

***Welcome to
The
Securities Transfer
Association's
98th Anniversary and
2009 Annual Meeting***

Securities Transfer Association

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Computershare

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The Securities Transfer Association,
Inc.

The **STA** Securities
Transfer Association, Inc.

Securities Transfer Association

Operations Committee Members

(formerly Processing Committee)

Co-Chairs –Mary Rose Cascaes & Kathryn Sevcik

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Mario Passudetti
Edward Pittman
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Catherine Wexler

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Other Committees

- Risk & Compliance Committee
Co-Chairs David Becker & Angela Ponte
- Membership Committee
Chair Debra Hacka
- Unclaimed Property Committee
Co-Chairs Paul Griffith & Peter Ward
- Proxy Committee
Co-Chairs Tom Montrone & Mario Passudetti
- Small Agents Committee
Co-Chairs Salli Marinov & Jonathan Miller

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STA Year in Review

- **S.E.C. Activities**

- ✓ Met with Chairman's office, Commissioners Elisse Walter, Kathleen Casey and Troy Parades – 9/21/09
 - Proxy Reform
 - DTCC's Rule Filing
 - Transfer Agent Rules

- **S.E.C. Rulemaking**

- ✓ Met with Trading and Markets on 10/2/08 to review new rules
 - Processing
 - Insurance
 - Disclosure
 - Contracts
 - Communications
 - Segregation of Shareholder Funds

SEC Continued Notice and Access

- SEC very concerned over the reduction in retail voting during 2008/2009 annual meeting season
- Released for comment
 - Allow issuers to include an educational piece describing N & A
 - Allow flexibility in the design of the notice
- 30 day comment period – should be ready for the 2010 annual meeting season

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STA Year in Review

NYSE Activities

- 1/30/09 - NYSE Rule approved – charging for certificates
- 9/1/09 – Established Advisory Committee
 - Corporate Governance Subcommittee
 - Proxy Reform Subcommittee

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STA Year in Review

DTCC Rule Filing – Petitioned by STA

- DTCC Rule Filing, initially filed Oct 12, 2006, with amendments filed March 29, 2007, May 3, 2007, December 31, 2007 and re-proposed most recently on June 23, 2008
- Approved June 30, 2009 by the Division of Trading and Markets
- STA feels the DTCC Rule Filing:
 - Usurps S.E.C. rule making authority and jurisdiction
 - Creates undue burden on transfer agents
- STA has written several comment letters and filed a petition on Aug. 4, 2009 after the Rule Filing was approved by the S.E.C.
- Petition - only the second in S.E.C. history! - requests that a new review be undertaken and the approval be overturned

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STA Year in Review

STA Advocating for small agents and issuers

- DTCC is denying small issuers access to FAST based upon unspecified anti-money laundering and bank secrecy act concerns
and
- Many brokerages are denying non-exchange listed issues from being deposited or traded in their firms
 - Result of FINRA regulatory notice 09-05 reminding firms of responsibilities to recognize “red flags” and specifically indicating that brokerages and clearing firms need to do additional due diligence when presented with large volumes of ‘low priced companies’ trading in non-exchange listed venues
- As a result, trading of small-cap issues has been significantly curtailed, impacting both the issuers and the agents who service these accounts

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STA Year in Review

STA Advocating for small agents and issuers (continued)

- STA has pressed DTC for their criteria
 - February letter to DTCC's General Counsel
 - Subsequent call with DTCC and the S.E.C.
- DTCC maintains that they review each issue with both risk and profitability in mind
- DTCC has recently "frozen" all FAST applications for transfer agents, stating freeze will be in place until STA petition issue is resolved

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STA Year in Review

- Shareholder Communications Coalition
 - Includes Business Roundtable, Securities Transfer Association, National Association of Corporate Directors, National Investor Relations Institute, Society of Corporate Secretaries and Governance Professionals
- SCC continues to advocate for improved shareholder communications process and a comprehensive review of the entire proxy process
- Submitted a list of seven recommendations for modernizing and reforming the current proxy system framework to the S.E.C. on August 4, 2009
 - Investor education
 - Eliminate NOBO and OBO classification
 - Beneficial owner list compilation
 - Allow open competition among proxy service providers
 - Beneficial owner proxy authority
 - Proxy vote counting/tabulation/reconciliation
 - Integrity of proxy voting process end-to-end

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STA Year in Review

Cost Basis Reporting

- Mandatory cost basis reporting was passed into law as part of the Emergency Economic Stabilization Act of 2008 in October
 - Intended to improve tax compliance by individual investors, and should result in several billion dollars in additional tax revenue
- Brokers and agents required to store, track and report basis information on form 1099B for equity securities purchased after 1/1/11 and DRPs effective 1/1/12
- STA formed Sub-Committee of the Operations Committee to determine what the regulations mean for our members and to identify and resolve issues
 - Met with Treasury and IRS in December 2008, August 2009
 - Provided detailed response to IRS Notice in February 2009
 - Participate on industry committee with SIFMA (brokers) and DTC

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STA Year in Review

Cost Basis Reporting (continued)

- Open items: Average cost/certificate usage, Transition issues, Wash sales, Corporate actions
 - Our Sub-committee has been successful in finding a way to make average cost palatable for equity agents and is hopeful of convincing IRS to grant a de minimis exception to allow agents to forgo the wash sale basis adjustment
- Proposed rules expected to be issued by year-end, with 30-60 day comment period
- STA sits on an industry steering committee working to enhance the DTC Cost Basis Reporting System (“CBRS”) to facilitate compliance with the basis reporting regulations

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STA Year in Review

Unclaimed Property Issues

- STA Unclaimed Property Committee has been active, writing letters to NAUPA discussing problems with certain procedures of the states and letters to individual states' Governors and Depts. of Revenue as follows:
 - February 2009 letter to NAUPA on need for data security, cessation of sales of escheated property and develop state audit standards
 - August 2009 letter to NAUPA asking they stop asking agents to verify shareholder claims of escheated property
 - Letters to the State of Arizona to recommend against bills that would shorten dormancy period to two years in May 2009 and August 2009 – still open

- The STA also made a presentation at the National Association of State Treasurers (NAST) Conference in May 2009

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STA Year in Review

TIN Masking

- IRS policy appears to preclude masking TINs/SSNs on tax forms
- STA petitioned the IRS in December 2008 to allow for all but the last 4 digits of TINs to be masked on 1099-DIV and 1099-B in order to protect investor privacy and prevent fraud
- Received a favorable, informal response from the Director of the Office of Privacy and Information Protection in December
- IRS planned to review with the Department of Treasury along with other opportunities to reduce or eliminate SSNs and TINs on electronic and paper documents
- STA requested that this item be included on the IRS 2009-2010 Guidance Priority list in May 2009, and sent follow-up letter in August, 2009
- Based on feedback recently received, no changes this year

**Thank you for attending
the conference.**