

IMPORTANT NOTICE

The Depository Trust Company



#: 4309-08
Date: December 5, 2008
To: All DTCC Participants and Transfer Agents
Category: Operations
From: J. Trezza
Attention: Operations, Reorganization & Dividend Managers, Partners & Cashiers
Subject: The Securities and Exchange Commission approved DTC's Rule Filing to Eliminate Physical Certificates Withdrawals for DRS Participating issues

On December 1, 2008 the Securities and Exchange Commission (SEC) approved DTC's rule filing¹ to eliminate the option to receive a physical certificate through the Withdrawal by Transfer (WT) process for issues that are eligible and participating in the Direct Registration System (DRS). Beginning January 9, 2009, DTC will process all WTs for DRS eligible and participating issues in DRS statement form.

Participants do not need to make any programming changes in reference to this process change. On receipt of a WT for a DRS eligible and participating issue, DTC will "default" the WT request to a statement request. (There will be more details released shortly about processing changes of which you should be aware.)

If permitted by an issuer, investors may take their DRS statement to the transfer agent and exchange it for a physical certificate.

In addition, DTC will take steps to eliminate the Direct Mail by depository service for all issues. In the fourth quarter of 2009, DTC will no longer mail certificates to investors or third parties. Participants will still be able to use the Direct Mail by Agent (transfer agent) service. Physical certificates can also be obtained through DTC's central Delivery processes in which DTC mails the physical certificates in bulk to the participant or allows the participant to pick-up the certificates at DTC's facilities.

¹ SEC Filing DTC 2008-08, release No.34-59033, dated December 1, 2008. Link to the SEC approval document: <http://sec.gov/rules/sro/dtc/2008/34-59033.pdf>
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Background

DTC's DRS is a book-entry system that enables investors to register their shares electronically with the issuing company or its transfer agents. Instead of a paper certificate, investors receive a statement of their holdings. In the first quarter of 2008, all the major and regional exchanges in the United States mandated that DRS become a listing requirement for all issues.

Both the industry and the government continue to encourage dematerialization. The SEC has recognized that paper certificates are "inefficient" and increase "risk." According to a 2008 survey by the Securities Industry and Financial Markets Association (SIFMA), more than 1.2 million certificates are reported lost, destroyed or stolen annually, costing the industry about \$65 million to replace.

In July 2008, The Operations and Planning Committee of DTCC's Board of Directors confirmed its commitment to further reduce the industry's dependency on physical certificates by approving DTC's elimination of physical certificate withdrawals for those issues participating in DRS. This reaffirms DTC's stated goals of reducing industry cost and risk, while improving the securities processing.

DTC Participants are committed to dematerializing physical certificates. Through November of this year, approximately forty-four percent (44%) of all WTs were processed in DRS statement form, rather than as a physical certificate.

Today, there are more than 7,500 issues eligible for DRS and more than 375 of these issues no longer offer the option of a physical certificate. DRS-eligible issues now account for 88% of all WTs submitted to DTC, and more and more investors are choosing book-entry ownership as opposed to physical certificates.

Cost is a driving factor in the move to DRS statements. Today, a WT for a physical certificate costs approximately \$125 more than a WT in a DRS statement, which costs about \$6. The cost of all WTs processed as statement form will remain at the \$6 level, whether the WT was originally submitted as a statement request or was defaulted to statement form. In keeping with the plan established by DTCC's Board of Directors and its Operating Committee, fees for processing physical certificates will continue to increase in coming years.

For issues that are DRS-eligible but not yet participating, DTC plans to eliminate certificate withdrawals for these issues as of July 1, 2009. For the small number of issues that have not converted by July 1, 2009, WTs will be processed through DTC's Exception/Rush WT process.

With these steps, we believe that WT volume should drop to fewer than 150 certificate transactions per day by the second half of 2009. Over time, this will also lead to a sharp drop in deposits of physical certificates. As that decline takes hold, DTC will move to curtail remaining services that support processing physical securities.

For more information about these changes, please contact your relationship manager or call Relationship Services @ 1-800-422-0582.