



26 June 2013

## Shareholder Guide – Selling US Shares

Dear shareholder,

This guide is intended to help non-US shareholders avoid paying unnecessary taxes or excessive fees, should they wish to sell their *in-specie* MEIP shares.

We have tried for six months to find a Broker willing to amalgamate and sell small parcels of shares and then distribute the proceeds to shareholders on a pro-rata basis. Costs and legal restrictions eventually made this an unworkable proposition, but in the process we discovered a number of things that will benefit shareholders. We have also worked out a practical way to sell small parcels of shares.

This Guide:

- Discusses how the tax basis of your shares may be recalculated as a consequence of the MEIP *in-specie* distribution in November 2012;
- Recommends that no sale take place unless IRS form W-8BEN has been lodged, otherwise risk losing 28% of sale proceeds to Backup Withholding Tax.
- Suggests that most non-US shareholders should consider using CommSec, or a broker with an equivalent service. CommSec provides 24 hour access to US markets, live prices, market depth if you ask, does not deduct Withholding Tax if form W-8BEN is registered, charges very reasonable fees and enables the investor to place orders online or by phone at no extra charge.
- Identifies Computershare (US) as a good vehicle to sell small parcels of shares if they are already held by Computershare (US), as is probably the case for most shareholders.

**Please note that Novogen has prepared this report as a general guide of things to watch for and where to get advice and is not intended to be a definitive answer to all questions relating to holdings in MEIP stock and is certainly not financial or investment advice. It is intended that it be most useful if handed to your advisers. Novogen makes no guarantee that the information is complete or correct and recommends that**

Novogen shareholders who hold MEIP stock obtain independent expert advice, especially in relation to taxation.

Please note also that we recommend CommSec or someone who provides an equivalent service. We do not say, nor do we intend to say, that CommSec is absolutely the best. It is not our role to say that one Broker is better than another. One purpose of the Guide is to give shareholders an idea of the type of account they would need to establish, the questions they need to ask, the implications of Withholding Tax, and the procedures they need to follow should they wish to sell *in-specie* MEIP shares.

Novogen makes no representation whatsoever as to whether it is better or not to hold or sell MEIP stock.

Bob Birch  
Deputy Chairman  
Novogen Limited

## **Shareholder Guide – Selling US Shares**

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#### **1. MEIP *in-specie* distribution**

- a. Date of Record was 20 November 2012 in Australia
- b. NRT traded without MEIP entitlement 27 November 2012
- c. NVGN traded without MEIP entitlement 25 January 2013
- d. Originally 6 MEIP for every 35 NRT
- e. MEIP conducted a 1-for-6 share split
- f. Ratio became
  - i. 1 MEIP for every 35 NRT
  - ii. 5 MEIP for every 7 NVGN

## 2. Tax Implications

- a. NVGN stockholders. We believe that the Distribution was a Dividend under US Tax law. **Please note that we are not tax experts, so anyone who relies on this guidance does so at their own risk. It is designed to assist you in your instructions to your advisers.**
  - i. IRS form 8937 is published on the Novogen website at <http://novogen.com/irs-form-8937/>. Among other things, it states:
    1. The deemed dividend date in the US was 25 January 2013
    2. The Fair Market Value (FMV) of MEIP shares on 25 January 2013 was US\$5.975 per share
    3. Under 26 USC 301, no dividend need be declared as Novogen had no prior earnings
    4. US\$5.975 multiplied by the number of MEIP shares received is defined as a Capital Return that can be used to reduce the cost basis of NVGN shares toward zero.
    5. Once the cost basis of NVGN reaches zero, any amount remaining is a Capital Gain.
    6. Summary:
      - a. MEIP cost basis for NVGN stockholders = US\$ 5.975 per share
      - b. NVGN cost basis is adjusted downward by the value of MEIP share received at US\$5.975 per share
      - c. Any amount remaining after the cost basis of NVGN shares has reached zero is a Capital Gain.
      - d. NVGN stockholders should get independent expert advice.
  - b. NRT shareholders. We believe that the distribution of MEIP shares was either a Dividend – *In-specie* Distribution of Shares; or an eligible Demerger. We believe the pro-rata distribution satisfies the demerger test under Sections 125-65 and Sections 125-70 of the ITAA of Australia.
    - i. <http://novogen.com/meip-distribution-tax-implications/> sets out a discussion of the tax consequences of the demerger.
    - ii. We calculate that
      1. 73.55% of the pre-distribution tax basis in NRT shares should be allocated to MEIP common stock received in the distribution; and
      2. 26.45% of the pre-distribution tax basis in NRT shares should be allocated to NRT shares.
    - iii. **Example:** Let's say that just prior to the MEIP distribution you owned 35,000 NRT which cost a total of \$14,000 at an average cost of \$0.40 each:

1. NRT shares = 35,000
2. MEIP shares received at 1-for-35 = 1,000
3. You now own 35,000 NRT plus 1,000 MEIP
4. Total cost of NRT at average of \$0.40 each = \$14,000
5. MEIP proportion of \$14,000 at 73.55% = \$10,297.00
  - a. **MEIP cost base = \$10,297.00 / 1000 shares = \$10.297 per share for this example**
6. NRT proportion of \$14,000 at 26.45% = \$3,703.00
  - a. **NRT new cost base = \$3,703.00 / 35,000 shares = \$0.106 per share for this example**
- iv. **We reiterate our strong recommendation that Novogen stockholders seek independent, expert tax advice. We are not tax experts. This advice is intended to assist you in that process and should be most helpful if handed to your tax advisers.**

### 3. Withholding Tax

#### a. **Beware:**

- i. US Withholding Tax at 30% applies to Dividends and the like paid to Foreigners. Novogen has received advice to say that it does NOT apply to the proceeds from the sale of shares. HOWEVER,
- ii. **28% Backup Withholding Tax may be subtracted from share sale proceeds if IRS Form W-8BEN has not been registered.**
  1. To be exempt from Backup Withholding Tax, you must complete and register IRS Form W-8BEN - Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding
    - a. The form should have been included in correspondence from Computershare (US).
    - b. Download the form at <http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>
    - c. Download instructions at <http://www.irs.gov/pub/irs-pdf/iw8ben.pdf>
    - d. Send to the agency holding your shares
    - e. **Please note that joint holdings appear to require a separate W-8BEN to be lodged for each person**
- iii. Registration of IRS Form W-8BEN has to be renewed every three years
- iv. If your Broker intends to withhold some tax even if form W-8BEN has been lodged, refer the Broker to these documents:
  1. <http://www.irs.gov/Individuals/International-Taxpayers/Forms-for-Foreign-Beneficial-Owners>
  2. *"W-8BEN Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, is used by a foreign person to:*
    - a. *Establish foreign status,*

- b. *Claim that such person is the beneficial owner of the income for which the form is being furnished, and*
  - c. *If applicable, claim a reduced rate of, or exemption from, withholding under an income tax treaty.*
  - d. *Form W-8BEN may also be used to claim that the foreign person is exempt from Form 1099 reporting and backup withholding for income that is not subject to NRA withholding. For example, a foreign person may provide a Form W-8BEN to a broker to establish that the gross proceeds from the sale of securities are not subject to Form 1099 reporting or backup withholding.*
- 3. [http://www.irs.gov/publications/p515/ar02.html#en\\_US\\_2013\\_publink1000224806](http://www.irs.gov/publications/p515/ar02.html#en_US_2013_publink1000224806)
  - a. *“Foreign persons who provide Form W-8BEN, Form W-8ECI, or Form W-8EXP (or applicable documentary evidence) are exempt from backup withholding and Form 1099 reporting”.*
- v. There is confusion among brokers about backup withholding tax. We recommend you ensure your broker is aware of these provisions.
- b. Note that if Tax has been incorrectly withheld, it is VERY difficult to get a refund
  - i. [www.globetax.com](http://www.globetax.com) is a firm that specialises in withholding tax recovery from the IRS
  - ii. The process is complex and requires the taxpayer to establish a US Tax ID, among other things
  - iii. A recovery fee will apply, which may make recovery an uneconomic proposition
  - iv. **If Withholding Tax should not be payable, then it is better to not pay it in the first place.**

#### 4. Documents you should keep in a safe place

- a. DRS Advice (Direct Registration Statement) from Computershare (US) dated 27 November 2012
  - i. Listed your Holder Account Number
    - 1. Note that Transaction Description was “Restricted Issuance” as shares had not yet been distributed
    - 2. Showed your MEIP entitlement at 27 November 2012, before MEIP conducted 1-for-6 share split
- b. Corporate Action Advice dated 18 December 2012
  - i. This is the document that might have had a cheque for a small amount attached at the bottom

- ii. Showed the number of MEIP shares held after the 1-for-6 share split
  - iii. Shares presented = number of “Restricted Issuance” shares nominally held – “restricted” because they had not actually been distributed, pending the 1-for-6 share split by MEIP.
  - iv. Exchange rate = the number of New Common MEIP shares credited for every Old Common share held
  - v. Shares Credited = the number of New Common shares now held.
    - 1. No longer “Restricted Issuance” shares
    - 2. Number of shares rounded down to a full number
    - 3. Fractional shares deemed to have been sold at US\$7.04 per whole share
      - a. Tax Withheld = 28% Backup Withholding Tax if IRS Form W-8BEN had not been registered
      - b. A worthless cheque was attached, in US Dollars, for payment of fractional share sale proceeds
        - i. No point cashing the cheque, as the cost would exceed the value.
- c. These documents may be needed if you want to transfer or sell MEIP shares.

## 5. Replacement Documents.

- a. If you need replacement documents from Computershare (US), try the following:
  - i. Shareholders can ring the US office on (781) 575 1320, give their name and address details and a statement will be mailed to them; or
  - ii. Shareholders can write to Computershare at 250 Royall Street Canton MA 02021 with their name and address details requesting duplicate certificates; or
  - iii. Shareholders can register online for an account with Computershare (US), go to the documents page, and download relevant documents.
- b. To create a Computershare (US) account:
  - i. Go to <https://www-us.computershare.com/Investor/>
  - ii. “Create login”
    - 1. NOTE: Computershare (US) will not accept entries from a corporation or a trust, such as a Super Fund
    - 2. You may have to wait a few weeks for the Access Code to arrive
- c. Getting replacement documents online
  - i. Login
  - ii. Click on Statements and Documents
  - iii. View PDF of the relevant document
  - iv. Print the document

## 6. Selling small parcels

- a. We tried for six months to find a broker willing to amalgamate and sell MEIP shares on a cost-effective basis. Unfortunately, costs and legal restrictions have to date made this an unworkable proposition.
  - i. The broker would need to have all shares transferred into a central account
  - ii. An electronic transfer costs about \$10 per transaction
  - iii. A share script transfer costs about \$70 per transaction
  - iv. Electronic transfers cannot be used if the shares are transferred into an account with a different name, as would be the case here
  - v. \$70 per transfer, administrative costs, selling fees, currency exchange fees and a great deal of paperwork meant that more than \$100 per transaction would need to be retained by the broker to cover costs alone.
  - vi. On a transaction worth \$150.00 the seller would get \$50.00 at best and probably a lot less.
- b. Computershare (US) has a facility by which US shares can be sold without paying transfer fees, providing the shares are still held by Computershare. Based on a recent sale, the return looks like this:
  - i. \$150.00      Gross proceeds
  - ii. \$ 17.40      Trade Fees (\$15 + \$0.12 per share)
  - iii. \$132.60      Net return
  - iv. This assumes 20 shares were sold, no tax was withheld and that the seller was happy to receive proceeds by cheque in US Dollars. As US cheques can be expensive to cash, you might prefer to have sale proceeds deposited directly into a bank account of your choice.
- c. Direct payment to bank account.
  - i. If you intend to sell shares through Computershare (US), you can opt (for a fee of \$35.00 per transaction) to have sale proceeds deposited directly by International Wire into a nominated bank account.
  - ii. Computershare has a form that can be used to direct Dividends to be paid by Wire Transfer, but for some reason it cannot be used for Sale proceeds.
  - iii. As far as we are aware, the only way to change from payment by cheque in US Dollars to a Wire Transfer in the currency of your choice is to:
    - 1. Create an online account with Computershare (US), then:
      - a. Login
        - i. Go to "My Profile"
        - 1. "Update" Banking Details as required

2. Print confirmation page, which shows details and reference number

## 7. Computershare (US)

### a. See Sections 10 and 11 for an update provided by Computershare

### b. Things you should know

- i. If you have not transferred your MEIP shares, they will still be held by Computershare
- ii. You do NOT have to establish an online account to sell those shares.
- iii. If you do not establish an online account, sale proceeds will arrive in the form of a cheque in US Dollars
- iv. Sell orders must be mailed to Computershare **(See Section 11 update)**
  1. Shares are sold in Batches, on a First In First Out basis
  2. Shares will normally be sold within 5 days of receipt of the sell order
  3. Seller has no control over the time of sale or the broker through whom the sale will be made
  4. Seller has no control over the sale price
- v. Selling through Computershare is a bit of a lottery for price, but is easy to do
- vi. **If selling a small number of shares, it probably does not matter a great deal if it takes a few days for the shares to be sold.**

### c. Sell Procedure through Computershare (US) **(See Section 11 update)**

#### i. Before you sell:

1. Mail IRS Form W-8BEN to Computershare (US), otherwise 28% Backup Withholding Tax will be lost. See Section 3.
2. If you want proceeds to be sent direct to your bank account, you will first need to establish an online account with Computershare (US) and then change your banking preferences and select International Wire – See Section 6c.

#### ii. Mail a completed “Direct Registration Transaction Request Form” to Computershare (US), showing the number of shares you want to sell

1. This form should be in documents you received from Computershare (US)
2. The Form and instructions are also available from <https://cda.computershare.com/Content/f3b120d2-c33e-4b03-8072-1c67144011e1>
3. Note that “Medallion Guarantee Stamp” does not seem to be required unless shares are being transferred.



## 8. CommSec

- a. CommSec is an Australian online broker who trades through Pershing, a subsidiary of BNY Mellon.
- b. In our view, CommSec has a number of attractive features:
  - i. It enables trades to be placed Live in the US. All other brokers we contacted required orders to be placed well before US markets had opened – convenient for the broker but potentially disastrous for the investor.
  - ii. CommSec advise that Withholding Tax is NOT deducted from sale proceeds providing form W-8BEN has been lodged with CommSec
  - iii. Following a recent upgrade, CommSec allows Super Funds to establish an International account
  - iv. Applications for Domestic and International accounts can mainly be done online
  - v. You can open up an International account without having to open up a Domestic trading account, although the writer thinks it makes sense to open both
  - vi. Orders can be placed online, or by phone, at no extra cost
  - vii. Market depth is available if you ask
  - viii. These features, particularly the ability to place orders Live, are in our view superior to those of anyone else we spoke to.
- c. CommSec Fees
  - i. Currently \$65.00 or 0.75% (whichever is greater) on sale of International shares.
    - 1. 0.75% is in our view a good fee for the features you get
  - ii. \$10.00 to electronically transfer shares
    - 1. Note that CommSec does not accept script transfers
- d. Establishing a CommSec account
  - i. Before you start, make sure you have ID available if you want to have your ID confirmed through the online process
    - 1. A Drivers Licence will do for Domestic accounts
    - 2. Two documents such as a Drivers Licence and a Passport are needed for International accounts
    - 3. Go to <https://www.comsec.com.au/default.aspx>
    - 4. Click Apply to Trade
    - 5. Follow the instructions
  - ii. When applying for a Super Fund account online, it may be necessary to decline to add TFN details and add them later by writing the details on the final document. This appears to be a software issue.

- e. CommSec assistance
  - i. Domestic Accounts
    - 1. 13 15 19
  - ii. International Accounts
    - 1. 1300 361 170
  - iii. Super Fund applications – special department
    - 1. 13 15 20
- f. Selling shares through CommSec
  - i. Go to <https://www.comsec.com.au/default.aspx>
    - 1. Login
    - 2. Click Quotes and Research
    - 3. Enter stock code
    - 4. Click Display - Market Depth and access to company data appears
    - 5. Click on Buy or Sell - The order screen now displays the market depth, a great feature.

## 9. Transferring Shares

- a. Transferred shares are held by an International Share Custodian, not by CommSec
- b. Contact your broker to find out exactly what needs to be done to transfer shares from Computershare (US) to the brokers' share Custodian:
  - i. What documents you need to supply
  - ii. Check that your account name is exactly the same as the name on the DRS statement.

## 10. Computershare Clarification.

- a. **The following advice has been helpfully provided by the Essential Registry Team at Computershare (US):**
- b. Shareholder can access Investor Centre – [www.investorcentre.com](http://www.investorcentre.com)
  - i. Change country to United States (top right of page)
  - ii. Existing users should enter their User ID and then their password. You will then be asked to provide additional information to meet our new security standards (steps 4-11 below).
  - iii. If you are a first time user and would like to login and access your account on Investor Centre, just follow the below steps:
    - 1. Step 1: Login: Click on Create Login from the main login page
    - 2. Step 2: Account Validation: Simply fill in the required validation information. You will need the following:

- a. US Resident: Ticker Symbol or Company Name, Social Security Number and Zip Code. If you do not have or do not wish to enter a Social Security Number click the “Alternate Validation” link.
  - b. Non US Resident: Enter the Alternative Validation link. Enter the Ticker Symbol or Company Name, Holder Account Number and Surname. You should not enter a Zip Code.
  - c. Enter security code that is shown in the Account Validation section; this is not upper or lower case sensitive.
3. Step 3: Terms and Conditions: You will be asked to accept the Terms and Conditions.
4. Step 4: Contact Information:
  - a. First & Last Name: Enter your First and Last Name.
  - b. Email Address: Enter your Email Address. You will need to have immediate access to email in order to receive an email from us with a code to confirm your email address.
  - c. Mobile Number: Although not mandatory, we recommend you enter a mobile number as it is required to complete some transactions. Please note that your mobile telephone must have the ability to receive SMS/text messages.
    - i. If you do not want to provide a Mobile Number, then please do not select a country.
    - ii. If you want to provide a Mobile Number, select your country and enter your Mobile Number in the field provided, Do not include the preceding country code number. For example, for U.S. residents, do not enter the preceding “1” . Instead enter your 10-digit telephone number without any dashes or blank spaces between the numbers. You will need to have immediate access to your mobile telephone in order to receive a SMS/text message from us with a Mobile Confirmation Code.
5. Step 5: Personal Site Seal: Enter a unique word in each of the 3 fields and select a Site Seal color. It is important that you check that your personal site seal is displayed before entering your password.
6. Step 6: Remember This Device: Select if you want to use the “Remember Me” option to trust the device you are currently using.
  - a. Do not choose this option if you are using a public computer. As a security enhancement, when you login

without using the “Remember Me” option, you will receive an email from us.

7. Step 7: Login details: Create your User ID and password.
    - a. User ID: Your User ID must be at least 6 characters
    - b. New Password: Your Password must include:
      - i. At least 8 characters and at least 1 number
      - ii. At least 1 uppercase character and at least 1 lowercase character
    - c. Re-enter your new password in the Confirm New Password field.
  8. Step 8: Security Questions: Select and enter your answers for three Security Questions. Please note that your answers to these questions are not upper and lowercase sensitive. In the future you may be asked these questions to validate some activities, such as resetting your password.
  9. Step 9: Save the information: Select the Save button at the bottom of the page. You should be brought to another page to confirm your contact information. If this does not happen, this means that there is an error somewhere on the page. Look for red text to find and correct the error.
  10. Step 10: Confirm Email Address: You will receive an email with a link in order to confirm your email address. You will need to click on this link to confirm your email address. If you do not receive this email, check the accuracy of your email address. If you have not received an email with the confirmation link, click on Resend Confirmation under Confirm Email Address section. You may also need to check your spam folder for the email.
  11. Step 11: Confirm Mobile Number: If you chose to enter a Mobile Number, you will receive a SMS/text from us with a Mobile Confirmation Code within 10 minutes, though most are received almost instantly. Enter this code into the Mobile Confirmation Code field and select the Confirm button.
  12. Step 12: Additional Security Check: As a first-time user of Investor Centre, additional identity verification is required.
    - a. If you are eligible you can verify online or you can use the Verify by Mail Option.
- c. You can contact our customer service center for additional help at 1-800-942-5909 (toll free in the U.S. and Canada) or 312-360-5195 between the hours of 8:30 am and 5:00 pm Monday - Friday.

## **11. Selling online through Computershare**

- a. **The following advice has been helpfully provided by the Essential Registry Team at Computershare (US):**
- b. If you're a member of Investor Centre, you can sell your shares online. Once you have logged onto Investor Centre, you will be on the Portfolio page. Click on the purple arrow next to the stock you choose to sell. On the right hand side, place your mouse on the Select Action button to expand the drop down window and click on the Sell option.
- c. Fees to sell shares:
  - i. \$15 dollars plus \$0.12 per share (additional fees would apply for a representative assisted sale)
  - ii. Additional fees would be applied to receive funds in the foreign currency
    - 1. International Sales Check: \$25.00 USD
    - 2. International Sales Wire: \$35.00 USD
- d. Technical Help Desk at 1-800-942-5909 or 1-312-360-5195 Monday - Friday 8 AM - 8 PM EST.
- e. Tax Questions:
  - i. Certification and tax rates:
    - 1. Uncertified foreign accounts are treated as U.S. uncertified and subject to 28% backup withholding. Below is a list of tax rates applied to dividends on accounts with a complete and valid W-8BEN on file.
      - a. AUSTRALIA 15% AUS
  - ii. Joint accounts:
    - 1. Only one W-8 is required for joint accounts which is generally the first person listed on the registration.
- f. W-8 Verification:
  - i. No notification is sent to the shareholder in regards to confirming once an account is certified. The shareholder can view this on Investor Centre or call shareholders services to confirm.