

# Notes From the Chairman



## Regulatory Update

### DTC FAST Eligibility

I have reported to you regularly over the past 5 years relative to the roadblocks faced by small issuers in obtaining DTC FAST eligibility, which has become a pre-requisite for major clearing brokers to accept shares for deposit and trading. In short, without DTC FAST eligibility, small issuers are left unable to trade; and their shareholders are left entirely illiquid. This has been the unfortunate result for hundreds of issuers who have been excluded from DTC FAST and is a major impediment to the SEC's stated goal of achieving real dematerialization on an industry-wide basis as a precursor to moving from T+3 processing to T+2, now slated for 2017 or later.

As a member of the Securities Transfer Association's Executive Committee and Chair of its Legal Committee, I have been tasked with addressing our concerns with the SEC staff and Commissioners in the hope that we can break the logjam of untradeability of these hundreds of small issues. The Executive Committee met with 3 Commissioners on March 25th to press them to make

DTC formulate rules affording real due process to issuers who apply for eligibility as the Commission ordered in their *International Power* decision of March 2012, more than 3 years ago! The Commissioners expressed surprise and disappointment at DTC's intransigence, and indicated that having so many issuers not DTC FAST eligible is a negative for the Clearance and Settlement System and creates a bifurcated settlement process which would be a major impediment for a move to T+2 processing.

We also discussed with the Commission the status of our negotiations with DTC to expand FAST to additional tiers of issuers like OTC Markets OTQX, which is a fully transparent and fully reporting platform. While DTC has seemed receptive to this expansion, there has been no real progress for over a year – frustrating to say the least. Nevertheless, the good news is that we continue to see anecdotal evidence that issuers are having a somewhat easier time clearing the hurdles to FAST eligibility than they did several years ago.



**Steven Nelson,**  
President & Chairman  
Connect with me  
directly at 212.845.3201

## IN THIS ISSUE:

Regulatory Update	1
Continental's 2016 Annual Meeting Guide	3
Welcome Our New Talent	3
Get to Know Your Account Administrators	4
Will Changing the Definition of an Accredited Investor Shrink Access to Capital?	4
Abandoned Property/Lost Shareholder Searches	5
Continental Partners with Keane	6
Escrow Agent Services	6
Networking Employee Fun	6
2015 New Transfer Agent Customers Through April	7
Take Advantage of Our Comprehensive Services	8

## Regulation A+

The SEC voted unanimously last month to create much-anticipated IPO alternatives – but success will depend on how readily investors can trade the shares they buy post-offering. The agency adopted a proposal, known informally as Regulation A+, which was mandated by the Jumpstart Our Business Startups Act (JOBS Act).

The measure allows companies to raise up to \$50 million annually without many of the regulatory disclosure costs and delays associated with an initial public offering as part of a process that seeks to expand on existing so-called Reg A offering rules for raising up to \$5 million. The old Reg A model was rarely used over the years due to concerns about duplicative state and federal regulation and because of its relatively low limit of \$5 million.

Backers of the new approach contend it will create an intermediate level of public securities, opening new options for small companies to raise money from a more economically diverse pool of investors. However, observers are divided over whether Reg A+ will act as a stepping stone to full-blown IPOs or, alternatively, create a class of companies not interested in IPOs that are instead focused on raising smaller amounts of capital year-after-year in the private markets. Most observers agree that the provision will spur regional boutique investment banks, brokers and smaller law firms to start offering financial and legal advice for these kinds of deals.

The most controversial part of the measure – and the one that proponents contend is its most attractive feature – is its exemption from most state securities regulation. Issuers seeking to raise up to \$20 million, classified as Tier 1, can choose between federal or state registration, though most observers believe that the vast majority of new issuances – small or large – will seek to preempt the states by using Federal registration. More important, the SEC's Tier 2 rule prohibits state securities regulators from requiring issuers seeking to raise up to \$50 million from registering with states or subjecting their offerings to state qualifications.

From our perspective, a very important provision in the new Rules is the requirement that Tier 2 issuers must use a registered Transfer Agent to qualify for the exemption. We fought for this provision before the Commission to ensure that shareholder records are kept properly by Reg A+ issuers to insure adequate tax reporting, abandoned property searches and reporting, as well as adequate shareholder recordkeeping in general.

Reg A+ is an exciting new regulatory scheme with much promise for issuers and investment professionals, but it will only be truly effective if a secondary trading market of the type proposed by many venture exchanges becomes a reality. ▼

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“ Thank you for your help in assisting us through our Proxy/Annual Report/Annual Meeting process. I enjoyed working with each of you and was very happy with the service and professionalism that was shown by each of you. I look forward to our continued business relationship! ”

Becky Johnson | Controller, Citizens Community Federal N.A.  
Citizens Community Bancorp, Inc. selected Continental as successor transfer agent in 2014 when Register & Transfer was acquired by Computershare.

# Continental's 2016 Annual Meeting Guide

We are pleased to provide Continental Stock Transfer & Trust Company's Annual Meeting Guide 2015 to assist you in planning your Annual/Special Meeting.

The entire Annual Meeting Guide 2015 and our Annual Meeting Glossary of Terms can be found at [www.cstproxy.com/annualmeetingguide](http://www.cstproxy.com/annualmeetingguide).

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- > Interface with the DTCC, Broadridge, plan administrators and intermediaries
- > Notice & Access and traditional material distribution (including stratified mailings and householding)
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- > Telephone and Internet voting platforms
- > Proxy tabulation with daily online reporting
- > Management reports, such as voted and unvoted lists, that help you calibrate your strategy
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Continental Stock Transfer & Trust and EZOnlineDocuments introduce a new navigational system designed for tablets: Tiles Navigation! This tile-based interface allows users to easily select important sections of your document with their touch-based interface. Embrace all your users on any laptop, desktop, iPad, tablet and other mobile devices. Present your document with this

state-of-the-art navigation as well as other key features such as page swiping and social media integration.

To learn more about Tiles Navigation! visit:

[www.cstproxy.com/Tablet.asp](http://www.cstproxy.com/Tablet.asp).

Please contact Gail Schweda, Director of Proxy Services, at 212.845.3241 or [gschweda@continentalstock.com](mailto:gschweda@continentalstock.com) to discuss your meeting service needs. ▼

## Welcome Our New Talent

Continental Stock Transfer & Trust employs seasoned industry individuals to ensure quality service for our customers. Due to concentrated growth, we are pleased to welcome our 2015 new team members. We are excited to engage their industry expertise into our business.

Joining us from Broadridge Transfer Agent Services:

- > Robert McMonagle, Account Administration

Joining us from Registrar & Transfer Company:

- > Meg Barner, Reorganization
- > Henry Farrell, Account Administration
- > Nick Giancaspro, Operations
- > John Reformato, Dividend/Plan Services
- > Smith Simeon, Dividend/Plan Services

Joining us from Computershare Investor Services:

- > Delshanda Henry, Research
- > Nareesa Khan, Operations
- > Margaret Lloyd, Account Administration
- > Ida Maricheau, Operations
- > Silvia Rodriguez, Operations
- > Cheryl Smith, Reorganization Services Manager
- > Desiree Smith, Reorganization
- > Iris Su, Operations
- > Mark Tumulty, Proxy Services
- > Sylwia Turek-Gilot, Operations
- > Raymond Vargas, Reorganization
- > Robert Zubrycki, Distribution/  
Mail Services Manager ▼

## Get to Know Your Account Administrators

### Kevin Jennings

Kevin has over 25 years experience in the stock transfer industry. He has been with Continental for two years, coming to us from American Stock Transfer.

Before joining the Administration Team, Kevin worked in our Proxy Department. He is able to combine his knowledge of the industry and products to provide our customers cost-effective and best practice solutions for their corporate events. He is well liked by his customers and often works extended hours to ensure his clients are satisfied.

Kevin resides in Brooklyn with his wife Gwen and their young daughters, Jayla and Jada and comes from a family of 21 siblings. They enjoy theatre, traveling and spending time with their extended family.

### Henry Farrell

Henry has been in the stock transfer industry for 17 years as a relationship manager. His specialty is in the administration of private and public banks issuers. Henry previously worked for Registrar & Transfer Company and has been with Continental for nine months. His expertise in various services, pertaining to IPOs, SPACS, and Dividend Reinvestment/Stock Purchase Plans has been greatly instrumental in his success at Continental.

Henry is married and has 2 daughters. The family lives in South Jersey and enjoys amusement parks and sporting events. ▼

## Will Changing the Definition of an Accredited Investor Shrink Access to Capital?

*By Kim Lamplough, Partner, Assurance Services*

Included in the many requirements of the Dodd-Frank Act is an as yet incomplete requirement for the U.S. Securities and Exchange Commission ("SEC") to review the accredited investor definition in its entirety as it relates to natural persons. During much of 2014 and continuing in 2015, the Commission staff, including staff from the Division of Corporation Finance and the Division of Economic and Risk Analysis, has been conducting this review. A critical part of the staff's review is soliciting and evaluating input from the public and other interested parties, including the SEC Advisory Committee on Small and Emerging Companies.

The goal of the review is to assess whether the definition properly identifies the population of investors who should be able to purchase securities in offerings, without the protections afforded by the registration requirements of the Securities Act.

The possible changes being discussed involve adjusting the economic criteria described below and/or adding alternative criteria for including "sophisticated investors" based on education or certifications.

The standards for qualifying as an accredited investor have remained relatively unchanged since the 1980s. Under the current test, an individual will qualify as an "accredited investor" if he/she earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years and reasonably expects the same for the current year OR has a net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence).

Based on analysis presented at the Commission's Forum on Small Business Capital Formation held November 20, 2014 (when this definition was first established in 1982) 1.8% of the American households qualified as "accredited investors." That number has climbed to 9.9% in 2013. If the standards were simply adjusted for inflation, the accredited investor number would be reduced to 3.5% of American households. Some have interpreted this to mean that approximately 60% of private capital will no longer be available for unregistered offerings. Others believe that the decrease in available capital is not proportionate, and





that the remaining accredited investors would represent far more than 40% of the currently available capital.

The other possible change being discussed relates to allowing some population to be considered “accredited investors” based on education, certification or experience. This could allow people to qualify as accredited investors based on their financial sophistication. Supporters maintain that income or net worth does not determine a person’s ability to evaluate the risks and potential rewards of an unregistered investment. Opponents believe that an accredited investor should have some minimum ability to withstand the loss of any investment they might make.

There has been quite a lot of discussion about the possible changes to the accredited investor definition and the potential impact on the US capital markets. There is a general belief that tightening the definition impairs capital formation and expanding the definition enhances capital formation. Despite the differences of opinion, everyone appears to agree that it is desirable to balance investor protection with facilitation of capital formation.

*Michael Feinstein, Partner, Assurance Services contributed to this article*

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Marcum offers an extensive range of professional services and a high degree of specialization. In addition to traditional accounting, assurance and tax, including domestic and international tax planning and preparation, the firm’s professional services include mergers and acquisition planning, family office services, forensic accounting, business valuation and litigation support.

The firm has developed several niche practice areas serving private equity partnerships; hedge funds; SEC registrants; real estate; government, public and not-for-profit sectors; manufacturing; construction; healthcare; and bankruptcies and receiverships; as well as a China specialty practice.

Marcum is a member of the Marcum Group, an organization providing a comprehensive range of professional services spanning accounting and advisory, technology solutions, wealth management, and executive and professional recruiting. For more information, contact Robert Derbabian, Senior Director of Business Development [robert.derbabian@marcumllp.com](mailto:robert.derbabian@marcumllp.com). ▽

## **Abandoned Property/Lost Shareholder Searches**

### **Keane, Inc.: searches are cost-free to shareholders**

From time to time we are asked about our process for locating lost shareholders and their abandoned property. Continental Stock Transfer & Trust has an agreement with Keane (formerly UPRR) to assist our issuers in locating lost shareholders. Keane plays a preeminent role in this field, acting on behalf of scores of high-profile Fortune 500 companies, as well as a number of large transfer agents. Keane provides mandatory due diligence of lost and unresponsive shareholders accounts under SEC Rule 17 Ad-17. This process helps reunite assets with their owners.

The due diligence process entails two “mandatory searches” as outlined in the SEC Rule. These searches are cost free to the shareholder. As part of Keane’s abandoned property services, Keane offers your shareholders an additional search alternative, which is their asset-recovery program. The program locates abandoned property not found during the mandatory searches — and Keane offers your shareholders the opportunity to sell recently recovered assets at rates that are lower than customary brokerage fees. Keane charges a fee for this asset recovery service.

As always, shareholders continue to have the opportunity to contact Continental directly to update their shareholder information and address at no charge, rather than utilizing Keane’s recovery services. The advantage to the issuer in the location process, of course, is that any previously abandoned property is returned to the rightful owner, and not escheated in accordance with the dormancy periods prescribed by the various states. Accordingly, your escheatment charges are reduced, and most shareholders are reunited with their underlying assets.

Again, SEC rule 17 Ad-17 search process is cost free to the shareholder, as any processing fees charged by Continental are not borne by the shareholder. ▽



## Continental Partners with Keane

On December 23, 2014, Keane acquired Unclaimed Property Recovery & Reporting, LLC (UPRR). Continental has chosen to continue a relationship with Keane to ensure continuity of all essential services mentioned below.

Continental, in conjunction with its business partner, has provided you and your shareholders with a number of lost shareholder services over the past ten years. Those equity services include SEC mandated 17Ad-17 searches, location services for unexchanged shareholders, annual and initial escheat state compliance filings and pre-escheat location services through its PEL program.

In addition to the shareholder oriented services mentioned, Keane offers unclaimed property owner location, annual unclaimed property reporting and remittance and consultative services to corporations in the general ledger arena.

These services are geared to ensuring your compliance with state abandoned property laws as they pertain to items such as outstanding checks and payments made to vendors, employees and any accounts payable items you may have open and outstanding for a period of time.

If you have any concerns regarding this facet of your abandoned property compliance program or your equity shareholder compliance, please contact your Continental relationship manager or feel free to contact Keane's Jerry O'Leary at 646.564.9219 or [goleary@keaneup.com](mailto:goleary@keaneup.com). ▼

## Escrow Agent Services

By virtue of our charter as a New York State banking institution, we are authorized to provide escrow agent services, both for cash escrows and stock escrows. We handle hundreds of escrows each year. Our subscription cash escrows are deposited in segregated accounts maintained at JP Morgan Chase. We also partner with Citibank and UBS to maintain escrow accounts. These accounts are reconciled by Continental Stock Transfer & Trust and we work hand in hand with issuers and placement agents to make sure that they receive timely information about the receipt and clearance of wires and checks on a daily basis.

Our rates for these escrow services are in line with our being the value leader in the stock transfer industry and generally lower than those charged by our competitors.

With regard to subscription offers, Continental Stock Transfer & Trust is authorized by an SEC No Action Letter to act as an Escrow Agent because it is a "bank" within the meaning of Section 3(a)(6) of the Exchange Act. Our model Escrow Agreement includes OFAC, Patriot Act and Bank Secrecy Act "Know Your Customer" due diligence requirements, and has been fully vetted by our regulators.

If you are interested in our cash escrow agent services, please feel free to contact Frank DiPaolo, our Chief Financial Officer, at 212.845.3270 or [fdipaolo@continentalstock.com](mailto:fdipaolo@continentalstock.com). He will be happy to provide you with a fee proposal. A copy of our approved standard escrow agreement is annexed.

For share escrows, please contact Mark Zimkind, our Director of Shareholder Services, at 212.845.3287 or [mzimkind@continentalstock.com](mailto:mzimkind@continentalstock.com). ▼

## NASDAQ Bell Ceremony

Maggie Villani, Director of Account Administration, and Bernie Lloyd, Account Administrator recently had the pleasure to join Corbus Pharmaceuticals Holdings, Inc. (Nasdaq: CRBP) during the company's Nasdaq Stock Market Closing Bell ceremony.

*Corbus Pharmaceuticals Holdings, Inc. selected Continental October 2014 as successor agent to VStock Transfer.* ▼



## 2015 New Transfer Agent Customers Through April

- > Westar Energy, Inc. – KS
- > Blueprint Capital Management – WA
- > Poage Bankshares, Inc. – KY
- > Inotek Pharmaceuticals Corporation – MA
- > Energizer Resources, Inc. – Canada
- > The First of Long Island Corporation – NY
- > LTR Holdings, Inc. – NY
- > SteadyMed, Ltd. – Israel
- > GNB Financial Services, Inc. – PA
- > VSE Corporation – VA
- > CareView, Inc. – FL
- > The Joint Corporation – AZ
- > Oconee Federal Financial Corporation – SC
- > Suncrest Bank – CA
- > Bay Banks of Virginia, Inc. – VA
- > Citizens Community Bancorp, Inc. – WI
- > Corbus Pharmaceuticals Holdings, Inc. – MA
- > USA Truck, Inc. – AR
- > Jefferson Bankshares, Inc. – FL
- > First Financial Bankshares, Inc. – TX
- > Veritex Holdings, Inc. – TX
- > Atlantic Alliance Partnership Corporation – NY
- > Harmony Merger Corporation – NY
- > FinTech Acquisition Corporation – NY
- > Barington/Hilco Acquisition Corporation – NY
- > Quinpario Acquisition Corporation 2 – MO
- > CB Pharma Acquisition Corporation – MA
- > Hydra Industries Acquisition Corporation – NY
- > AR Capital Acquisition Corporation – NY
- > DT Asia Investments, Ltd. – NY



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## Connect with Continental Stock Transfer & Trust

Contact Karri Van Dell at 212.845.3224 or [kvandell@continentalstock.com](mailto:kvandell@continentalstock.com) or visit [ContinentalStock.com](http://ContinentalStock.com)



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