:

- The declaration of dividends for corporations incorporated under the Canadian Business Corporations Act “CBCA” is a function of the directors and not of the shareholders. The by-laws of the corporation authorize the directors, at their discretion, to determine the frequency and amount of the dividend.
- The declaration and payment of dividends are at the sole discretion of the Board of Directors and are dependent upon the Company’s earnings, financial condition and capital requirements. Dividends may be adjusted or eliminated by the Board of Directors.
- The record date must not proceed the date that the dividends are paid by more than 50 days.
- Process:
 - The Board approves the dividend.
 - A press release is sent out announcing the dividend – which can be part of a quarterly / annual release.
 - According to the TSX Company Manual Section 434: “**Press releases, advertisements carried in major newspapers or a shareholder form letter provide adequate notification to shareholders.** The notification to shareholders of a dividend declaration should be made simultaneously with the notice to the Exchange”.
 - **TSX Stock Exchange Requirements:**

The exchange requires seven trading days notice prior to the record date. They require the date of the declaration, type of security and stock symbol on which the dividend is declared, amount of the dividend, record date and payment date.
 - The issuer or their agent is to complete the **TSX Form 5 (Dividend / Distribution Declaration)** and submit via TSX SecureFile.
 - If the issuer would like to put an ad in a national newspaper (i.e. Globe and Mail) the cost is \$43.41 (July 2008 rates) per line with a minimum of 30 lines (2” x 2”). The approximate cost would be \$1,302 plus taxes and art work charges. The deadline is 3 days prior to booking. This can be emailed to advertising@globeandmail.ca.
 - **The certified Board resolution, copy of the Form 5 and a copy of the press release outlining the dividend declaration must also be faxed to the transfer agent.**

The issuer wires dividend funds to the transfer agent who will then arrange for the printing and mailing of the dividend cheques. The cheques are sent to shareholders a few days prior to the dividend payment date.

- Issuers can save a substantial amount of money by registering their shareholders in an “Electronic Funds Transfer System” (“EFTS”). This system deposits dividend payments directly into the shareholder’s bank account. Savings occur as a dividend cheque does not have to be produced, an envelope is not required nor is postage needed to mail the cheques to the shareholders.
- Generally, transfer agent fees include the disbursement of four dividend payments annually (if it had been negotiated as part of the agreement). Out-of-pocket expenses such as postage and the cost to produce the cheques are extra.
- The transfer agent will withhold 15% Canadian non-resident withholding tax on dividend payments to shareholders with addresses in the U.S.
- T5, Releve 3 (and NR-4 – Non Resident tax slips) will be issued by the transfer agent by the required deadline each year, for dividends distributed during the previous calendar year. No tax slips will be issued to Canadian shareholders who received less than \$50 Canadian per issuer in any calendar year.

A Dividend Reinvestment Program or DRIP is a plan offered by an issuer allowing shareholders to reinvest their cash dividends by purchasing additional shares or fractional shares on the dividend payment date. The DRIP is a great way for shareholders to increase the value of their investment as most DRIP’s allow for the purchase of additional shares commission free.