

Notes From the Chairman

#1 Rated Agent and TALON Award Winner – 4th Straight Year!



Celebrating our 50th anniversary, we at Continental Stock Transfer & Trust Company are especially proud that our efforts make a recognizable, positive impact on our clients' businesses. For the fourth year in a row (2010, 2011, 2012 and 2013) Continental Stock Transfer & Trust has been awarded the prestigious TALON (Transfer Agent Leader Overall North America) Award, reflecting our ranking of #1 among all agents in North America for customer satisfaction, value, technology and performance.*

While this is our fourth consecutive year ranking as number one overall in the industry's only industry-wide performance survey, it is the eleventh straight year that we have been ranked #1 for reasonableness of fees and control of out-of-pocket expenses. In a decade in which the economy has struggled, we are particularly pleased to have been able to offer the best performance/value metric without interruption.

As I noted in my acceptance of this year's TALON Award, I wish to thank each of you for your ongoing business, trust and support. We are most proud that 100% of our customers indicated in the survey that they would recommend our services. Thank you! ▾



PLACED FIRST IN 13 CATEGORIES INCLUDING PROXY, VALUE, STOCK PLAN ADMINISTRATION, CORPORATE ACTIONS AND USE OF TECHNOLOGY.

*The 2013 Transfer Agent Comparison Survey, Stockholder Consulting Services, Inc.



Steven Nelson,
President & Chairman

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Jobs Act/Crowdfunding

In October 2013, the SEC issued their Proposed Rules and Requests for Comment relative to the JOBS Act and Section 4(a)(6) (“Crowdfunding Exemption”) of the Securities Act of 1933. As you may know, Continental Stock Transfer & Trust has been very actively involved in crowdfunding initiatives and we are partnering with a number of crowdfunding portals, including 99 Funding (99funding.com). The 99 Funding platform offers a secure, transparent and efficient marketplace for investment crowdfunding, and it is presently focused principally on Title II accredited investor capital raising. Please see *Notes From The Chairman*, Volume One, Issue 2, 2013 for a full summary of the 99 Funding Platform.

With regard to the SEC’s Proposed Rules, Continental Stock Transfer & Trust filed an extensive comment letter on January 31, 2014 (see SEC.gov), commending the Commission’s attempts to reduce the regulatory costs associated with raising capital, while also attempting to preserve important investor protections. Continental Stock Transfer & Trust pointed out that the appointment of a registered transfer agent for Title II and Title III issuers is essential if investors’ interests are to be adequately protected; and we suggested that transfer agents will likely change their pricing models to lower levels to reflect the relative simplicity of keeping records for these fledgling companies. This will allow crowdfunding issuers to afford adequate record keeping while achieving their ultimate goals in developing their business models.

Continental Stock Transfer & Trust will continue to be out front on crowdfunding initiatives, and we urge you to review our comment letter if you are interested in the JOBS Act/crowdfunding space. You may review the Proposed Rules and all comment letters at SEC.gov. ▾

“ Thanks again for all Continental does for EXXI. Between the dual listing on AIM requiring monthly reconciliations, the monthly employee stock based compensation stock issuances, conversions of preferred stock, quarterly dividends on our common and preferred shares and annual proxy statement matters (not to mention the one-off items), it is nice to have such an exceptional organization backing us up to keep everything straight. ”

Hugh A. Menown | Senior Vice President
Energy XXI (Bermuda) Limited

Continental Stock Transfer & Trust Implementing Revolutionary STREAM TA Platform – 3rd Quarter 2014

As you know, we have used SunGard's CSSII software platform as enhanced for more than 20 years. We are excited to announce that we are migrating to SunGard's revolutionary and state-of-the-art STREAM TA software application, which uses the most advanced technology available to maintain our shareholder record keeping and transaction processing. This robust, scalable and extensible platform incorporates an Oracle database and Jasper Reports and has been in development for many years. The benefits to our clients will be extensive. It will enable us to implement and comply with new regulatory requirements in addition to new industry/technology and business challenges. The flexibility of this Web-based platform surpasses and outperforms current mainframe applications and will enable us to respond to our clients' basic and esoteric needs in a seamless and time-sensitive manner.

Our clients will also have direct access to their stockholder file and see every detail that we can see.

It will allow you to view all of a shareholder's share positions, cost basis information and dividend history, if applicable, as well as special account coding which can be tailored for specific client needs, such as: identifying employees, directors, restricted share holdings, etc. Clients will be enabled to make address changes to shareholder accounts, if desired, run reports that are suited to their individual needs, e.g. extracting data to prepare 10k reports, listings of largest shareholders, number of "restricted" and free-trading shares outstanding, etc. ContinentalLink will continue to be available for clients that choose to grant access to individual shareholders for viewing their own account detail. The migration process has already begun and we are targeting implementation by the third quarter of 2014. We look forward to providing enhanced services to all of our customers and we will keep you apprised throughout the migration process. ▼

If You Have DTC Eligibility Issues, We Have Solutions

As I have noted in previous editions of this newsletter, it has become increasingly difficult for small cap issuers to become DTC FAST eligible or to maintain their eligibility. This stems from 1) the confluence of the FINRA 09-05 release to brokers reminding them of heightened due diligence requirements for trading in non-exchange traded issues and 2) DTC's eligibility process, which is both ad hoc and impenetrable. Over the past 3 or 4 years, this interplay has yielded unintended consequences in the form of hundreds of small cap issues being unable to trade because clearing brokers will simply not accept their stock for deposit without DTC FAST eligibility. Indeed, DTC has even "chilled" or retroactively evicted previously eligible issues from FAST without offering reasons. Through my position as Chair of the STA's Legal Committee, I have spearheaded efforts through the SEC to break this logjam. The SEC's decision in the *International Power* case (March 2012) made clear that issuers have due process rights in DTC's eligibility process, and DTC was instructed to enact rules to afford issuers due process rights of review and appeal.

Only recently did DTC finally file with the Commission their Proposed Rules. This came after repeated prodding from us at the STA. These Proposed Rules were filed in December 2013 and the Commission published them asking for comments. The STA submitted its comment letter in mid-January and DTC replied in early February.

In summary, we found DTC's Proposed Rules and the practices and procedures they have put in place since September 2013 to be a major step forward. They map out for an issuer and its counsel the exact steps necessary to apply for DTC eligibility and FAST eligibility, including removal of "chills" and "global locks." DTC has even come up with an opinion template which they require and will accept. Anecdotally, we have heard that the eligibility process is loosening and that it is now far easier to navigate.

I and two other members of the STA Board are continuing to push DTC for an independent (non-DTC) right of review or appeal in the eligibility process; and we are getting close to an agreement with them to add other tiers of issuers into mandatory DRS and DTC FAST. Stay tuned!

However, if you are an issuer caught in this bind and need help now navigating the DTC FAST eligibility process, we can offer solutions for you. We can refer you to expert legal counsel who have been successful in obtaining FAST eligibility after DTC denials or imposition of "chills"; and we can refer you to brokers and clearing brokers who can act as sponsors for your stock as DTC participants.

For information, please contact Maggie Villani, Director of Account Administration, at 212.845.3249 or mwillani@continentalstock.com. ▼

Change in Rules of Tender Offers Under Section 251 (H) of Delaware Law

On August, 1 2013, the Section 251 (H) Certificate of Merger rule significantly changed Delaware Corporate Law surrounding tender offers; and our client Steinway Musical was the first company to go through a merger using these changes.

Under this new rule, buyers who receive a simple majority of shares in a tender offer can close immediately using a short-form merger (merely requiring the buyer's signature and the promise to give the squeezed out minority shareholders identical consideration as that received in the tender), rather than being forced to go through the time consuming and burdensome process of a further proxy solicitation and a shareholder vote to close the deal (required if the buyer does not meet the minimum threshold, now at 50%). Deals which use this rule have to meet certain prerequisites: the target company must be a company registered in Delaware; the buyer cannot already be a significant shareholder (more than 15%) of the target company; and, the parties must be using a tender offer and must sign the deal after the rule change.

This new law solves a knotty problem that previously bedeviled tender offers:

Beforehand, a buyer who obtained control at a simple 50.1 percent needed 90 percent shareholder acceptance of the merger to be able to go through a short form merger and squeeze out any remaining shareholders.

This was a very high bar, especially when some investors held out. Furthermore, after the lengthy 45-60 day delay due to calling a special shareholder meeting and preparation of a proxy statement solicitation, since the buyer was by definition the majority shareholder, holding over 50% of the shares, they would succeed in the shareholder vote anyway. To avoid the extra costs of extra professional services and wasted time, the legal community came up with workarounds such as the top-up option, in which target companies issued new shares to get buyers to 90 percent. However, many companies didn't have enough authorized shares or were hamstrung by stock exchange rules that required stockholder approval to issue large blocks of new shares. The new rules are a win-win for issuers, in reducing merger related costs, and shareholders, who benefit by receiving merger related payments in a more timely fashion. ▼

2014 Proxy Update

The 2014 proxy season has begun, and companies are gearing up for their annual meetings by reviewing proposals, drafting their proxy statements and planning for uncertainties. There is no one-size-fits-all when it comes to proxy solicitation. Even if there are no extraordinary items on the agenda, it is safe to say that there is no longer any such thing as a "routine" annual meeting. Several things that all companies should keep in mind when planning for the annual meeting are:

- > Your shareholder profile is key and it is the critical place to start your review process. Update your entire shareholder base from a voting perspective to understand who owns your stock and who controls the voting rights. Determine the percentage of shares owned by institutional holders, potential activist investors, individuals or retail holders, and officers and directors.
- > Determine the degree to which institutions rely on proxy advisory services, such as ISS or Glass Lewis. While the recommendation of either firm can have a significant impact on the shareholder vote, it is often not the sole deciding factor in the success or failure of a proposal. Many other elements must be factored in which can greatly affect the shareholder vote.
- > Assess the solicitation strategy needed in light of the vote requirement necessary to pass a particular proposal.

- > Make the proposal as “shareholder friendly” as possible. For equity-compensation plans, companies should not let outside factors alone determine how a plan should be designed. There are many factors to consider, such as shareholder profile and ISS voting guidelines.
- > As a last step, develop, monitor and review your solicitation plan to pass the proposal. Allow sufficient time to solicit votes.

We have seen an uptick in shareholder activism this year from large cap to micro cap companies, so no company is exempt. There are specific actions companies can take to maximize the opportunities for success.

- > **Stay informed:** Do not wait until you become a target to inform your Board of Directors about the latest developments in shareholder activism. Minimize the changes of being surprised by knowing governance and compensation trends. Ensure that management and the Board of Directors are weighing shareholder sentiment and are aware of current best practices when you review these items. Monitor daily trading activity so you know who is buying and selling your shares.
- > **Know the decision-makers:** Many institutional investors separate investment and voting functions. Get to know these individuals before you need their support on a particular matter. The voting results at an annual meeting are not solely a reflection of efforts that occur during the four weeks leading up to the meeting; rather, they are the outcome of efforts that occur throughout the year.
- > **Make your case:** Many institutions make independent decisions, so their familiarity with specific companies is having a greater impact on their voting decisions. Ensure that your company’s unique circumstances are being considered as part of the proxy-review process.
- > **Choose your battles:** Whenever possible, work with your shareholders. Search for common ground, and explain your position when you disagree. Keep the communication flow as active as possible.

Please do not hesitate to contact me if you would like to discuss your specific needs.

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Abandoned Property/Lost Shareholder Searches

Unclaimed Property Recovery & Reporting (“UPRR”) and InfoAge, 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. As previously reported, Continental Stock Transfer & Trust has an agreement with UPRR and InfoAge to assist our issuers in locating lost shareholders. UPRR 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. InfoAge provides mandatory due diligence of unclaimed property under SEC Rule 17 Ad-17, and also locates assets for shareholders who are lost.

The mandatory due diligence entails two “mandatory searches” as outlined in the SEC Rule. These searches are cost-free to the shareholder. As part of our abandoned property services, UPRR 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 UPRR offers your shareholders the opportunity to sell recently recovered assets at rates that are lower than customary brokerage charges, although UPRR charges for the asset recovery part of their services as well.

UPRR always offers your shareholders the opportunity to contact Continental Stock Transfer & Trust directly to update their shareholder information and address at no



charge, rather than utilizing UPRR'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, the search process is totally cost-free to the shareholder, as any processing fees charged by Continental Stock Transfer & Trust are borne by UPRR. This in no way affects your shareholders' ultimate recovery. ▼

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 and all of our cash escrows are deposited in segregated accounts maintained at JP Morgan Chase. 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. 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 212.845.3270 or mzimkind@continentalstock.com. ▼



Corporate Action Services

Take your high-level transactions to a higher level.

Continental Stock Transfer & Trust
Company can help you complete your corporate actions smoothly, efficiently and cost effectively.

Our experienced, knowledgeable team of experts is committed to your business and will expertly navigate through this significant event. We will focus on every detail and help you follow through on these actions using specialized talent and industry-leading technology.

 **CONTINENTAL**
STOCK TRANSFER & TRUST

“ We appreciate the exceptional work by you and your team. It is clear to us why Continental is the best in the business. ”

Hugh A. Menown | Senior Vice President
Energy XXI (Bermuda) Limited

Update on Social Media

As our online social media following continues to grow through our Twitter and LinkedIn pages, we are pleased to announce we now have a Facebook page! Please add us on all platforms to communicate with us and follow company news and updates. ▼

Continental Stock Transfer & Trust Welcomes New Transfer Agent Customers:

- > Farmer Mac – DC
- > Beard Land and Investment Co. – CA
- > Black Sands Pacific Group – CA
- > KineMed, Inc. – CA
- > Organovo Holdings, Inc. – CA
- > Silver Eagle Acquisition Corp. – CA
- > HF2 Acquisition Corp. – CO
- > Three Forks, Inc. – CO
- > Cambridge Capital Acquisition Corp. – FL
- > Global Group Enterprises Corp. – FL
- > Medworth Acquisition Corp. – FL
- > Orchid Island – FL
- > Renovate Neighborhoods, Inc. – FL
- > xG Technology, Inc. – FL
- > Professional Diversity Network – IL
- > DecisionPoint Systems, Inc. – MD
- > ANI Pharmaceuticals, Inc. – MN
- > Quinpario Acquisition Corp. – MO
- > Cancer Genetics, Inc. – NJ
- > Diamond Resorts International – NV
- > Bitcoin Investment Trust – NY
- > Boulevard Acquisition Corp. – NY
- > Liquid Holdings Group, Inc. – NY
- > NYPPEX – NY
- > Quartet Merger Corp. – NY
- > ResCap Liquidating Trust – NY
- > SFX Entertainment, Inc. – NY
- > YuMe – NY
- > The National Lime & Stone Company – OH
- > Trevena, Inc. – PA
- > Applied Optoelectronics, Inc. – TX
- > Deer Park Associates Inc. – TX
- > Enquest Oil and Gas – TX
- > NewLead Holdings Ltd. – Greece
- > Alcobra Ltd. – Israel



Take Advantage of Our Comprehensive Services

We stand ready to help your business move forward with comprehensive services customized for your company's unique needs. Connect with us to learn how we can enhance your freedom to take care of business.

- > Stock plan administration
- > Employee plan services
- > IPO/SPAC services
- > Annual meeting & proxy services
- > Corporate action & escrow services
- > EDGAR/XBRL filing

New Partnerships Announced

- > **Equities.com** – Providing investors and issuers with vital up-to-date company stock information as well being a comprehensive resource center for all the financial community.
- > **Lotus Capital and Corinthian Partners** – Offering asset management services to shareholders and investors of emerging and micro-cap equities.
- > **DreamTeamGroup** – Working with us to help increase our social media visibility and overall online presence.

Connect with Continental Stock Transfer & Trust

Contact Karri Van Dell at 212.845.3224 or kvandell@continentalstock.com or visit ContinentalStock.com



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