

Notes From the Chairman

January 2011

Simply the Best – Better Than All the Rest Continental Rated #1 Agent in North America for 2010

in this issue:



Steve Nelson, Chairman

Contact me directly at
212.845.3201

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We are pleased to announce that Continental Stock Transfer & Trust Company has just been named the winner of the prestigious Talon Award for 2010, presented by Stockholder Consulting Services, Inc. (SCS), in connection with its annual industry-wide performance and customer satisfaction survey of Stock Transfer Agents throughout the United States. This is the stock transfer industry's *only* industry-wide performance survey, and Continental not only received the highest score in its tier of midsize agents, but Continental also finished first overall among all agents in North America. Continental's customer satisfaction composite score of 4.66 out of 5 is the highest score achieved by any agent over the past five years.

Sincere thanks to our customers for making us the #1 agent

We are grateful to our 115 customers who responded to the SCS survey. We fully understand that the survey creates an imposition on your time, but we are extremely proud that we have garnered your appreciation and loyalty. Indeed, Continental finished first overall in the SCS Loyalty Index with 99 percent of our customers saying they would recommend our services to other issuers.

In these complex times of increased regulatory requirements, such as cost basis reporting, Say On Pay, and massive state backup withholding changes, Continental strives to get better each and every day. Be assured that we take your business and trust seriously, and we will continue to stay ahead of the pack in serving your corporate needs.

Try Our High-Value **ContinentalLink** Suite of Internet Services

FREE

ContinentalLink is a "must have" if you and your shareholders want to maximize the benefits of our technology. If you're not already using ContinentalLink, this free trial offer removes the last reason not to give it a try. Sign up now and *get the first three months of ContinentalLink at no charge. Absolutely free.*

For more information, and to sign up, contact Les Deluca, Vice President, at 212.509.4000x3215 or ldeluca@continentalstock.com.

Continental ranks #1 in a long list of survey categories

For the past 7 years, SCS Surveys had found us to be the value leader and the lowest-priced major agent in the United States. Again this year, in addition to being named the overall customer satisfaction and performance leader, Continental was named the value leader as well among all agents sampled. Continental finished #1 in the category measuring reasonableness of fees relative to the level and type of services provided; and we finished #1 in charging the lowest fees and passing on the lowest expenses of any U.S. agent for the 8th straight year. Continental also finished #1 overall with regard to its Corporate Actions Business (servicing mergers, acquisitions, tender offers, stock splits and spin-offs); #1 in accuracy of handling shareholder inquiries, #1 in handling shareholder records, #1 in the level of services provided by our call center operations, #1 in handling restricted stock and original issuances, (continued p. 12)

Proxy Season: A Review and a Look Forward

The 2010 Annual Meeting season has come to a close, and once again we are pleased to report that we handled more meetings than ever this year, and we did so with virtually flawless execution. Clearly, our highly experienced Proxy Department, led by Gail Schweda and Bruce Jacoby, gets credit for a job well done. Navigating through the proxy process is always challenging, and this was particularly true this year when all issuers had to deal with the nuances and burdens of Notice & Access, as well as repeal of Rule 452's discretionary voting for directors. Notwithstanding the challenge of handling hundreds of shareholder meetings nationwide for our more than 1,100 issuers, the proxy season proved to be an unqualified success.

How We Do It, And Why Our Proxy Services Are The Best

Our people and our tools make the difference

Each year, Continental's proxy services are determined by industry surveys to be the best in class. There are several reasons for this.

First, our staff certainly is a primary ingredient of our success. We employ dedicated, full-time proxy specialists.

Second, the way we go about the process is different. While your administrator can coordinate your meeting needs with you, the oversight and servicing of your meeting is put exclusively into the hands of our Proxy Department specialists. You and your staff deal only with knowledgeable personnel who are always available when you require them the most. There is no guesswork here.

Our Annual Meeting Guide will get you there

We also provide tools: The primary one is our *Annual Meeting Guide*. This booklet "spells it all out" for you in a "step-by-step" manner. Our updated *2011 Annual Meeting Guide* will be sent to all our clients shortly.

More importantly, our proxy services are supported by technology enhancements in our Sungard processing system. In addition to the usual mailing and tabulation services, we are able to offer a number of other critical capabilities, including:

- DTC linkage.
- Electronic Broadridge linkage.
- Electronic distribution of Annual Meeting materials through ContinentalLink, our full-service Internet product for issuers and shareholders.

- Householding of shareholder positions.
- Intuitive Internet voting.
- Telephonic voting.
- Incorporation of Employee Plan share positions.
- Interface with all outside solicitors.
- Reconciliation of "over-voted" positions.
- The variety of services previously cited as now required under Notice & Access, including fulfillment, online document conversion, and Web hosting.
- Say on Pay complex tabulation.



Continental's technology keeps us (and you) out in front.

Our technologically advanced ContinentalLink distributes your materials electronically, with a link to your annual report and proxy statement. This option applies only to consenting shareholders.

Continental stands ready with our partners to make certain that your upcoming annual meeting, which is likely your most important corporate event of the year, is handled seamlessly, efficiently, and successfully by all involved. Our partners in this endeavor are: Morrow & Company (proxy solicitation); Alliance Advisors, LLC (shareholder meeting consultancy); Scotti Graphics, Inc. (printing of Notice & Access materials); and EZ-Online Documents (web hosting and document conversion); and The Fitch Group (corporate printing, periodic reports, etc.). ■

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Isomet Moves to Continental

Isomet Corporation is the world's leading producer of acousto-optic (AO) devices

We're pleased when clients recognize and appreciate our efforts, and occasionally they let us know. Here's a recent letter from a happy client.

For over 20 years our company was with another stock transfer agent. In 2010 we switched to Continental. I could not be more pleased. From our first contact with Richard Kretz through to our most recent contact with Bruce Jacoby during the run up to our annual meeting, every one has been very professional as well as personable.

In the past everything about the annual meeting was a mystery. At our previous agent we had one contact. At Continental the entire team was available. I was assisted at every turn. Calls and emails were promptly handled. Members of each team were copied on every email. I felt as if I had a small army working for me. In addition to Richard and Bruce, that army included Leslie DeLuca, Vivina Mendez, Cindy Kaim, Chiley Holder, Gail Schweda, Chris Satula, Luther Groce, Maribel Colon and Silvia Cauci.

Every bit of educational information I needed was provided. For 2010 there were regulatory changes that might have affected the proxy votes. Continental gave me suggestions. I paid attention, implemented the changes and was delighted that the suggestions solved the problem.

I haven't mentioned your fees yet. They were the reason I first looked at switching. I ended up with three times the service at half the price.

Things went so smoothly at the annual meeting I am almost looking forward to the 2011 annual meeting.

Sidney L. Neely
CFO, Secretary
Isomet Corporation

Maxim Annual Growth Conference Is a Success

Continental was a major sponsor of Maxim's Annual Growth Conference held on November 18, 2010 at the Grand Hyatt in New York. Continental and Maxim have been closely aligned for many years and have worked together on dozens of major transactions, including a number of SPAC business combinations. We were pleased and honored to sponsor this event once again this year, and it was a smashing success. ■



Continental Sponsors the Rodman & Renshaw Annual Global Investment Conference



Steve Nelson is shown greeting participants at the Rodman & Renshaw Conference in New York City.

Continental was pleased to be a Gold Sponsor at the Rodman & Renshaw Annual Global Investment Conference held in New York City from September 13 through September 15, 2010. Continental and Rodman & Renshaw have worked together closely on numerous IPOs and Secondary Public Offerings, as we each have dominant positions in the mid-cap space. More than 500 companies from all industry groups from around the world presented at the conference, and more than 50 of Continental's issuers gave presentations. Prominent among presenting companies were a number of China-based stock transfer customers of Continental. During the conference, Continental was pleased to sponsor a luncheon at the Gilt Restaurant of the Palace Hotel in New York City. ■

All Things Considered, No One Can Beat Our Prices

Surveys prove it, and our customers know it

Our pricing is clear, fair, and a great value. We don't charge you inflated minimums, exaggerated additional fees, or imaginary administrative extras. Our pricing is all-inclusive. Expect to save 40% or more with Continental. Annual industry surveys repeatedly prove Continental is the agent offering the best overall value, as well as the lowest out-of-pocket expenses in the industry. It's not only what we promise, it's what we do. ■



The Continental Toolbox

Internet access for issuers and shareholders alike – it's the tool that provides maximum benefit for you and your shareholders

Continental's reputation has long rested on personalized service, superb technology, and excellent value. We have often been first to the market with technology tools designed to make you more efficient.

At Continental, our continuing goal is to remain a leader in technology, and to provide you with the best available options.

We would like to highlight a number of these tools that represent both technology now in place that you should be using, and technology soon to be offered. Our continuing goal is to remain a leader in technology, and provide you with the best available options to help you and your shareholders with your informational needs in a convenient fashion.

ContinentalLink Enhancements

For the past five-plus years we have encouraged you to take advantage of our ContinentalLink services. Today, more than ever, you should consider its use. The service has been upgraded, and a number of fine enhancements have been installed to benefit users. Among these are:

- Real-time updating of information – you will see updates to all mainframe entries and changes hourly, each time you log on to the system.
- User-defined customization – you can customize the “look” of the site to reflect your corporate identity.
- Enhanced Proxy information – you can view the vote status of individual shareholders.
- Customized user sign-in – your shareholders can create their unique, secure ID.
- Portfolio feature – your shareholders can view all their issues being managed by Continental under a common taxpayer ID.

NexGen

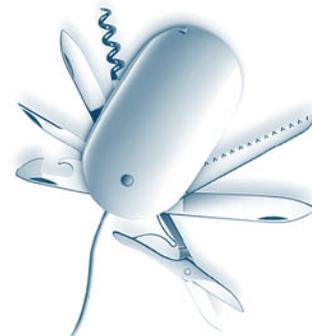
Continental has long valued our relationship with SunGard, the technology leader in stock transfer technology. This partnership has allowed us to offer flexible and secure solutions which always meet the changing and increasingly difficult regulatory environment. For years we have depended on SunGard's CSSII mainframe platform to service the needs of our clients.

The day to say good-bye to CSSII is now in sight. NexGen, SunGard's new, web-based transfer agent solution, is on the horizon. This system promises to be the industry leader – by far – and will offer outstanding flexibility and performance, advanced reporting, and easier 24/7 secure Internet account access. New features are too numerous to list here at this time, but key features include:

- Real-time editing, posting, reversals and reporting.
- User-defined report writer.
- “As of” date reporting and processing.
- Centralized name and address file database.
- Dashboard views.

With NexGen you get more choice, better customization, and more flexible access to the information you need.

As a client, you can expect more choice, better customization, and more flexible access to the information you will require. NexGen is a real step forward, and Continental looks forward to offering its capabilities to you. We will keep you abreast of developments on this topic.



AccuBasis – Cost Basis Solution

Have you ever needed to calculate the cost basis of your shares only to realize that the task was complex due to multiple transactions or splits, or simply because the stock you originally owned had “morphed” into another firm? AccuBasis solves your problem by providing the tools you need to get your answer quickly and accurately.

Click on the “AccuBasis” link on our web site, www.continentalstock.com, and your solution is at hand.

Oplink – Paperless Option Exercises

Oplink is another Continental innovation designed to speed and streamline share movement for option exercises and original issuances by employing electronic transmission through the Depository Trust Company's DWAC system. Oplink will ensure that your instructions are received and integrated into our secure operating system, and processed in a timely fashion.

At Continental, our continuing goal is to remain a leader in technology, and to provide you with the best available options.

We encourage all clients to begin using this service. Do away with the cumbersome faxing of paper. Contact your account administrator to get started today. ■

First With the Best Our leading-edge technology makes things easier for you and your shareholders – and saves you money.

Abandoned Property/ Lost Shareholder Searches

EquiSearch: 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 has an agreement with EquiSearch Services, Inc. to assist our issuers in locating lost shareholders. EquiSearch 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. The company provides mandatory due diligence of unclaimed property under SEC Rule 17Ad-17, and also locates lost assets for shareholders no longer retaining evidence of ownership.

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 its services, EquiSearch also offers your shareholders an additional search alternative, which is their asset-recovery program. This program locates abandoned property not found during the mandatory searches – and EquiSearch offers your shareholders the opportunity to sell recently recovered assets at rates that are lower than customary brokerage charges, although EquiSearch charges for the asset recovery part of their services as well.

Our process is totally cost-free to the shareholder, as any processing fees charged by Continental are borne by EquiSearch.

EquiSearch always offers your shareholders the opportunity to contact Continental directly to update their shareholder information and address, rather than utilizing EquiSearch’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 are borne by EquiSearch. This in no way affects your shareholders’ ultimate recovery. ■

Proxy and Annual Meeting Guide Coming Soon

Watch for the 2011 Proxy and Annual Meeting Guide coming in March. Print or online version – it’s your choice. ■

Build Shareholder Loyalty With Direct Stock Purchase Plan



A Direct Stock Purchase Plan (DSPP) offers investors and existing shareholders a convenient and low-cost method to acquire shares and reinvest dividends in your firm’s stock.

A DSPP vehicle builds shareholder loyalty. Ask your account administrator how to begin – we’re happy to assist, and can use your registered Plan or our bank-sponsored Plan. Please feel free to contact Mr. Mark Zimkind, Vice President and Director of Shareholder Relations, at 212.845.3287, or by e-mail: mzimkind@continentalstock.com. ■

DRS: Do You Know What It Is?

DRS (The Direct Registration System) provides for the electronic direct registration of securities in an investor’s name on the books of the transfer agent or issuer. It allows shares to be transferred between a transfer agent and a broker electronically through the industry’s DRS Profile System.

Currently, investors hold their shares either in “street name” with their broker, or they are “registered shareholders” and have a certificate.

DRS provides investors with an attractive alternative. With DRS, investors can now elect to have their holdings registered directly on the issuer’s records in book entry form. Instead of having to safeguard valuable certificates, shareowners will receive a statement from the issuer or the transfer agent reflecting their ownership. They will also receive communications directly from the issuer or agent in a timely manner. The investor can subsequently transfer the DRS book-entry position to a bank or broker/dealer, or vice versa. If your company wishes to become a DRS “participating” issuer, simply notify your account executive. ■

Industry Profile/Regulatory Update: Continental is out front with the implementation of regulatory changes and initiatives, including Cost Basis Reporting and Say on Pay

Industry Overview

The past year in the stock transfer industry has been primarily driven by the continuation of two overarching trends: continued consolidation in the stock transfer industry, and the increasing interference of the Depository Trust Company (DTC) and Broadridge – both monopolies – in the stock transfer industry and related markets for trading and capital raising.

In the stock transfer industry, consolidation continues to be the watchword. The large mega-agents continue to grow larger and more global in their focus. Continental is currently the 5th largest agent in the United States, servicing more than 1,100-plus issuers, aggregating more than 2.5 million shareholder accounts. However, Continental is the only top 5 agent focused exclusively on small and mid-sized

Radical changes at the mega-agents have resulted in diluted services and rampant customer dissatisfaction as reflected in the SCS Survey.

issuers. Continental has grown through the acquisition of five smaller agents over the past decade, and we continue to increase our market share as well. We continue to be the only major agent with this consistent focus, which, in turn, allows us to provide excellent service to all of our issuers, without making them stand in queue behind large mega-accounts, which is usually the case with other large agents.

All three of the mega-agents have undergone radical changes in the past several years, including repeated internal reorganizations, purchases by private equity firms and/or the proposed sales of their entire shareholder servicing business. This has led to wholesale changes, diluted services, and rampant customer dissatisfaction as reflected in the SCS Survey. Continental, on the other hand, has remained true to our model of providing flexible, tailored services at rates that are significantly lower than those charged by the other top five agents. In light of the Stockholder Consulting Services (SCS) 2010 survey, which found Continental to be the #1 rated agent in North America for performance and customer satisfaction, it is clear that Continental's single-minded focus and attention to customer needs is reaping huge rewards.

DTC Eligibility

The other major trend emerging in the last year or two is the increased interference and anti-competitive behavior of DTC. As I reported to you in my prior *Notes From The Chair-*

man, DTC attempted to enact rules for its SRO relative to the eligibility of transfer agents in the DTC FAST System in 2008 and 2009. This became critically important once DTC and the Exchanges engineered mandatory DRS eligibility for any exchange-traded issue in 2008. Through its SRO rules, DTC was attempting to regulate transfer agent eligibility and mandate ongoing oversight of transfer agents by DTC, even though the SEC is granted exclusive jurisdiction by Congress to regulate transfer agents.

In my role as a member of the Board of the Securities Transfer Association (STA), and as Chair of their Legal Committee, I had spearheaded the efforts of the STA to quash DTC's proposed Transfer Agent Rules, which would make DTC the de facto regulator of transfer agents. While those proposed rules appeared to be dead during the Bush administration, they were somehow resurrected by DTC, and the SEC staff subsequently passed them in August, 2009. The STA immediately filed a petition seeking full Commission review of this abuse of its delegated authority. That petition is still pending. However, under SEC Rules, our petition has the effect of staying the implementation of these new DTC Rules as they relate to transfer agent eligibility in the DTC FAST System.

However, in a related move, which appears to be mainly a manifestation of DTC's economic interests, DTC has now chosen to change the eligibility rules and requirements of *issuers* in the DTC FAST System. While DTC had originally promised the SEC and industry groups that admission of all exchange-traded issues into the DTC FAST System was to be followed by admission into FAST of Bulletin Board issuers and perhaps Pink Sheet issuers, DTC reneged and now has virtually halted eligibility for non-exchange traded issues seeking FAST eligibility. DTC seeks to hide behind the notion that this wholesale denial is to comply with its risk management obligations under the U.S. Patriot Act, OFAC, BSA (Bank Secrecy Act) or AML (anti-money laundering). It is clear, however, that DTC has concluded that servicing small issuers is not economically viable. It appears that they are, therefore, seeking any excuse or cover to deny eligibility to small issuers. The net result is that while the SEC has expressly committed to enhancement of the clearance and settlement system by making as many issuers as possible electronic, DTC continues to obstruct this expressed mandate. Likewise, while the Commission says they wish to foster capital raising and free trading of small issuers, DTC's unilateral action has completely hamstrung these expressed goals, resulting in hundreds of issuers not trading effectively.

In my role with the STA, I have been meeting with the staff of the SEC and DTC to break this logjam. In March of 2010, after much resistance from DTC, representatives of the STA and the SEC met with DTC in New York, seeking not only to solve the issues relating to transfer agent eligibility, but also to encourage DTC to come up with an eligibility review process relative to applications for DTC FAST eligibility.

At the end of June, 2010, we were able to engineer a meeting between DTC, the SEC, clearing brokers, issuers, and representatives of FINRA to see if we could solve the problems surrounding small issuer eligibility in the DTC FAST System, which has led to clearing brokers refusing to accept for trading and deposit all non-exchange traded issues which are not DTC FAST eligible. This action by brokers and clearing brokers was precipitated by FINRA releases reminding brokers of their duty to perform “know your customer” due diligence on issuers which they trade or accept for deposit.

In our view, this is a totally unprincipled, unjustified, economically driven course of conduct by the DTC monopoly to further its own economic interests.

Instead of doing their own due diligence, brokerage firms concluded that they would make DTC FAST eligibility the imprimatur of respectability and the linchpin of their due diligence reviews. That June 29 meeting in Washington at the SEC fostered discussion of many proposed changes on the part of DTC in the issuer FAST eligibility process, but to date DTC continues to drag its feet; and it has not modified its eligibility review process in any meaningful way.

The net result is that non-exchange traded issues continue to have applications for eligibility into the DTC FAST System routinely denied. Even more troubling is that DTC has now started denying eligibility retroactively for non-exchange traded issues which have been in the DTC FAST System for many years; and all the while DTC provides no explanation for the issuer’s removal from FAST eligibility.

In our view, this is a totally unprincipled, unjustified, economically driven course of conduct by the DTC monopoly to further its own economic interests. Unfortunately, the SEC staff has thus far proved either unable or unwilling to change that course of conduct. I assure you, however, that Continental will continue to lead the STA’s efforts in promoting an efficient clearance and settlement system which encourages capital raising by small issuers and protection of their investors. In the meantime, we stand ready to assist our issuers in achieving or continuing DTC FAST eligibility by using our contacts at DTC or outside consultants with special ties and expertise. Please call your account administrator if you need help in this regard.

Mark Zimkind Named Head of Shareholder Services

We are pleased to announce that Mark Zimkind, formerly Head Of Compliance and Corporate Actions/Reorg, was recently elevated to a newly created position as Head of Shareholder Services at Continental. In that position, Mark will report directly to our COO, Don Gress, and to me; and he will oversee Account Administration, Corporate Actions/Reorg, Dividend Reinvestment Plan Services, Stock Transfer and Lost Securities.



Mark has over 25 years of diverse industry experience at several large bank transfer agents, as well as Georgeson Shareholder Services, where he was responsible for all facets of their stock transfer business. Mark has handled some of the largest and most complex mergers ever, including the leveraged buyout of RJR Nabisco, the largest transaction of its time, Disney’s complex election merger of Capital Cities/ABC, and he successfully handled the first Dutch Auction Tender Offer ever done by a Canadian company (Imperial Oil Corporation).

Likewise, Mark has overseen complex business combinations in over 70 SPAC transactions here at Continental, aggregating more than \$15 billion. Mark is a tremendous asset for Continental and will be happy to handle any complex corporate action or any other service-related questions you may have. He can be called at 212.845.3287 or mzimkind@continentalstock.com. ■

Cost Basis – The Emergency Stabilization Act of 2008

As I have advised in my *Notes From The Chairman* over the past two years, the above-referenced legislation includes far-reaching changes to IRS regulations requiring cost basis reporting by financial institutions, including banks, brokers, and transfer agents, for each transaction they handle for investors/shareholders. This legislation constitutes a sea change unlike anything our industry has seen in the past 30 years. It affects millions of transactions per year on an industry-wide basis, and hundreds of thousands of transactions per year at Continental.

As we have reported to you, we at Continental have been working overtime since the publication and passage of the Act to understand its requirements and to ensure our compliance on the effective date of January 1, 2011. I can now report to you that we are totally ready to meet the requirements of the Act, after having undergone massive (continued p. 8)

Industry Profile/Regulatory Update (continued from p. 7)

system changes (both hardware and software), extensive testing and training with other industry participants, and significant staffing additions and reorganization. Most notably, we have faced significant programming costs from SunGard, and we have been involved in extensive testing with DTC as well. Moreover, DTC has recently advised the Securities Transfer Association that it will be charging transfer agents for cost basis reporting interfaces, whereas they had previously indicated that we would not be charged. Since, as you know, DTC is a monopoly, we have no alternative but to comply with their demands. We have become a member and participant in the DTC CBRS System, and will pass cost basis information through that system to the banks and brokers on the other side of these transactions.

Any of our issuers utilizing our bank-sponsored DRP, or DSPP, will be in full compliance with the new related guideline.

As you can imagine, in addition to the massive system changes engendered by this legislation, we have had to train all of our employees to meet the highly complex requirements of the Act. Under the Act, there are numerous types of transactions or events that have to be addressed in order to maintain the proper cash value on all transactions. To make matters more complex, there are different tax rules to be applied for each transaction we process. Categories of covered transactions include: private sales, inheritances, gifting, wash sales, routine broker to agent transfers, corporate actions (stock splits, tender offers, etc.), Employee Stock Purchase Plans, restricted stock awards, stock option exercises, etc.

Tax lot accounting will also be incorporated into this process. We will be required at times to determine the fair market value of shares to apply to certain transactions, and to obtain information from the presenter of items when certain information is not furnished with the presentation, particularly with respect to private sales, inheritances and gifts. Issuers will also have to furnish cost basis information for all “new” issuances of shares, such as stock option exercises, private placements, etc.; and we will have to maintain and be able to pass this on when shares are delivered to brokers. To further compound and magnify the difficulties presented by this legislation, IRS and Treasury did not release final guidelines until late October, 2010.

Indeed, in these recently released guidelines, the IRS, after indicating for two years that Dividend Reinvestment Plans would not have to comply with cost basis reporting until 2012, threw our industry a major curve ball. Their recently released guidelines indicate that any DRP which does not

provide that no plan holder may reinvest less than 10 percent of any periodic dividend amount will be subject to cost basis reporting requirements in 2011. In response, Continental has adopted an amendment for all of its bank-sponsored DRP plan accounts to conform to the requirements of these guidelines. Accordingly, any of our issuers utilizing Continental’s bank-sponsored DRP, or DSPP, will be in full compliance with this new guideline and will, therefore, not be subject to cost basis reporting requirements in 2011.

To sum up, Continental stands ready on your behalf to fully comply with the Act on its implementation date of January 1, 2011. The massive system changes and increased staffing and training required to comply with this legislation have come at a great price. As the costs associated with cost basis implications are not covered under our existing contracts, we have tried to pass on these charges in the fairest and least painful way possible. The one-time charges billed to each issuer in November, 2010 are significantly less than those charged by our competitors; and this is consistent with our being the lowest priced agent in the United States for the past eight years. I have had many conversations with our issuers on these matters, and I have been heartened by their understanding and tolerance. No one – neither issuers nor financial institutions – likes this legislation or its attendant implications. Nevertheless, in this era of increasing regulatory change and oversight, there are no real alternatives. Simply put, we must comply with these regulations completely and absolutely, and we appreciate your understanding.

State Backup Withholding

As most of you already know, the federal government, for many years, has imposed backup withholding requirements on any shareholder accounts where we, as your Transfer Agent, do not have a certified federal identification number for the shareholder. In such cases, we must withhold up to 30 percent of any dividends or distributions and pass that money on to the IRS. In a new wrinkle designed no doubt to overcome budgetary shortfalls, various states have now embarked on a campaign to impose backup withholding for residents and entities doing business in their states. In particular, California and Maine have recently passed legislation implementing backup withholding which, as you can imagine, requires massive reprogramming of all shareholder records serviced on your behalf. Unfortunately, this appears to be only the first salvo, to be followed by many other states. We will keep you apprised of these developments as they occur.

Say On Pay

In connection with the upcoming 2011 Proxy Season, the SEC has indicated that they expect to have rules in place for “Say On Pay” and “Say On Frequency” very soon. It appears,

Remember that the experienced people in our dedicated Proxy Department are ready to help with all proxy-related questions and problems.

in any case, that votes on these proposals will begin with annual meetings occurring after January 21, 2011 with or without all the rules in place. Say On Pay voting is mandatory, not optional. Accordingly, all issuers subject to Federal Proxy Rules, with annual meetings occurring after January 21, 2011 will be required to include a non-binding proposal on executive compensation (Say On Pay) on the ballot. The Say On Frequency proposal will also be required, giving shareholders a choice of whether they prefer a Say On Pay vote every one, two, or three years – or to abstain.

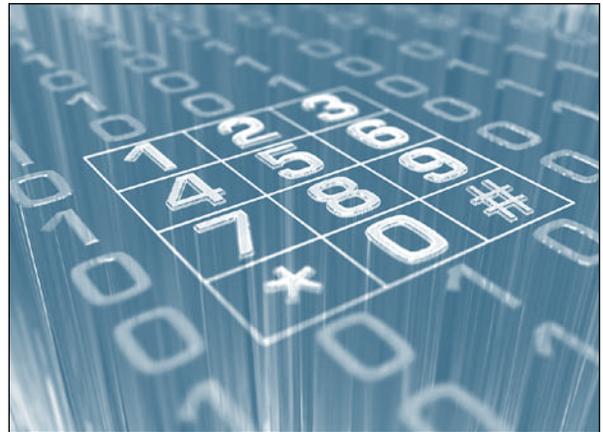
With regard to the long-term implications of these SEC generated changes, the most significant practical effect is on the form of the proxy itself and the tabulation and interface process between agents and the Broadridge monopoly. While industry groups have been communicating with Broadridge in the hope that we could get them to provide a proxy interface with minimal, straightforward programming, that does not appear to have worked. Instead, Broadridge is insisting on new formatting, which will require extensive programming to be done by all agents, including Continental.

At this time, we are still dealing with a moving target at Broadridge. It is possible, given their intransigence, that annual meetings held early in 2011 will be handled by us on a manual basis until an industry-wide format has been agreed upon. In this regard, most of the major transfer agents are in agreement and will move ahead with implementing manual interventions until a universal process is achieved.

With regard to long-term strategy for issuers in dealing with Say On Pay and Say On Frequency, it is suggested that issuers not lose sight of the fact that the proposed rules could set the stage for future shareholder activism. Issuers would be well advised to reach out to their larger institutional holders now to establish lines of communication and understand their policies and wishes.

If you retain the services of a proxy solicitor, we believe that you will be well served to outline with them a detailed solicitation plan, taking into account your long-term goals and near-term concerns. In this regard, you should consider the following:

- Conduct an evaluation to understand your shareholder profiles;
- Identify and develop relationships with the voting decision-makers at key institutions, and
- Assess your vulnerability to a negative recommendation from the proxy advisory firms, including the identification of potential “poor” pay practices which can attract significant opposition from shareholders. (continued p. 10)



We Still Answer the Phone in Person

Continental's new cutting-edge telephone system

Continental is proud to announce that in mid-November we installed a new, cutting edge telephone system – one that has every bell and whistle imaginable. It offers the ability to answer telephone calls more efficiently, and it allows for the tracking of every telephone station in our facility with a variety of metrics, such as how long it takes to answer each and every call, how many calls are transferred, what geographic region calls originate from and which issuer they relate to. Most importantly, this new system allows us to customize 800 lines established for individual issuers with tailored individual messages, which can be updated periodically. Accordingly, issuers can release earnings results or communicate with their shareholders on other important matters with these tailored messages. Finally, the new telephone system allows us to monitor calls and record calls to ensure that each and every call is handled courteously and efficiently.

After all, no one likes excessive use of automated voice response and voice mail; and we at Continental will simply not follow the mega-agents and their use of massive call centers located in offshore nations to field important and sensitive shareholder calls. Our new system ensures that knowledgeable professionals with expertise in the specific subject matter of the call are answering each and every call, and that they do so promptly. We believe absolutely that the reason Continental is rated the #1 agent in North America is directly tied to the fact that we will simply not accept mediocre telephone service in dealing with your shareholders. The linchpin of any successful shareholder servicing program is telephone service, and we believe that our new system places us light years ahead of our competitors by offering personalized and tailored service for each and every call. ■

Industry Profile/Regulatory Update (continued from p. 9)

Moreover, issuers can begin to form a long-term strategy that will effectively manage the annual decision-making and disclosure of executive compensation.

Our partners at Morrow & Co. and Alliance Advisors stand ready to assist you in conjunction with Gail Schweda and Bruce Jacoby, who lead our outstanding Proxy Department. Please feel free to call them with any questions you may have.

Proxy Plumbing

As many of you know from our letters and e-mail blasts, the SEC put out for comment a Concept Release on “Proxy Plumbing” issues this past year. In conjunction with the

Continental has been a vigorous advocate on behalf of Proxy Reform, including the right for issuers to obtain their beneficial shareholder lists, the right to communicate directly with their shareholders efficiently, the right to a fair and equitable proxy distribution to street holders, and more.

Securities Transfer Association (STA) and the Shareholder Communications Coalition (SCC), Continental has been a vigorous advocate on behalf of Proxy Reform, particularly as it relates to proxy “plumbing” issues, including issuers’ rights to obtain their beneficial shareholder lists, the right for them to communicate directly with their shareholders in an efficient way, and their right to a fair and equitable proxy distribution system to street holders as an alternative to the currently mandated system which requires issuers to use the Broadridge monopoly and pay their inflated fees for street-side distribution. The SCC is comprised of five associations: the Business Roundtable (BRT), the National Association of Corporate Directors (NACD), the National Investor Relations Institute (NIRI), the Securities Transfer Association (STA), and the Society of Corporate Secretaries & Governance Professionals (SCSGP). The SCC was formed to engender fundamental change in the proxy voting process, thereby creating a transparency in communications between public companies and their shareholders. They have been an aggressive and eloquent advocate on behalf of proxy reform, urging the SEC and Congress to fix the badly outdated current system and, in so doing, came up with an alternative to Broadridge, which will allow issuers and their shareholders to communicate directly at market driven rates.

Moreover, the SCC has urged the Commission to fix the problem of rampant overvoting which infects virtually every shareholder meeting throughout the year. This overvoting stems from the fact that Broadridge, DTC, and the banks and brokers whom they service do not engage in a pre-reconcile-

ment process *before* they distribute voter instruction forms (VIFs) to beneficial holders. As a result, shares that have been sold or lent by banks and brokers are often double-voted, thereby sacrificing the integrity of the vote at almost every annual meeting. Continental took an active role in encouraging its issuers to comment in favor of massive proxy reform, and we appreciate the contribution of all of our issuers who filed their own comment letters in addition to the one filed by Continental. The STA also filed a comprehensive comment letter, and attached to the STA comment letter was an STA White Paper which in detail debunked the notion widely discredited by Broadridge that Broadridge’s streetside distribution fees were fair, equitable, and in accordance with market rates. To the contrary, the STA White Paper included detailed market surveys and data which established conclusively that Broadridge’s charges for distribution are 30 percent to 70 percent higher than the market rates charged by transfer agents for the same services. This is not surprising inasmuch as Broadridge is a monopoly, and that its rates are inflated because it pays millions of dollars in rebates each year to the banks and brokers which it services.

While it is hard to read tea leaves, especially those emanating from the SEC, we are hopeful and reasonably confident that issuers will, in fact, be provided with open market access to their beneficial holder lists as early as the 2012 Annual Meeting season. Only then will issuers be able to communicate effectively with their shareholders in a cost-effective, market-driven environment. Continental, the STA, and SCC will continue to be at the forefront of this effort, and we will keep you apprised of developments in this arena as they unfold.

Broadridge

As outlined in the Proxy Plumbing discussion above, Broadridge is the primary interface between the issuers and transfer agents on the one hand, and banks and brokers on the other hand relative to streetside distribution of proxy material to shareholders. Broadridge is a monopoly controlling more than 99 percent of the market and, as outlined above, Broadridge’s fees, as mandated by the New York Stock Exchange (owned by the same banks and brokers) result in charges that are 30 percent to 70 percent higher than they should be. Under the current system, there is no recourse for issuers – they must simply pay Broadridge’s bills, which are marked up to reflect the rebates they pay to banks and brokers for receiving their business.

In recent years, Broadridge has attempted to offer distribution services not only for streetside distribution, but also for registered positions maintained on behalf of issuers by their transfer agents. Issuers should be extremely wary of such offers as they often result in increased charges to the issuer for the shareholder records which must be passed on

to Broadridge. Moreover, since Broadridge does not generally return lost shareholder and address change information to the transfer agent after a meeting, your shareholder records will likely not be properly updated for escheatment purposes,

Issuers should be extremely cautious in considering Broadridge's services for registered holders as they often result in increased charges.

thereby increasing your costs and exposure in the escheatment process to all 50 states. It is for this reason that issuers should be extremely cautious in considering Broadridge's services for registered holders. In sum, this offer is likely to cost you more and result in reduced compliance with your escheatment obligations.

Finally, Broadridge, apparently seeing the writing on the wall and concluding its monopoly on street distribution will soon come to an end, recently purchased a very small stock transfer agent, and is offering transfer agent services as well as its traditional street side proxy services. While at some point in the future Broadridge may be a worthy competitor in this arena, they have no experience, and their current systems, software, and personnel are simply non-competitive. In fact, Broadridge uses another transfer agent for its own company stock.

If you are thinking of holding a virtual meeting using Broadridge, think again

It appears that Broadridge, in conducting a virtual annual meeting, allows *any guest*, not even just shareholders, to access sensitive personal information for all of the issuer's shareholders (including name, address, number of shares, and even the personal account number). This facilitates identity theft and flies directly into the face of recent state and federal regulatory "Red Flag" initiatives, including the Fact and Accurate Credit Transactions Act of 2003 (FACT Act). It appears that Broadridge does not even cleanse this important and sensitive information; nor does it restrict access to the individual account holder via a personal PIN code. Indeed, if you are an issuer, which is itself a covered "financial institution" under FACT, and use Broadridge for a virtual meeting using these practices, you may subject yourself to Red Flag Fact Act liability. Please consult your counsel, and you may want to think hard and long before going this route. ■

Continental Forms Central

Our web site is a great place for issuers and for shareholders to find all the pertinent forms they need.

There's a section for shareholder forms, the proprietary forms Continental needs for issuer and shareholder transactions – and there's a section that links to all the necessary IRS forms. ■



Are You Looking for Sophisticated Market Surveillance Regarding Trading in Your Stock?

If so, we recommend that you contact IPREO, an alliance partner of Continental.

About Ipreo

Ipreo is a global leader in the provision of market-leading intelligence, robust technology, and superior customer service to publicly listed companies and investment banks around the world. Built on a legacy of experience and a thorough understanding of the capital markets, Ipreo provides critical insights and flexible solutions to help clients run better investor relations programs.

Superior Intelligence

Ipreo is a sophisticated capital markets and corporate analytics firm. Their extensive experience in cross-asset class surveillance, investor targeting, buy-side perception studies, transaction analysis, and predictive analytics enables Ipreo to offer the most robust suite of consultative investor relations services available to the corporate community.

IR Workflow Solution

Ipreo's BD Corporate platform offers the most accurate and comprehensive database covering the global investment community. BD Corporate includes global, multi-asset class data, as well as advanced investor screening capabilities, intuitive search functionality, institutional contact data, and robust ownership information.

For more information, contact Connor Hartley, Senior Marketing Manager, Ipreo, 1359 Broadway, 2nd Floor, New York, New York 10018, 212.849.5194, e-mail: connor.hartley@ipreo.com. ■

SPACS Are Back

In the years between 2005 and 2008, Continental was dominant in the IPO SPAC (Special Purpose Acquisition Company) market. During that period, Continental handled more than 140 SPAC IPOs which raised more than \$15 billion, constituting a market share of over 85 percent. In concept, the SPAC is essentially a blind pool by which funds raised are placed into a trust pending the Board's search for an acquisition of a private company target, which is then acquired and merged into a SPAC using the IPO proceeds. There is generally a 24-month window to complete a business combination. If a satisfactory target cannot be identified and gain shareholder approval, all assets in the trust are returned to the public shareholders with accrued interest. Shareholders objecting to any proposed business combination can opt instead to obtain their pro-rata share of the trust fund.

Many doubted the soundness underlying the SPAC model in the initial stages. Then bulge bracket firms, such as CitiGroup, Lazard, Deutsche Bank, and JP Morgan Chase, jumped in with both feet. The size of the SPAC IPOs quickly increased from the initial \$50 million range up to \$1 billion per transaction.

When the recent financial crisis hit in early 2008, many worried about the underlying soundness of SPAC trust fund proceeds, which were held at various bulge bracket depository institutions. However, even in the most challenging times, the SPAC concept proved to be a risk-averse and secure investment. All trust funds held in SPAC trust accounts have remained sacrosanct, with no monetary losses in trust funds; and, even funds maintained at Lehman Brothers at the time of their bankruptcy filing, were moved to other institutions without any monetary losses whatsoever.

Scores of SPAC IPOs have resulted in sound business combinations, and many others have been forced to liquidate, with investors getting back their pro-rata share of the trust assets. Ultimately, this very Darwinian process of weeding out good deals is, we submit, a good thing.

In the past year and a half or so, we have seen a resurgence in the SPAC market, and several investment banks and issuers have altered the product to make it more attractive to investors and more facile in the business combination stage. Seven newly generated SPAC IPO offerings have been recently consummated, and many more are in the pipeline. We are pleased to note that Continental has been named as Transfer Agent and Trustee on every SPAC IPO filed in this new generation of SPACs that has emerged since early 2008. And just this month Liberty Acquisition, which raised more than \$1 billion, successfully completed a business combination with Grupo Prisa of Spain. ■

Simply the Best (continued from p. 1)

and #1 with regard to the accuracy of shareholder mailings, including proxies, dividends, statements, and 1099 year-end tax reporting. As you can see, Continental swept away the competition in virtually every meaningful category.

While survey results can sometimes be merely anecdotal, representing a snapshot in time in certain categories, the fact that Continental finished first overall in so many important and varied categories is a true testament to our dedicated and experienced staff, and to the cutting-edge technologies that continue to push us ahead of the pack.

The SCS survey showed that the level of service Continental provides outshines that offered by the mega-agents

In these extremely challenging times, we recognize that it is more important than ever for our clients to maximize their value and minimize their expenses wherever possible. The 2010 SCS survey reveals that Continental continues to have its finger on the pulse of its customers, and is absolutely responsive to their core needs. The survey also revealed that the array of services offered by Continental is superior, and that the level of service we provide outshines that offered by the mega-agents: BNY Mellon, ComputerShare, and American Stock Transfer. While Continental, currently the fifth largest agent in the country, is midsize in comparison to the mega agents, we believe that we are right-sized to handle the needs of small and mid-sized issuers. We pride ourselves in cutting out needless layers of bureaucrats in dealing with our customers, and if the SCS survey is a true measure, we are providing just the right mix for our clients.

While we are proud of the tremendous achievement represented by the 2010 Talon Award and the across-the-board #1 ratings which we received in so many individual categories, you can be assured that we will not rest on our laurels; instead we will continue to get better each and every day. Special thanks go out to Les DeLuca, Head of Account Management, and all of our senior account managers who have worked tirelessly to serve our customers' needs and to achieve these exemplary results. ■

Did You Know?

Continental is now recommended by many bulge bracket investment banking firms as Transfer Agent and Registrar for their IPO customers. These firms include JP Morgan Chase, UBS, Morgan Stanley, Goldman Sachs, Deutsche Bank and Credit Suisse. They recommend Continental not only because we are the #1 rated agent in the country, but also because we offer expedited, personalized service to the back offices of these investment banks and to their issuers.



Continental Stock Plan Administration Services

We are proud to offer our own stock plan administration services. Our new team of Certified Equity Professionals has more than fifty years of combined equity compensation experience. We are committed to offering the same professional responsiveness and service excellence we offer with our stock transfer services.

Our stock plan administration services will offer direct access to CPA assistance with FAS 123(R) “equity compensation accounting,” and financial related stock plan disclosures. As a package, our personalized, tailored services offerings are second to none in this space, and our technology and software are best in class.

Seamless integration plus tremendous cost savings

Preferred pricing packages for Continental clients will result in small companies paying as little as \$25,000 for a total

stock plan administration solution – including the software license fee and full outsourcing costs. More-over, our platform will allow all of your equity vendors to work seamlessly together, for you.

Are You Serious About Stock Plan Administration?

Continental's trusted experts lead the way. Ask for our free brochure.

Continental world-class service

For over 45 years, companies nationwide have trusted the experts at Continental to handle their sensitive shareholder records and Stock Transfer needs. These clients, today numbering over 1,100, and 2,500,000 shareholders, enjoy the benefits of Continental's technology, expertise, and cost advantage. Now Continental is delivering Stock Plan Administrative services with the same high level of care, expertise, and economy. And our highly specialized industry experts use the finest Internet-based technology.

Call now for more information and free brochure

We are happy to provide you with all the information you require, and we will be happy to offer you a very competitive bid for this service. Simply call us today at 800.334.1739, or call Richard Kretz at 866.333.0611 to learn more about the Continental integrated stock plan administration platform. ■



Continental World-Class Service

For over 45 years, companies nationwide have trusted the experts at Continental to handle their sensitive shareholder records and Stock Transfer needs. These clients, today numbering over 1,100 and 2,500,000 shareholders, enjoy the benefits of Continental's technology, expertise, and cost advantage.

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Serious about Stock Transfer and Stock Plan Administration? Continental leads the way.

CONTINENTAL STOCK TRANSFER & TRUST COMPANY • NEW YORK
For Stock Plan Information: Toll-Free 1.800.334.1739
www.continentalstock.com • stockadmin@continentalstock.com

New Pre-Eschatment Lost Shareholder Account Location Program



Continental, in conjunction with Unclaimed Property Recovery & Reporting LLC (UPPR), recently initiated a new program designed to supplement SEC-mandated search efforts to locate lost shareholders. The Pre-Eschatment Location Program (PEL) uses

new software and a new process that invigorates our efforts to locate lost shareholders, identify decedent accounts, and locate actionable beneficiaries at an earlier stage than traditional lost shareholder searches.

SEC-mandated searches are successful in locating known lost shareholders, but those efforts rarely look at dormant accounts, which are often in that status because the shareholder is deceased.

There is absolutely no cost to the shareholder for this search service

Our recently created PEL program will use a different search methodology to identify decedent accounts and next of kin. This is a purely voluntary program designed to assist shareholders and heirs in claiming property that was previously more than likely escheated. There is absolutely no cost to the shareholder for this service, as Continental's fees are paid by UPPR.

The result is lower eschatment costs to the issuer and fewer unhappy and lost shareholders

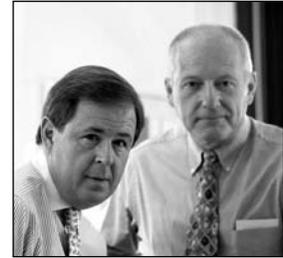
Shareholders or their heirs opting to utilize UPPR's recovery services will be charged a modest fee. However, each shareholder will always be afforded the opportunity to contact Continental if they wish merely to have their shareholder account to be updated on our records without using UPPR's asset location services. UPPR will apply a liberal fee waiver to maximize ease of handling. In the end, accounts located and cleaned up using PEL will result in lower eschatment costs to the issuer and fewer unhappy and lost shareholders. ■

Sales and Marketing

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Experience Matters

While the other agents load their multi-layered staffs with beginners, our smaller, efficient staff means that you deal only with experienced professionals who are experts in their respective fields. Continental managers have more continuity and experience than those of any other agent. This is a major reason why Continental is the #1-rated agent in North America. ■



We Need Your E-Mail Information

We need it. Here's why.

It's very important that we maintain accurate, complete, and up-to-date records – including current e-mail addresses, and we need your help to do so.

We have requested that every client provide e-mail account information for key officers and personnel. Having this information allows us to communicate with you quickly and efficiently. This year we sent out many important e-mail “blasts” to our customers, and we want you to be on our e-mail list so that you stay current on important matters directly affecting you, such as Cost Basis Reporting (CBR), Say On Pay, and Proxy reform.



Many of our issuers have not responded with an e-mail address for their primary contacts, or we have not received updated information after officer changes. We would appreciate it if the requested information could be sent, either by letter, by fax at 212.509.5150 – or by e-mail to: cstmail@continentalstock.com. Please use “CSTT E-Mail Update” as a reference in the subject line. And if you need to edit the information we currently have, please do so as soon as possible. ■

Contact Continental

It's easy to contact us – for any reason.

Our web address is www.continentalstock.com.

Our general telephone number is 212.509.4000.

Contact Steven Nelson directly at 212.845.3201.

To receive future issues of this newsletter by e-mail, contact us at cstmail@continentalstock.com, and note in the reference line “CSTT – E-Mail – Forward to Steven Nelson.”

