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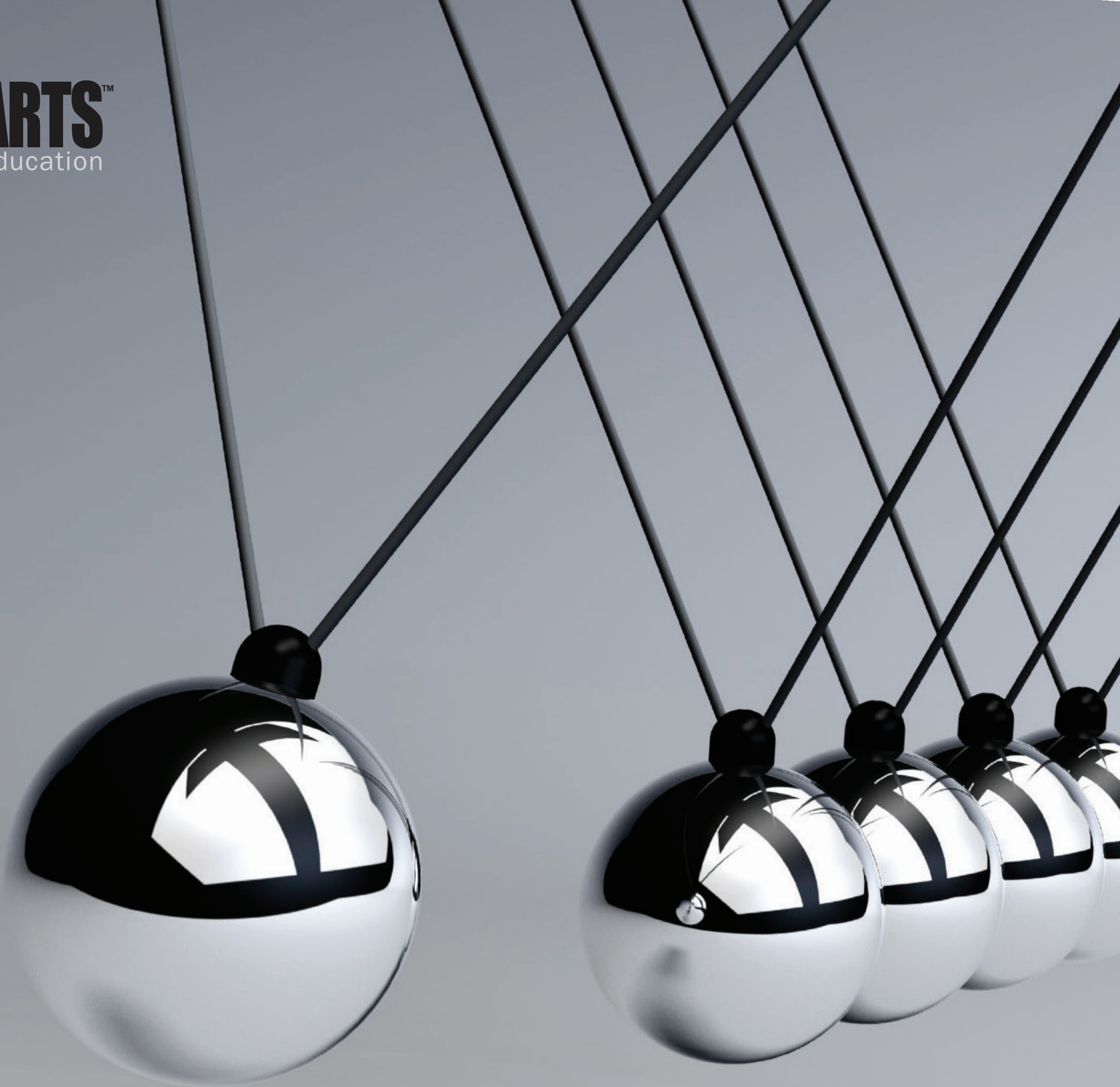

Transfer Agent Overview

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Transfer Agent Overview

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Transfer Agent Overview

Executive summary

This white paper is intended to give a high-level overview of transfer agency, with definitions and descriptions of commonly used terms and processes, such as:

- Registered and beneficial shareholders
- The Depository Trust Company (DTC) and its nominee, Cede & Co.
- Notice and access
- Book-entry and printed stock certificates
- Escheatment and "lost" shareholders

What is stock?

Stock represents the ownership in a company, shares of which may be held by individuals, fiduciaries or entities. The first time a company offers the sale of stock to the public is referred to as an "initial public offering" (IPO) or "going public." Stock issuances by companies are governed by the Securities Act of 1933 and the Securities Exchange Act of 1934, and regulations thereunder, which are enforced by the United States Securities and Exchange Commission (SEC). Issuers are also subject to the corporate law of the company's state of incorporation, the rules of the exchange on which its stock is traded, operational guidelines and eligibility requirements of The Depository Trust Company (DTC), if eligible) and the issuers' corporate by-laws, articles of incorporation and other corporate governing documents. Corporations may issue different classes of stock, which may be subject to different ownership rules, value per share and privileges such as the right to vote on certain corporate matters. These classes of stock include the following:

- **Common stock,** which allows the holder to vote on matters of corporate policy and the composition of the board of directors. If a company goes bankrupt or is otherwise liquidated, common-stock holders' claims generally are subordinate to bondholders' or preferred stockholders' claims. Common stock may be sold on a stock market, and its holders are entitled to a dividend if the company's board of directors approves a dividend payment to holders of common stock.
- **Preferred stock,** which the corporation may or may not choose to issue, can offer certain financial advantages over common stock. Preferred stock usually does not confer voting rights, but generally pays a fixed dividend before dividends are paid to common stock holders. In case of the company's bankruptcy or liquidation, holders of preferred stock generally take priority over common stock holders. Conditions and privileges associated with holding preferred stock vary by each company. Frequently, preferred stock allows holders to convert their shares to common stock.
- **Restricted stock** is subject to restrictions on transfer, purchase and resale, generally because of its registration status with the SEC or due to contractual restrictions. It is commonly awarded as a form of employee compensation or as part of a merger or acquisition and may not be sold or transferred until certain conditions have been met.
- **Restricted stock units** represent shares of restricted stock to be issued under specific conditions, and are commonly used as a form of employee compensation. At the time units are awarded there are no actual shares. Units can be converted to shares of common stock under certain conditions, such as vesting requirements.

The stock for publicly traded companies may be traded on one of the 22 exchanges registered with the SEC in the United States listed below:

- BATS Exchange, Inc.
- BATS Y-Exchange, Inc.
- BOX Options Exchange LLC
- Board of Trade of the City of Chicago, Inc.
- C2 Options Exchange, Inc.
- CBOE Futures Exchange, LLC
- Chicago Board Options Exchange, Inc. (CBOE)
- Chicago Mercantile Exchange
- Chicago Stock Exchange, Inc. (CHX)
- EDGA Exchange, Inc.
- EDGX Exchange, Inc.
- International Securities Exchange, LLC (ISE)
- The Island Futures Exchange, LLC
- The Nasdaq Stock Market LLC
- NASDAQ OMX BX, Inc. (formerly the Boston Stock Exchange)
- NASDAQ OMX PHLX, Inc. (formerly Philadelphia Stock Exchange, Inc.)
- National Stock Exchange, Inc. (NSX , formerly known as the Cincinnati Stock Exchange)
- New York Stock Exchange LLC (NYSE)
- NQLX LLC
- NYSE Arca, Inc.
- NYSE MKT LLC (formerly NYSE AMEX and the American Stock Exchange)
- One Chicago, LLC

Additionally, many equity securities, corporate bonds, government securities and certain derivative products are traded in the over-the-counter (OTC) market, through systems such as the OTC Bulletin Board (OTCBB) or "Pink Sheets."

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The OTCBB is an electronic system for OTC securities that are not listed on a national securities exchange. Under the OTCBB's eligibility rule, companies that want to have their securities quoted on the OTCBB must file current financial reports with the SEC or with their banking or insurance regulators. Pink Sheets is the name of another electronic system for OTC securities that are not listed on a national securities exchange. The name is derived from the color of paper used when the sheets previously circulated in hard copy. To be quoted on the Pink Sheets, a company does not need to meet any listing requirements.

Authorized stock

Authorized stock is the stock, limited to a fixed amount, the corporation may legally issue, pursuant to its corporate charter. The amount of authorized stock a corporation may issue never changes, unless the charter or articles of incorporation or other appropriate governing document is modified. Such modifications may require shareholder approval.

Issued and unissued stock

Issued-and-outstanding shares are shares of authorized common stock issued to shareholders. Unissued shares are authorized shares of common stock not yet issued by the corporation and held in reserve for future use, such as for a secondary issuance, stock options or dividends.

Treasury stock

Treasury stock consists of shares that have already been issued, but have been bought back from the shareholders by the corporation. These shares are considered issued but not outstanding. Some states (e.g., Massachusetts) may not recognize the validity of treasury stock.

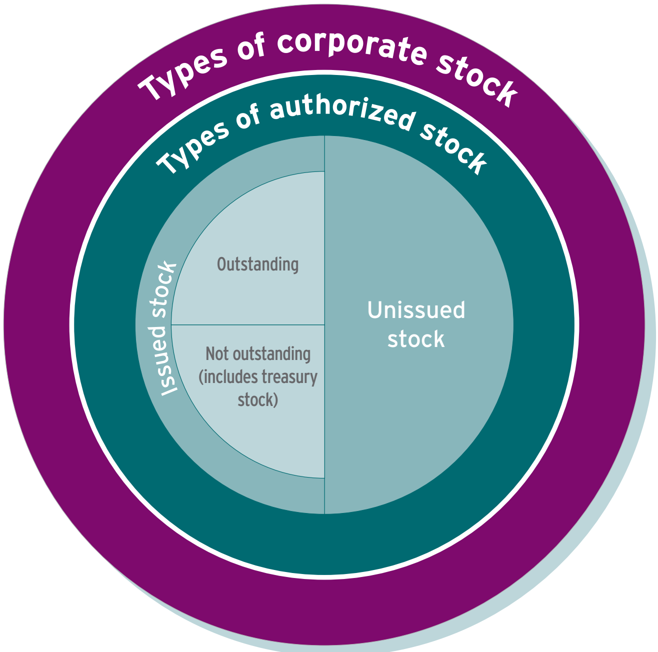
Secondary offerings

In addition to shares sold to the public during an IPO, companies may choose to offer additional stock, subsequent to the IPO. Post-IPO mass sales are known as secondary offerings: Proceeds go to the company.

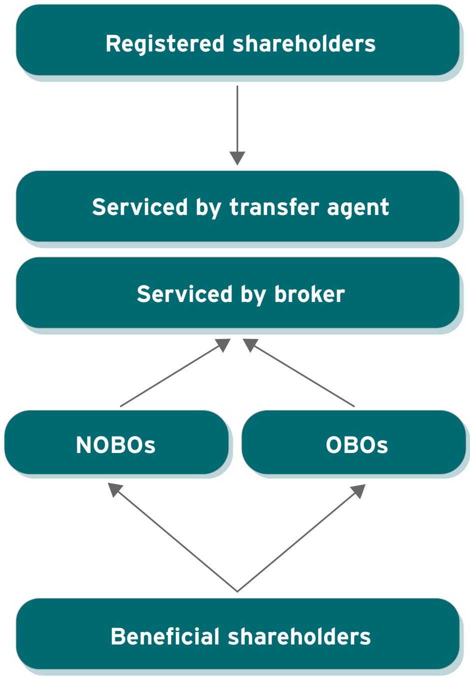
Other activities by the issuer, such as employee stock purchase plans, stock options and company awards, may require insurance.

Registered and beneficial shareholders

There are two types of shareholders: registered and beneficial. Registered shareholders, also known as "shareholders of record," are people, groups or entities that hold shares directly in their own name on the company register. The issuer, or its transfer agent, then keeps the records of ownership for the shareholder and provides services such as transferring shares, paying dividends, coordinating shareholder communications and more, as described below. Beneficial shareholders have their stock held in the name of an intermediary such as a broker. The broker then is able to facilitate trading shares and other services for the shareholders. When shares are kept in this manner, it is often referred to as keeping the shares in "street name." The vast majority of shareholders are beneficial shareholders.



Registered and Beneficial Shareholder Servicing



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Additionally, beneficial owners are designated as objecting beneficial owners (OBOs) or non-objecting beneficial owners (NOBOs). By "objecting," OBOs shield their identity from the issuer and may only be contacted by the issuer via a third party, such as the holder's broker. NOBOs waive this right and may be contacted directly by the issuer, including shareholder communications such as proxy statements and annual/quarterly reports. Lists for an issuer's NOBOs may be requested from an intermediary.

When a shareholder opens a brokerage account and has his or her securities put in street name, the broker is required to give the shareholder the opportunity to designate themselves as an OBO or NOBO. If the shareholder does not elect to be a NOBO, he or she will often by default be listed by the intermediary as an OBO.

Recordkeeping and the transfer agent

Transfer agents maintain a record of ownership, including contact information, of an issuer's registered shareholders. Brokers maintain the records of beneficial shareholders.

Transfer agents' responsibilities also include the transfer, issuance and cancellation of an issuer's shares. Although transfer agents are commonly associated with the transfer of shares of common stock, transfer agents may also handle other types of securities whose ownership is registered, such as bonds.

One of a transfer agent's primary duties is assisting registered shareholders and fulfilling their requests for transferring their shares. Other core services provided by a transfer agent include:

- Dividend payments
- Tax reporting
- Annual meeting services
- Direct stock purchase/dividend reinvestment plan administration
- Escheatment and lost shareholder search and report filing
- Issuance for secondary offerings
- Stock option issuance
- Restricted stock transfers
- Communication with shareholders on behalf of the issuer, including sending:
  - Proxy materials (see proxy materials section below)
  - Statements with details of holdings and/or transactions
  - Tax forms, including W-9, W-8BEN, 1099-DIV and 1099-B
  - Letters confirming other transactions, such as address change confirmations

Transfer agents may also provide additional services for shareholders and issuers, including online account access, employee equity compensation services and corporate action services.

A transfer agents also acts as a registrar, to help ensure that the corporation does not issue more shares of stock than have been authorized. While previously the duties of a registrar were segregated from those of a transfer agent, today the duties of transfer agent and registrar are generally performed by one entity. In their capacity as registrar, transfer agents maintain records of the total authorized, issued and outstanding shares, and also track the issuance and cancellation of shares.

The transfer agent and registrar is generally appointed by a resolution of a company's board of directors.

The duties of a transfer agent and registrar may be performed by an issuer in-house. However, in most corporations with widely held share ownership, keeping track of stock issuance and ownership is a considerable task in this increasingly complex regulatory environment. As a result, the vast majority of issuing companies outsource this function to a commercial transfer agent.

Transfer agent regulations

Since the mid-1970s, transfer agents have been subject to federal regulation by the SEC in accordance with the Securities Exchange Act of 1934. Transfer agents must comply with all applicable rules of the SEC, primarily sections 17Ad-1 through 17Ad-20 of the Securities Exchange Act of 1934. These regulations include strict requirements for the accuracy and timeliness of processing shareholder transactions. Given wide fluctuations in trading volume and shareholder inquiries, transfer agents must also be prepared to handle associated periods of peak transfer volume. Activities that are governed by these regulations include:

- Turnaround times for processing
- Prompt responses to inquiries
- Accuracy of recordkeeping
- Retention of records
- Posting, transportation and destruction of certificates
- Safeguarding of funds and securities
- Evaluation of internal accounting controls
- Searches for lost shareholders
- Notifications to "unresponsive payees"

Securities industry participants, such as transfer agents, must also comply with regulations designed to prevent fraud in connection with missing, lost, counterfeit and stolen securities, in addition to other data security requirements. These data security requirements also extend to industry participants' employees, who must be fingerprinted and undergo background checks. In addition, transfer agents are required to comply with certain provisions of the Anti-Money Laundering (AML) regulations and can also be subject to regulations of the Office of Foreign Assets Control (OFAC).

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Transfer agents may also be subject to the laws of the states of incorporation for both issuers and their shareholders by virtue of the services they provide, including laws pertaining to data privacy.

Transfer agents are additionally required by IRS regulations to track and report the dividend income and share sale activity they facilitate on behalf of issuers via Form 1099 reporting. Transfer agents must also follow IRS requirements concerning tax withholding as directed by the IRS, where appropriate.

Say on pay

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act" or the "Act"). The Dodd-Frank Act was enacted with the stated objective of preventing another financial meltdown and restoring public confidence in the US financial markets by imposing new regulations and greater governmental oversight on the US financial services industry. However, the Act went beyond bank reform and imposes substantial new requirements on publicly traded companies, particularly in the area of executive compensation. Under Section 951 of the Act, public companies are required to submit nonbinding resolutions to shareholders to approve the compensation of executives, commonly referred to as "say-on-pay" votes.

In addition, Section 951 of the Act also addresses the "Frequency of Vote." This provision, more commonly referred to as "say WHEN on pay," requires companies to "include a separate resolution subject to shareholder vote to determine whether votes on [the say-on-pay vote]...will occur every 1, 2, or 3 years." The Act requires companies to submit such resolutions "[n]ot less frequently than once every 6 years." All public companies that hold annual shareholder meetings after January 21, 2011 will be required to include the say-on-pay resolution on their ballots (subject to any exceptions that the SEC may provide). The provisions of Section 951 of the Act are codified under Section 14A of the Securities Exchange Act of 1934. The SEC further enacted regulations addressing say-on-pay and say-on-frequency under Rule 14a-21.

Cost basis

"Adjusted cost basis" is the original value of a securities asset (usually the purchase price), adjusted for stock splits, dividends and any other relevant corporate actions. This value is used to determine the capital gain or loss from the transaction, which is equal to the difference between the asset's original cost basis and the market value at the time of a sale.

IRS regulations effective January 1, 2011, require financial intermediaries such as brokers, banks and transfer agents to report adjusted cost basis to investors and the IRS for securities transactions.

The regulations apply to any share of stock other than regulated investment company (RIC) stock or dividend reinvestment plan (DRP) stock acquired after January 1, 2011. The regulations apply for RIC or DRP stock acquired effective on or after January 1, 2012.

Foreign Account Tax Compliance Act (FATCA)

In 2010, Congress passed the Hiring Incentives to Restore Employment Act of 2010, P. L. 111-147 (the HIRE Act), which added Chapter 4 of Subtitle A to the Internal Revenue Code, consisting of sections 1471 through 1474 of the Code and commonly referred to as the Foreign Account Tax Compliance Act (FATCA) or "Chapter 4."

FATCA is designed to increase responsibility for, and enforce tax compliance by, accounts domiciled outside of the United States. If such a non-US-domiciled account is on the registry as an individual, FATCA will not impact their account. But if the account appears to be registered to an entity or a non-individual, FATCA-related attention will apply.

Compliance with FATCA will require transfer agents to subject non-US entity shareholder detail to an additional level of scrutiny.

Key provisions of FATCA begin to go into effect in 2014, including:

- **July 1, 2014 –** 30% FATCA withholding commences for foreign entity accounts that document on a FATCA Form W-8 that they are a Nonparticipating foreign financial institutions, or a limited branch or limited foreign financial institution being treated as a nonparticipating foreign financial institution. Note that FATCA withholding will commence after 2014 for new foreign entity accounts, depending on W-8 documentation status, under the relief provided by IRS Notice 2014-33.
- **December 31, 2014 –** W-8s originally expected to expire on December 31, 2013, and initially extended to June 30, 2014, now expire on December 31, 2014.
- **January 1, 2015 –** New account rules commence. 30% FATCA withholding commences for new foreign entity accounts added to the transfer agent's records after 2014, as well as for certain foreign entity accounts (known as "prima facie foreign financial institutions") on our records prior to January 1, 2015, and without adequate updated W-8 documentation. If these accounts subsequently provide such documentation, FATCA withholding may no longer be required.
- **March 2015 –** First reporting to IRS related to FATCA withholding begins – March 15 for 1042-S filings and March 31 for Form 8966 reporting.
- **July 1, 2016 –** The remaining (other than the accounts described in the January 1, 2015 note above) pre-existing foreign entity accounts without adequate documentation will see 30% FATCA withholding commence for their payments. If these accounts subsequently provide such documentation, FATCA withholding may no longer be required.

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- **January 1, 2017 –** Effective date for additional 30% FATCA withholding on gross proceeds from the sale of US securities that generate, or can generate, interest or dividends paid to foreign-entity accounts not exempt from FATCA withholding, as well as for foreign pass-through payments.

Book entry and printed certificates

Shares can either be held electronically, in "book entry," or as printed certificates. Records for registered shareholders' holdings are held by the transfer agent and may be recorded in book entry – through the Direct Registration System (DRS) or through a DRP/DSPP (described below) – or certificated form. Shares of private companies or non-exchange-listed securities may also be held in book-entry form on the transfer agent's records.

Book entry has many advantages: it allows for faster and more efficient transfer of shares and mitigates the risks of holding and losing paper certificates. Book entry is also necessary for "dematerialization," a movement, long supported by the SEC, toward the reduction of paper certificates.

Book entry also allows corporations to issue stock without printing stock certificates – known as a "certificateless issuance." Computershare offers issuers the option of producing print-on-demand certificates: physical certificates that can cost-effectively be printed as needed, eliminating the need to print and store high volumes of preprinted engraved certificates.

Records for all beneficial shareholders' shares are held in book entry by the shareholder's broker or other financial intermediary via the DTC's FAST system, described below in the "Transferring shares" section.

Companies determine whether they will issue shares in book-entry form, certificated form, or both. This is generally done by board resolution and may be specified in a company's bylaws or other corporate documents.

Dividends

Dividends are payments representing a portion of a company's profits paid to shareholders out of the company's current or retained earnings. In addition, capital dividends may also be paid out of return on capital. Dividends may be paid on an ad hoc, annual, semiannual, quarterly or monthly basis. Dividends must be declared by the board of directors each time the dividends are paid. Dividends may be paid in cash or in equity (shares of stock).

When a company declares the dividend, it sets both a "payable date," the date that holders are paid the dividend, and a "dividend record date," the date when stockholders must be on the company's books as a shareholder to receive the dividend.

Once the dividend record date is set, the stock exchanges or the Financial Industry Regulatory Authority (FINRA) fix the "ex-dividend date," normally two business days before the dividend record date. Holders who purchase a stock on its ex-dividend date or after – with the trade settling post-record date – will not receive that dividend payment; the seller will receive it instead. Holders who acquire stock before the ex-dividend date will be entitled to receive the dividend.

Transfer agents generally act as an issuer's paying agent for dividends. The issuer provides all dividend funds to the transfer agent for disbursing. The transfer agent disburses dividends to registered shareholders either by electronic funds transfer or check. It disburses the dividends electronically to DTC, which in turn forwards the funds electronically to the brokers or other financial intermediaries for distribution to beneficial shareholders. If it is a stock rather than a cash dividend, the transfer agent will generally issue shares in book-entry form and send statements to the shareholders. Issuance in paper certificate form is still an option but rare in today's environment. Paying agents may also make other distributions on the issuer's behalf, such as paying out interest to bondholders.

For international shareholders, certain transfer agents offer the option to make dividend payments in the shareholder's local currency. These international currency exchange payments add convenience for international shareholders who would otherwise receive payments in US dollars and may have difficulty cashing checks. They also help reduce the amount of time it takes to deliver payments to the shareholder's home country.

Direct stock purchase plans (DSPP)

The vast majority of investment plans are direct stock purchase plans (DSPPs), with some older plans being dividend reinvestment plans (DRP). DSPPs offer the full complement of functionality that today's investors demand. Some features include dividend reinvestment, optional cash purchases, and initial investments for new investors. Full and fractional shares are allocated to accounts in book-entry form.

A DSPP can either be sponsored through a "bank" (transfer agent) program, which would not require SEC registration, or can be sponsored by the issuer and registered directly with the SEC. Which method the issuer should choose depends on how important various factors are for the company, such as the flexibility to use original-issue shares or treasury shares for plan purchases to raise capital, the ability to market to specific groups, or the option to offer discounts to purchasers of the issuer's shares. DSSP shares may be purchased through the plan on the open market or, if the plan is a registered DSPP sponsored by the company, can be issued by the corporation from treasury or reserve.

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DSSPs allow both registered shareholders and new investors the ability to purchase shares without having to go through a broker, in addition to enabling them to reinvest their dividends. Some agents provide issuers with advanced purchasing options for shareholders to buy shares, such as purchasing shares on a regular schedule utilizing electronic funds transfer.

Prior to the advent of DSPPs, if an investor wanted to buy shares in a company and enroll in a traditional dividend reinvestment plan, the investor would have to first buy shares from a broker. .

Waiver plans

A discount "waiver" plan is a feature of a registered DSPP that offers a controlled opportunity for raising capital without the costs of traditional underwriting. Normally, a DSPP has a set limit on the maximum dollar amount per investment. The limit allows a company to control the investment in new shares. However, in instances where capital is needed, the company may waive the dollar limitation — hence the term "waiver" plan. The company may also offer a discount to the shares' current market price to entice additional share purchases.

The issuing company controls the key elements of the program, including the minimum price the market shares must meet or exceed before new shares are issued, who may participate, and the purchase limit.

Transferring shares

A "transfer" is the industry term for a change in the registered owner of stock. When a stock certificate is presented for transfer, the transfer agent must determine that the transfer request is in good order and that all requirements have been met. The same requirements apply to transferring the ownership of book-entry shares. The transfer agent also must determine that the certificate presented is authentic and that there is no restriction on the transfer of shares.

The certificate or instruction presented must include a signature of the registered owner with a medallion signature guarantee, which is a guarantee by the guarantor (usually a financial institution, brokerage firm or credit union) that the signature is genuine and that the person signing is an appropriate person with the legal capacity to sign. In affixing its stamp, the medallion signature guarantor assumes financial liability in the event of a forgery. Medallion signature guarantees indirectly protect shareholders by preventing unauthorized transfers and potential investor losses. They also protect the transfer agent that accepts the certificates and the issuer.

Transfer agents also are involved in other types of transactions that do not result in a change in ownership, such as combining or splitting certificates into larger or smaller denominations, selling shares, consolidating like accounts, or converting shares held via certificate to book-entry form.

Lost certificates

If a shareholder loses a stock certificate, the old certificate must be canceled and new shares issued, either in certificated or book-entry form. The shareholder generally pays a fee to the transfer agent for processing the request and is required to present an open-penalty surety bond, which indemnifies the issuer and transfer agent, in order for the transfer agent to replace the lost shares with new shares.

Most transfer agents facilitate the bond purchase process for the shareholder for convenience, utilizing a third-party surety provider. The lost certificate is reported to the Securities Information Center (SIC), which maintains a database on behalf of the SEC. Brokers and other financial institutions can then reference this database when a certificate is presented to ensure that the certificate is valid.

Sales of shares

Some transfer agents offer sales facilities for registered shareholders through DRS or a DRP/DSPP, and may be able to offer advanced options such as market-order sales and limit-order sales orders, instead of the common practice of batching sales orders.

If the shares are held by the holder in certificated form, the holder must surrender the certificate to the transfer agent and have the shares deposited in either DRS or in a DRP/DSPP. A shareholder may also sell his or her certificated shares through a broker, by delivering the certificate to the broker and requesting that the broker sell the shares on his or her behalf.

The Depository Trust Company (DTC)

The Depository Trust Company (DTC) is a repository through which stocks are transferred electronically between brokers and agents and provides electronic recordkeeping and clearinghouse services.

DTC was established to reduce the volume of physical stock certificate transfers involved in the trading of securities. DTC holds eligible securities for financial institutions such as brokerage firms and banks, collectively referred to as "participants." Participants then may request debits and corresponding credits to their DTC accounts to effect transfers. In this manner DTC facilitates share transfers on behalf of shareholders, via their brokers or transfer agents.

Transfers and share movements can be accomplished through the three DTC systems described below.

Transfer Agent Overview

Fast Automated Securities Transfer (FAST) system

In 1975, DTC introduced the FAST system, which enabled participants to provide electronic custody, transfer, deposit and withdrawal services to beneficial holders more quickly and efficiently. For the FAST system, DTC establishes an account with transfer agents for each issue. These accounts are registered to Cede & Co., DTC's nominee, and represent, on the transfer agents' books, the sum total of shares for that issue held by DTC's participants. Participants maintain corresponding books representing their shareholder accounts held in street name. Transfer agents or participants can then use delivery order (DO) and withdrawal-by-transfer (WT) requests to debit/credit these accounts: the balance on the transfer agents' books is increased and decreased on a daily basis, and participant accounts are adjusted accordingly by DTC. Transfer agents and issuers must meet specific DTC criteria in order to utilize FAST.

Deposit Withdrawal at Custodian (DWAC)

DTC's Deposit Withdrawal at Custodian program is used to transfer shares from issuer to broker accounts for company holdings such as stock options and employee plan shares. Issuers may help facilitate DWAC transactions by providing instructions to the participant, who initiates the transaction, and the transfer agent, who matches up the instructions with the participant and accepts the DWAC transaction.

DWAC transactions offer the advantage of real-time share movement but are manually intensive to process.

Direct Registration System (DRS)

The DRS operated through DTC, was established as an addition to the FAST system in 1996 and enables shares to be held on records of transfer agents in book-entry form. Previously, book-entry shares were generally only held in the name of DTC participants on DTC's FAST system or on transfer agents' systems through a DRP/DSPP.

The DRS also enables shares to be transferred electronically between transfer agents and participants, resulting in debits and credits to FAST accounts, through the following methods:

- Shareowner-initiated requests, to transfer shares from a transfer agent to a participant
- Participant-initiated requests, executing shareholder instructions to:
  - Transfer shares to street name from a transfer agent account
  - Transfer shares to a transfer agent account from street name

To support industry movement away from certificates, the major exchange-listed issues must be DRS-eligible.

Lost shareholders, abandoned property and escheatment

The 50 US states, Puerto Rico, US Virgin Islands and Washington, DC require that financial institutions and issuers, acting through their designated transfer agents, report when property is deemed to be "unclaimed" or "abandoned." This property may be considered unclaimed based on the age of an outstanding check or unissued credit or due to the inactivity on an account. Escheatment, the process of transferring abandoned property to the state or territory, can apply to any type of holding, such as an abandoned bank account. The information provided in this section refers specifically to the escheatment of stock and the associated cash payments made to registered shareholders, such as dividend payments.

Some states also require that, prior to escheatment of property, the shareholder of the property must also be considered to be "lost," similar to how it is defined by the SEC as having two successive pieces of mail returned.

In all cases, the states have an "abandonment" or "dormancy" period, which is typically either three or five years. This dormancy period, combined with the individual state's requirements regarding "lost" status and inactivity, is used to determine whether an account is eligible to escheat.

All states have their own due diligence requirements mandating that issuers conduct various due diligence mailings prior to escheatment of the property and although such action is not required by state statute prior to escheatment, under SEC Rule 17Ad-17, transfer agents must conduct database searches when shareholders are deemed lost, helping reunite shareholders with their property if possible.

A more in-depth "deep search" to find lost shareholders and the owners of abandoned property may also be undertaken prior to escheatment, at the discretion of the issuer, usually by third-party vendors. The search vendors conduct a more extensive search and outreach program for lost shareholders or the rightful heirs to the potentially abandoned property. Participation in these programs is voluntary, and the fees charged by the search vendors are typically paid by the located shareholder.

After due diligence requirements have been satisfied, the issuer and its transfer agent file unclaimed property reports with the states and the property is turned over to the states.

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Records must be kept by the transfer agent to comply with SEC lost shareholder rules and are kept on behalf of issuers to comply with escheatment laws and to ensure that shareholder property is not turned over to the state unnecessarily and that the applicable property is escheated as required. Some agents make preliminary reports for common stock dividends, returned stock certificates, uncashed checks and returned checks available to issuers for review prior to the escheatment deadline. In order to keep records as up to date as possible, some transfer agents may choose to perform regular database searches for changed addresses, such as with the national change of address (NCOA) product of the US Postal Service.

After property has been escheated, records must be maintained in case an individual shareholder, at a later time, attempts to retrieve the property. The shareholder can reclaim the assets by contacting the individual state directly.

Unclaimed property audits

State laws allow the states to perform audits of shareholder records to determine whether property should have been escheated, although generally the state must have reason to believe that the property should have been escheated. The number of audits has recently increased.

The audit can be performed by employees of the state or third-party audit contractors. Due to the sensitivity of the shareholders' personal information, especially because these accounts are active, issuers subject to audit should ensure that the information is adequately protected, such as by requiring the state to sign a confidentiality agreement.

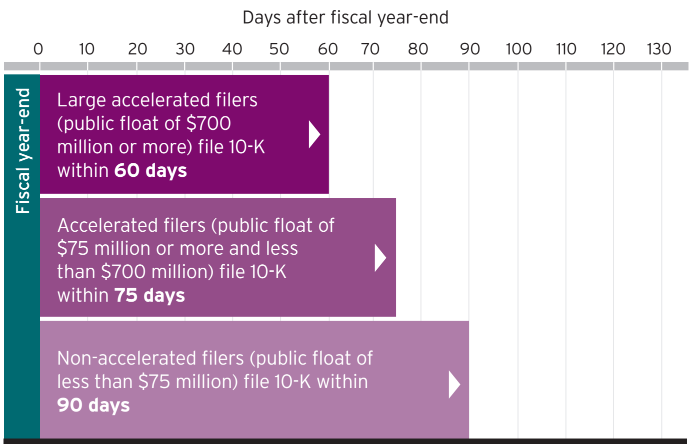
These audits can be time-consuming and expensive, with some lasting as long as several years. Historically auditors concentrated on a single property type, but more recently states have begun more comprehensive programs that examine multiple property types.

Corporate actions

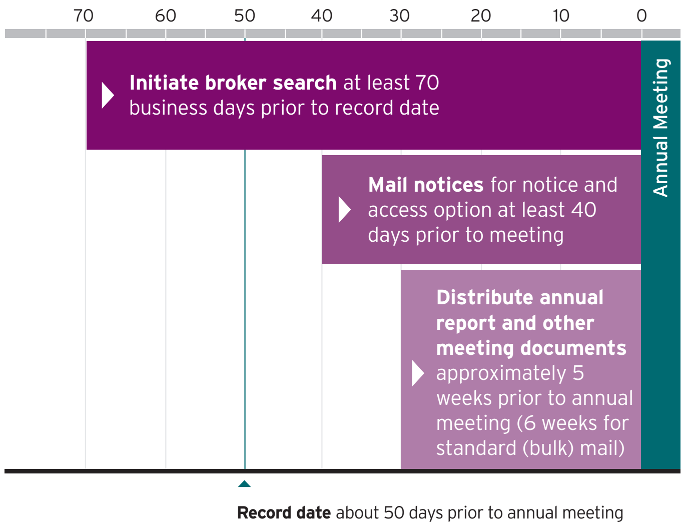
In the case of a corporate action such as a merger, acquisition or capital reorganization, exchange agents receive the stock of the acquired company and issue the stock of the new or acquiring company, as applicable. The exchange agent function is often performed by the company's transfer agent. In addition, the transfer agent may act in many different roles, including as one of the following:

- Tender agent – collects shares surrendered from shareholders and makes payments for the shares at a predetermined price
- Subscription agent – invites equity security holders of a corporation to subscribe to new issuance of additional debt or equity
- Conversion agent – converts debt securities into equity securities
- Paying agent – pays proceeds due
- Escrow agent – holds an asset on behalf of a first party for delivery to a second party upon specified conditions or events

Activities that should take place after your fiscal year ends



Recommended timeframes for events leading up to your annual meeting



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Annual meetings

Holders of common stock, by virtue of their ownership interest in a corporation, are generally entitled to one vote per share on certain corporate matters or policy decisions. State corporate law requires corporations to hold annual shareholder meetings where shareholders can cast their vote either in person or via proxy. Companies will determine when an annual meeting should be held, based on the law of the corporation's state of incorporation and their corporate governance documents. There are many important events leading up to an issuer's annual meeting that require compliance with state and federal law.

These events need to be fulfilled either after the issuer's fiscal year ends or before the annual meeting itself, and include:

- **File Form 10-K/annual report.** The annual report on Form 10-K should be filed within a certain number of days after an issuer's fiscal year-end, depending on the type of issuer:
  - Large accelerated filers (public float of $700 million or more) file Form 10-K within 60 days.
  - Accelerated filers (public float of $75 million or more and less than $700 million) file Form 10-K within 75 days.
  - Non-accelerated filers (public float of less than $75 million) file Form 10-K within 90 days.
- **Conduct broker/bank search.** The broker search, also known as "notice and inquiry," is an SEC-mandated process whereby brokers, banks and other intermediaries are contacted to determine how many annual reports and proxy statements will need to be printed for the beneficial holders in the issuer's proxy mailing. The broker search generally is required to be initiated at least 70 business days prior to the record date, and is not performed by issuers, but by the issuer's proxy distribution or solicitation agents.
- **Set the record date.** To determine which shareholders should be sent proxy materials, companies refer to a list of the shareholders who held the stock on the "annual meeting record date." The record date is usually set approximately 50 days before the annual meeting date, dependent on various factors including state law requirements.
- **Mail/distribute proxy materials.**
  - Notice-only mailings must be mailed no later than 40 days prior to the annual meeting date.
  - Annual reports and other meeting documents should be sent approximately five weeks prior to the annual meeting date (six weeks if sending via standard bulk mail).

Plan for the key dates for your annual meeting at www.cis.computershare.com/calculator. Just enter in your planned annual meeting date to calculate milestone dates for your key activities.

Proxy materials

The SEC requires that issuers provide shareholders proxy materials prior to a shareholder meeting. Proxy materials include:

- A proxy statement
- A proxy card for registered holders or a voting instruction form for beneficial owners
- A notice of Internet availability
- Annual report

The issuer's transfer agent often assists in preparing the notice of Internet availability and proxy card.

The transfer agent also may print the proxy materials and will send them to registered shareholders directly on behalf of the issuer. The agent will also handle the electronic delivery of materials to those who have consented to this method.

Additionally, the issuer must provide materials to proxy service providers selected by brokers, who then subsequently distribute the materials to beneficial holders.

Proxy statement

The information contained in the statement must be filed with the SEC before soliciting a shareholder vote on the election of directors and the approval of other corporate matters. Proxy statements must disclose all important facts about the items on which shareholders are asked to vote.

The SEC has specific requirements for the information to be included in the proxy statement, for example:

- Time, date and location of the annual meeting
- Items to be voted on at the annual meeting
- Positions on the board of directors to be voted on and background descriptions of director candidates
- Compensation of directors and executive officers
- Methods by which voting will be counted

An issuer's proxy solicitor can assist with the preparation of the proxy statement.

Proxy card and other voting mechanisms

The proxy materials also include a proxy card for registered shareholders, or a voting instruction form for beneficial holders, which allows shareholders to vote their shares. By checking the appropriate boxes, and then signing, dating and returning the proxy card, registered shareholders can cast their votes.

Transfer Agent Overview

For beneficial holders, the voting process is more complex. Voting rights for beneficial holders are assigned to DTC, as street-side holdings are recorded on the company register in DTC's nominee account, Cede & Co. DTC passes on the voting rights to the brokers and banks through an omnibus proxy. The brokers and banks retain voting rights, but reach out to beneficial holders to find how they want their shares to be voted via a voting instruction form (VIF). Beneficial shareholders then return the VIF to inform their brokers to vote their shares as indicated.

In addition to the voting methods above, Internet-and telephone-based voting may be provided to shareholders for added convenience and quick tabulation of votes. Internet and telephone voting also reduce the postage costs associated with proxy voting by eliminating the need to return the proxy card or VIF. Security features for the electronic voting site, such as authentication and encryption, should be reviewed in detail when assessing solutions from vendors. Some agents, such as Computershare, have optimized voting websites for mobile devices, offering investors additional flexibility in voting.

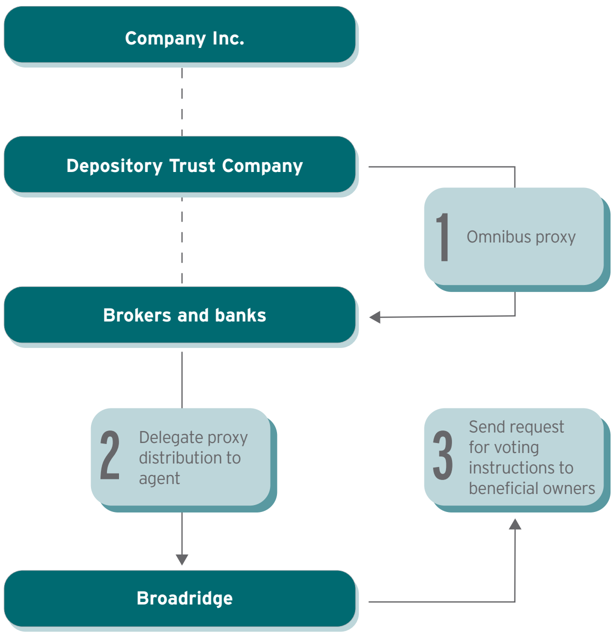
As an additional option, registered shareholders present at the meeting may also be able to vote from a handset, if available, to cast their vote during the course of the meeting, or with a physical ballot. Beneficial holders cannot vote at the meetings in person unless they obtain a legal proxy from their broker or bank.

"Notice and access"

The SEC's "Shareholder Choice Regarding Proxy Materials" rule and earlier "Internet Availability of Proxy Materials" rule – commonly known as the "e-proxy" or "notice and access" rules – require that issuers and registered investment companies soliciting proxies provide access to an electronic version of their proxy materials on a public website and send shareholders notice of the materials' availability, along with the URL to access the materials. Issuers are not required to send a full set of printed materials to shareholders initially (see below for more information).

The website providing access to proxy materials – which must be different from and in addition to the SEC's EDGAR website – must meet certain requirements for accessibility of materials as well as for shareholder privacy protection. The privacy requirements stipulate that the materials must be hosted "in a manner that does not infringe on the anonymity of a person accessing that Web site," including prohibiting the website from installing "cookies" that may be used to identify the shareholder and requiring that tracking features on the website be disabled. This may require segregating those pages from the rest of the company's regular website or creating a new website.

Voting Process for Beneficial Shareholders



Delivery of proxy materials

Issuers may mail a full set of proxy materials, a notice-only mailing or a combination.

Full-set mailing

Issuers electing to send a full set of proxy materials should send them out to shareholders approximately five weeks before a shareholder meeting, to allow sufficient time for shareholders to review and act.

For beneficial holders, issuers must provide the proxy package to the brokers in sufficient time to ensure that the brokers can meet the 35-day target for sending the proxy materials. Issuers are obligated to reimburse intermediaries such as brokers for reasonable expenses related to the distribution of materials.

Issuers choosing a full set of proxy materials for holders – the "full-set delivery" option – must also include the notification of Internet availability informing the holders of the online location of the materials. This notice can be a separate item, or the required notice information can be incorporated into the proxy statement and proxy card.

Transfer Agent Overview

Notice-only mailing

Issuers may elect to send a one-page notice document to holders – the "notice-only" option – informing them of the online location of the proxy and annual meeting materials. Notice-only mailings save the printing and postage cost of sending full proxy materials in hard-copy format, and benefit the environment by eliminating paper used in printing and energy resources used in shipping. Issuers selecting the notice-only option must send notices to shareholders at least 40 days before the meeting date. Because the notice contains essential information on how to vote, brokers must prepare their own notices and customize them to provide information on how shareholders can provide voting instruction forms to them. Issuers therefore have to provide the information for the notice to these intermediaries or their agents in advance of the 40-day mailing deadline.

The notice-only option is not allowed for proxy votes regarding business combinations, such as mergers or acquisitions, as defined by the SEC.

While the SEC requires issuers to provide a method of voting as of the date when the notice is sent, it prohibits inclusion of a proxy card with the initial notice mailing. Instead, issuers may choose to perform a second mailing containing the same notice and a proxy card 10 calendar days or more after the first notice mailing.

Current SEC regulations require that notices in notice-only mailings must contain a prominent legend with exact language specified by the SEC and other additional information. The SEC allows issuers to include only limited materials with a notice-only mailing, including a supplement explaining the process of receiving and reviewing the proxy materials and voting.

Fulfillment requests for notice-only mailings

Issuers must provide full sets of proxy materials to shareholders upon their request, free of charge. Paper or email copies must be sent within three business days of receipt of the request, and paper copies are required to be sent via first-class mail or other reasonably prompt means.

Issuers have to estimate how many shareholders they expect will request paper copies – the "fulfillment rate" – with the decision based on historical data, if available. Notice-only mailings may save costs up front, but as shareholders may request a full set of printed materials upon receiving the notice, it is significantly more expensive to print and mail on demand than in bulk – which would reduce the savings anticipated from using the notice-only model.

Hybrid notice and access models

Issuers may also choose to send a full set of paper materials to some holders and use the notice-only option for others for the same meeting to minimize costs and maximize voting. For example, an issuer could send notice-only mailings to beneficial holders and full sets to registered holders, or send full sets only to holders who voted in the previous year.

Delivery preferences and electronic delivery

The SEC 's notice and access rules require issuers to permit shareholders to indicate a delivery preference for paper, email or Internet communication for future proxy material distributions. Issuers must maintain records of the delivery preference election so that shareholders will continue to receive information via the method they choose until they change their preferences. Over time, issuers will be able to use this information to fine-tune their printing and mailing requirements to more specifically match shareholder preferences. This may help reduce the costs associated with printing and warehousing more materials than needed, or with rush printing of additional copies to meet fulfillment needs.

If a shareholder consents to receive materials electronically for future mailings, the issuer may send annual meeting materials via an email with hyperlinks to view the issuer's annual report and proxy statement online. Other company communications, such as statements, tax forms, press releases and confirmations of transactions, may also be delivered to shareholders electronically, if offered by the transfer agent and if shareholders give consent to receive these materials electronically.

Electronic delivery allows for quick access to voting materials for shareholders and also provides a significant cost savings for issuers in comparison with the printing and mailing of paper documents.

Issuers must receive positive consent from the shareholder to send proxy materials to the shareholder electronically, and must not use an email address provided by a shareholder for any purpose other than to send a copy of proxy materials to that shareholder.

If an issuer wishes to maximize shareholder enrollment in electronic delivery, shareholder consent for electronic delivery may be promoted via hard-copy communications such as the proxy card, proxy statement and annual report. Consent may also be solicited through other means, such as during an online voting process or via email campaigns to shareholders with email addresses already on file.

Householding

To help reduce the number of printed annual reports and proxy statements required, the SEC permits issuers to mail only one set of materials to a single address when two or more shareholders with the same last name live at that address. Implementing this process, known as "householding," also requires a mailing that notifies the shareholders of the intent to "household" at least 60 days prior to the proxy mail date. Once this notification is sent to a shareholder, it need not be sent again for subsequent annual meetings, unless the shareholder has revoked consent for householding.

Transfer Agent Overview

The notice must advise the shareholder how to contact the transfer agent to revoke consent to household and obtain a separate set of proxy materials. Householding does not apply to proxy cards or the notice (under the notice and access model); each shareholder in the household must receive his or her own proxy card and notice.

Proxy solicitation

Proxy solicitors may be hired by issuers to either consult on best practices of corporate governance that can lead to favorable vote outcomes or manage a solicitation campaign to reach out to all holders, including institutional investors, brokers, banks and individual accounts. Proxy solicitors assist issuers in obtaining shareholder support for corporate issues to be voted on at a shareholder meeting and may help an issuer with development of the proxy card and statement.

With the increasing influence of shareholder activists and proxy advisory firms, multiple levels of share ownership and changing regulations, necessary voting percentages may become more difficult to achieve. As a result, proxy solicitation has become more complex and more frequently necessary. In addition, corporate governance outreach increasingly requires year-round investor engagement, because responding to and incorporating feedback from investors and proxy advisory firms requires a longer timeframe than the narrow proxy season window allows.

To determine if an issue is controversial or to obtain a vote projection, the issuer's corporate secretary and corporate legal counsel should confer with a proxy solicitation firm. Proxy solicitors can also assist with the SEC-required broker search to determine how many annual reports and proxy statements will need to be printed for beneficial holders.

Shareholder analysis

If an issuer requires a proxy solicitation campaign, the proxy solicitation firm will determine the composition of the issuer's shareholder base via a shareholder analysis so it can efficiently reach the largest number of holders and target those most likely to vote and vote with management. With a shareholder analysis, the corporate secretary can help position the messaging on the proxy statement – which is not only an SEC requirement but also a very broad and direct investor relations communications tool for a public company.

Proxy advisory firms

Third-party proxy advisory firms provide recommendations to institutional investors, such as mutual funds, on how to vote their shares. Because Rule 30b1-4 under the Investment Company Act requires that most registered management investment companies disclose how they vote their proxies, following the guidelines of proxy advisory firms can alleviate investment companies' research burden and provides clear reasoning on their voting practices. For some institutional investors, the advisory firm will also vote their proxy along with their published recommendations.

Vote tabulation

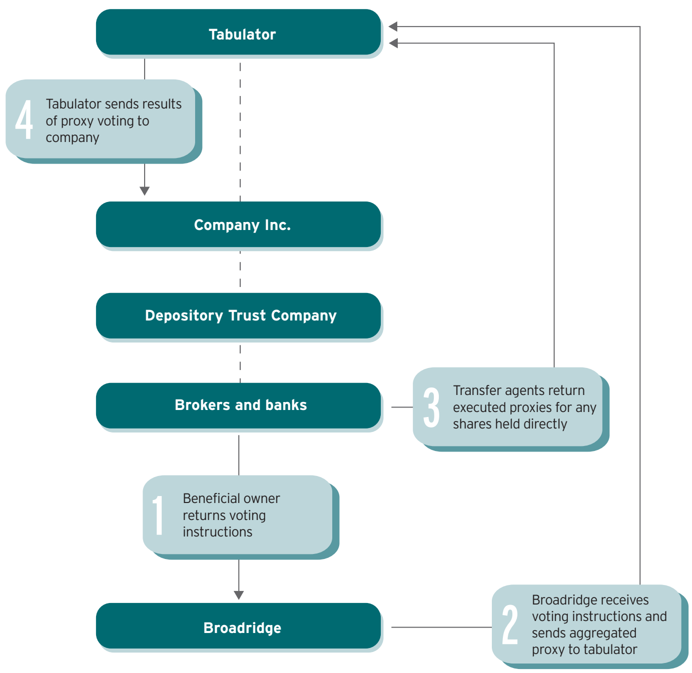
The transfer agent or other proxy service provider selected by an issuer will tabulate the votes of registered and beneficial shareholders. Issuers may be able to view real-time vote tabulation online if their transfer agent offers this service and is asked to perform the final tabulation.

Votes of beneficial shareholders are tabulated by the street-side proxy services provider (e.g., Broadridge), which may transmit the beneficial vote count directly to an issuer's transfer agent. If the transfer agent tabulates the final votes, be aware that the voting percentage may appear low until the first votes from shares held in street name are received from beneficial holders.

The first vote totals for beneficial holders are typically submitted electronically to the issuer's transfer agent 10 to 15 days prior to the annual meeting. If the issuer has received approximately the same vote return as in prior annual meetings, this would suggest that the issuer is on track for a similar return for this meeting. If the voting results appear to be lagging, issuers may consider a proactive effort by a proxy solicitation firm.

Registered and beneficial holders' vote totals are provided by transfer agents or other proxy service firms to the inspector of election for reporting at an annual meeting. Transfer agents often serve as their issuer clients' inspector of election.

Vote Tabulation Process



Section 16 form filing for insiders

Public companies should also be aware of Section 16. This section of the Securities Exchange Act of 1934 sets forth the various regulatory filing responsibilities that must be met by "insiders" – directors, officers and shareholders who own more than 10 percent of a class of the issuer's securities. The main goals of Section 16 are to increase transparency and to deter insiders from using confidential information about their companies for personal gain.

Section 16(a) of the Securities Exchange Act of 1934 requires company insiders to file periodic reports with the SEC disclosing their holdings and changes in beneficial ownership of the company's equity securities. While technically it is the responsibility of the insider to submit the filing correctly and on time to the SEC, many publicly traded companies perform this task on behalf of the insiders.

Insiders must disclose significant changes in ownership to the SEC, by submitting Form 3, 4 or 5:

- **Form 3: "Initial Statement of Beneficial Ownership of Securities."** Any person who becomes an insider of a company must file the Initial Statement of Ownership within 10 days of becoming an insider, even if the individual is a director or officer who owns no shares of the company's stock at that time.
- **Form 4: "Statement of Changes in Beneficial Ownership."** Form 4 is required whenever there is a change in beneficial ownership of the securities, for example, if the insider buys or sells shares or has received a stock grant or exercises options. Form 4 must be filed before the end of the second business day after which a transaction resulting in a change in beneficial ownership has been executed.
- **Form 5: "Annual Statement of Changes in Beneficial Ownership of Securities."** Form 5 must be filed annually within 45 days of the end of an issuer's fiscal year. This filing contains transactions not reported on Form 4, such as gifts.

Forms 3, 4 and 5 are submitted electronically to the SEC using EDGAR.

Key industry organizations

Financial Industry Regulatory Authority (FINRA)
www.finra.org

National Association of Stock Plan Professionals (NASPP)
www.naspp.com

National Investor Relations Institute (NIRI)
www.niri.org

Society of Corporate Secretaries and Governance Professionals (SCSGP)
www.governanceprofessionals.org

Shareholder Communications Coalition
www.shareholdercoalition.com

Shareholder Services Association (SSA)
www.shareholderservices.org

Securities Transfer Association (STA)
www.stai.org

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