

A GUIDE TO

# UNCLAIMED PROPERTY & ESCHEATMENT

# CONTENTS

INTRODUCTION.....	4
About Unclaimed Property .....	4
THE BASICS.....	6
Compliance Programs .....	7
Voluntary Programs.....	7
THE ESCHEATMENT PROCESS .....	8
Compliance Programs .....	8
Roles And Responsibilities .....	9
Unclaimed Matrix.....	12
Voluntary Programs.....	16
What Shareholders Can Do To Prevent Escheatment.....	17
Special Scenarios That Require Unique Handling .....	17
FREQUENTLY ASKED QUESTIONS.....	20
Client-Related Questions .....	21
Typical Shareholder Questions .....	23
GLOSSARY .....	26
EXTERNAL RESOURCES .....	28



# INTRODUCTION

**In the process of growth and development, we must not allow any of our building blocks to be left behind. It is our responsibility to look after the abandoned, which leads us to discuss the importance of escheatment.**

This guide has been developed by AST as an educational guide and desktop reference covering escheatment and unclaimed property.

Within this guide, you will find:

- An explanation of the regulatory requirements that drive mandatory escheatment programs
- A discussion of the rationale, processing components and expected results of each phase
- Guidelines regarding how to handle third-party audits and “what if” penalties
- An overview of supplemental voluntary programs that can help retain equity for your shareholders
- Management resources available to assist you in the oversight of your company’s unclaimed or abandoned property program

- An overview of our strategic partners
- Lists of frequently asked questions and helpful external resources
- A glossary of commonly-used unclaimed property terms

## ABOUT UNCLAIMED PROPERTY

As your transfer agent, we are committed to providing the strongest disciplines of regulatory and risk management control. Our primary responsibility is to ensure that you maintain compliance with all applicable abandoned property regulations for your shareholders of record.

As normal course of business, we administer the numerous state unclaimed property reports that prove you have complied with your responsibility to locate abandoned shareholders. We are also available to help you select supplemental search

programs that can further complement your company’s specific strategic objectives.

In recent years, core mandatory escheatment (also known as abandoned property) programs have evolved significantly. The reuniting of shareholders with their personal assets – uncashed checks, corporate securities, etc. – versus the states’ more aggressive position in claiming this property has driven an expansion of proactive, voluntary activities that issuers can initiate.

When we partner with you to perform these mandatory and voluntary operations, you as the issuer, simplify asset maintenance for your shareholders. As a result, this process often helps build incredible shareholder loyalty.

There was a time when transfer agents performed minimal asset recovery tasks on behalf of issuers that rarely went beyond the mandatory SEC searches, associated due diligence mailings and the inevitable property escheatment in the spring and fall of each year. On occasion, a public company might ask its agent to implement a more detailed search program, commonly referred to as a deep search program, to target lost shareholders who have not responded to mandatory SEC searches.

Not long ago, states typically held five- to seven-year dormancy periods. A dormancy period is defined as the number of years a shareholder has to take a required action before a state classifies the account as dormant, e.g., cashing a dividend check, exchanging shares or notifying their transfer agent of a change in address.

The process of reporting dormant accounts over to the state is known as escheatment.

Today the states aggressively seek additional sources of revenue by lowering their dormancy periods. The vast majority of the states have shortened their respective dormancy period to three years. It’s no surprise that abandoned property has emerged as one of the top three revenue sources for most states, including California, which has the eighth-largest economy worldwide.

As states are increasingly pressured to generate revenue, this capital-raising mechanism has taken on a new appeal. Under the Uniform Unclaimed Property Act, the failure to report the findings of asset recovery efforts results in steep penalties.

For example, penalties can accumulate at a rate of 1% of the property value each month the property is reported late. The states’ more aggressive roles, along with unprecedented shareholder activism and scrutiny, demonstrates a renewed importance for maintaining the most active investor record possible. Given the increasing levels of attention to the escheatment process, AST can help provide warmth, comfort and protection against unnecessarily escheating assets.



# THE BASICS

**With growth and development comes the responsibility of working with other entities to develop best practices and maintain high standards. At AST, we are dedicated to taking great care to ensure your company's full compliance with state unclaimed property and escheatment laws.**

Unclaimed property refers to the collective activities of mandatory escheatment and voluntary supplemental programs. United States property rights are regulated by state laws, rather than federal laws. Each state defines what property is considered reportable, when it is reportable (the dormancy period) and how that property must be reported.

In 1954, in an effort to unify innumerable state statutes and clearly define abandoned property ownership, The Uniform Disposition Of Unclaimed Property Act (the Act) was introduced and ratified in 1981 and 1995. The Act is based on expert contributions of the National Conference of Commissioners on Uniform State Laws, an organization focused on consumer protections and safeguarding individual property.

Issuers must engage a transfer agent that will fulfill four primary regulatory responsibilities, based on various state regulations, including:

- Attempting to notify the shareholder (due diligence)
- Filing reports with the proper states

- Remitting property to the proper state
- Maintaining records of property remitted

All 50 states, the district of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands have enacted their own versions of the Act, which follow different degrees of The Uniform Act.

Every state and U.S. territory requires all legal entities, including corporations, partnerships, LLC's and C corporations, to follow its abandoned property regulations. Typically this applies even if the entity has no unclaimed property. Generally, foreign subsidiaries are not subject to U.S. abandoned property laws; however, domestic subsidiaries of foreign-owned firms may be subject to the laws.

The administration of unclaimed property is broken down into two primary classifications – compliance and voluntary – which are made up of a series of underlying programs as described on the following page.

## COMPLIANCE PROGRAMS

### INITIAL COMPLIANCE

This phase identifies all reportable unclaimed property and the fulfillment of state reporting and remittance of assets. It is performed the first time you (the issuer) have property to be remitted to the states on a specific issue. This includes the first time following an M&A event (e.g. reorganization). It is important to note that should an issuer move to a new transfer agent, initial compliance is not affected, nor are the dormancy and/ or filing periods altered. This is a one-time event for each eligible company issue.

### ANNUAL COMPLIANCE

This occurs on an annual basis. A review is performed to identify escheatable property, including the compilation and filing of all state reporting requirements and corresponding asset remittance. Every state has annual filing dates to which issuers are expected to comply – either by November 1, or during the period between March 1 and May 1.

### SEC MANDATED SEARCHES

In accordance with SEC regulation 17Ad-17, the transfer agent must make two attempts to locate shareholders classified as lost. Shareholders are classified as lost when correspondence sent to the address of record is returned by the post office as undeliverable (RPO), decedent accounts, corporate accounts, and accounts with an aggregate value under \$25 do not qualify for the SEC mandated search. Uncashed checks and checks which are not cashed for a period of six months will be required for this mandatory search.

## VOLUNTARY PROGRAMS

The following programs are supplemental and precede initial and annual compliance cycles.

### POST-MERGER CLEANUP

Post-merger cleanup occurs post merger (approximately six months after the effective date of the transaction) and encourages rightful owners who have not exchanged their shares to participate in corporate actions.

### DEEP SEARCH

Deep search is a process designed to locate shareholders whose accounts are marked lost in the shareowner services system and have already met or are not subject to SEC 17Ad-17 requirements.

As your agent, we have the tools to help ensure a smooth journey through these sometimes complicated processes. Each component will be discussed in greater detail throughout the following sections.

# THE ESCHEATMENT PROCESS

Part of a superior operations procedure includes managing complicated regulations in order to comply with the law and avoid unnecessary penalties. As your partner, AST wants to protect you and help ensure that you navigate the escheatment process with ease.

Escheatment is the act of reporting property to which the rightful owner has made no claim, engaged in no transaction or given no instruction for a time period meeting the dormancy of each state. Property that would qualify for the escheatment process includes uncashed company-issued checks and abandoned stock. Escheated assets are transferred over to the state for safekeeping until the rightful owner makes a claim on the assets. At AST, our goal is to keep you safe and protect you and your shareholders.

## COMPLIANCE PROGRAMS

### Initial Compliance

This initial phase identifies first-time reportable unclaimed property and may also reduce liability for past due property. This program brings issuers into compliance in all jurisdictions that may have a claim against escheatable property.

The transfer agent may obtain applicable release and indemnification agreements from agents of the various jurisdictions and provide strategies to minimize your exposure to interest and penalties.

Once initial compliance is implemented, the following requirements are met:

- Identifying reportable property per the dormancy period for each state
- Processing of due diligence in accordance with each state's requirements
- Organizing of property in acceptable formats for each state
- Remitting of property and reporting to each state
- Eliminating or substantially reducing liability for past due property
- Setting the baseline threshold of issuer's compliance status to a level that permits automatic and regular state unclaimed property reporting

## ROLES AND RESPONSIBILITIES

The State(s)	Pursues abandoned property as revenue and establishes guidelines for when property is escheatable
Issuer	Required to maintain compliance with all applicable state abandoned property laws
Transfer agent	<ul style="list-style-type: none"> <li>• Ensures property is escheated to the states as required and proper state-required reports are filed on time</li> <li>• Monitors changes to state regulations</li> <li>• Provides reports on unclaimed property compliance to issuer (client) within an agreed upon date (post completion)</li> </ul>
Shareholder	<ul style="list-style-type: none"> <li>• Ultimate owner of the asset</li> <li>• Notifies transfer agent when there is either an address change or modifications to registration</li> <li>• Ideally, reviews his account online every six months to ensure accuracy</li> </ul>
<b>STRATEGIC PARTNERS</b> (these firms serve as third party vendors for specific services detailed below)	
LINK Shareholder Services	Post-merger cleanup
Conduent	State reporting and remittance
Keane	Mandatory and voluntary programs, escheatment filings, decedent database and deep search, reporting and property movement

## INDUSTRY ADVISORS AND PROFESSIONAL ASSOCIATIONS

National Association Of Unclaimed Property Administrators (NAUPA)	A non-profit organization affiliated with the national Association of state treasurers and the council of state governments. Promotes and supports excellence and professionalism among those individuals charged with the responsibilities of unclaimed property administration and compliance.
Securities Transfer Association, Inc (STA)	Provides representation to its members in dialogue with regulators, providing information and education for members on regulations that will impact their business, and establishing guidelines allowing effective exchanges of data between transfer agents and other industry participants. Works with other industry groups, including The Depository Trust Company, FINRA and NYSE/Euronext.
Shareholder Services Association (SSA)	Supports corporate issuers in effectively meeting their responsibilities for shareholder recordkeeping and service. Provides industry education and actively engages in dialogue with regulatory entities on matters which affect issuers and their shareholders.
Unclaimed Property Professionals Organization (UPPO)	Promotes and supports efficiencies within asset recovery. Serves as a vehicle/forum for communication and thought leadership.
Missingmoney.com	A national database, sponsored by the states, enabling owners to perform a comprehensive search for lost assets that have been turned over to the states and provinces.

### ANNUAL COMPLIANCE

This program is implemented to help ensure compliance through an annual review of property that has become escheatable since the prior year's report. As your transfer agent, we conduct diligence efforts to notify shareholders of upcoming escheatable property and file the necessary reports to each state.

Once implemented, the following requirements are met:

- Identification of reportable property per the dormancy period for each state
- Providing preliminary escheat reports (by state) to the issuer prior to the due diligence mailing(s), which may include multiple filings
- Processing of due diligence in accordance with state agents
- Organization of property in acceptable formats for each state
- Remittance of property and reporting to each state
- Adherence to changing regulations and subsequent processing updates

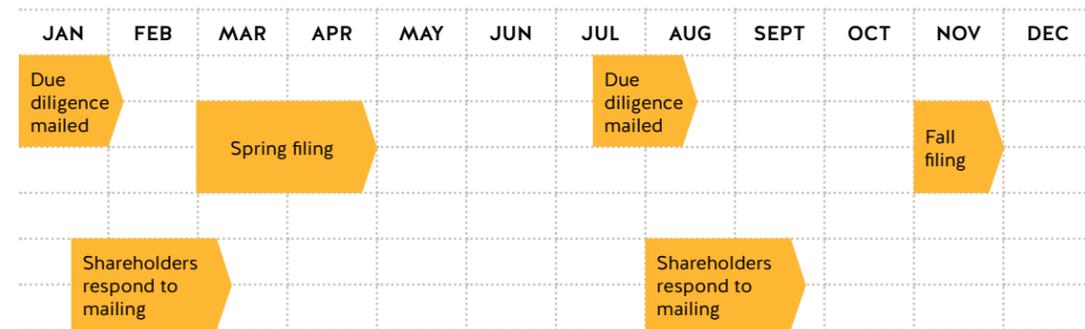
Each state has its own unique requirements with respect to when dormant property should be escheated and criteria for due diligence eligibility prior to escheatment.

It is important to note that the states recognized that there were expenses associated with initiating annual compliance (e.g. materials and postage for a due diligence mailing), and in turn established minimum dollar values for the property. If the value of the property eligible for escheatment falls below the threshold, no due diligence is required.

Annual compliance/escheatment reporting is based on the individual state's dormancy period(s), defined in the following matrix. AST will ensure your compliance with state escheatment laws, allowing you to protect your company while sheltering your shareholders from steep non-compliance penalties.

### ESCHEATMENT ANNUAL COMPLIANCE TIMELINE

Based on the below dormancy, the graphic below represents a typical timeline for annual compliance.



#### RESULTS OF THE ESCHEATMENT PROCESS

Ongoing contact throughout the year removes shareholders from escheatment processing.  
 Lost shareholder searches are conducted.  
 Property is processed with state agencies.  
 Reporting is balanced and validated.

# AST ESCHEATMENT MATRIX

State	Cutoff Date	Due Diligence Mailing to Shareholder	Payment Due Date	Final Reports Date
Delaware	31-Dec	Not Applicable	1-Mar	1-Mar
New York	31-Dec	Not less than 90 days prior to report deadline	10-Mar	10-Mar
Connecticut	31-Dec	Within 180 days and one year before the presumption of abandonment takes effect	31-Mar	31-Mar
Pennsylvania	31-Dec	Not Applicable	15-Apr	15-Apr
Florida	31-Dec	Not more than 120 days and not less than 60 days prior to the reporting due date of April 30	30-Apr	30-Apr
Illinois	31-Dec	60 to 120 days prior to report deadline	1-May	1-May
Tennessee	31-Dec	60 to 120 days prior to report deadline	1-May	1-May
Vermont	31-Dec	60 to 120 days prior to report deadline	1-May	1-May
Michigan	31-Mar	60 to 365 days prior to report deadline	1-Jul	1-Jul
Texas	1-Mar	Not less than 60 days prior to report deadline	1-Jul	1-Jul
California	"6/30 or holder's fiscal year end."	Six months to one year before Notice Report deadline.	1-Nov	Notice Report is due before November 1st, the Remit Report is due June 1-15th.
Arizona	30-Jun	Prior to 120 days before filing the report	1-Nov	1-Nov
Washington	30-Jun	After May 1st but before August 1st	1-Nov	1-Nov
Alabama	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Alaska	30-Jun	No more than 120 days prior to report deadline	1-Nov	1-Nov
Arkansas	30-Jun	60 to 120 days prior to report deadline	31-Oct	31-Oct
Colorado	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
District of Columbia	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Georgia	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Hawaii	30-Jun	No more than six months prior to report deadline	1-May	11/1 for all holders
Idaho	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
Indiana	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Iowa	30-Jun	On or before August 31st	1-Nov	1-Nov
Kansas	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Kentucky	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Louisiana	30-Jun	60 to 120 days prior to report deadline	31-Oct	31-Oct
Maine	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov

State	Dormancy	Season	Earliest Mail Date	Latest Mail Date	Report Date	Prelim Report	Due Diligence Mail File
Delaware	3	S1	1-Nov	1-Jan	1-Mar	July / August	October/November
New York	3	S1	---	10-Dec	10-Mar	July / August	July / August
Connecticut	3	S1	---	15-Sep	31-Mar	July / August	July / August
Pennsylvania	3	S2	15-Dec	15-Feb	15-Apr	December / January	December / January
Florida	3	S2	31-Dec	28-Feb	30-Apr	December / January	December / January
Illinois	5	S2	1-Jan	1-Mar	1-May	December / January	December / January
Tennessee	3	S2	1-Jan	1-Mar	1-May	December / January	December / January
Vermont	3	S2	1-Jan	1-Mar	1-May	December / January	December / January
Michigan	3	S2	30-Jun (prior yr)	1-May	1-Jul	December / January	December / January
Texas	3	S2	---	1-May	1-Jul	December / January	December / January
California	3		30-Dec (prior yr)	1-May	31-Oct	March / April	March / April
Arizona	3		---	1-Jul	1-Nov	July / August	April / May
Washington	3		1-May	1-Aug	1-Nov	July / August	April / May
Alabama	3		1-Jul	1-Sep	1-Nov	July / August	June / July
Alaska	5		1-Jul	---	1-Nov	July / August	June / July
Arkansas	3		30-Jun	31-Aug	31-Oct	July / August	June / July
Colorado	5		1-Jul	---	1-Nov	July / August	June / July
District of Columbia	3		1-Jul	1-Sep	1-Nov	July / August	June / July
Georgia	5		1-Jul	1-Sep	1-Nov	July / August	June / July
Hawaii	5		1-May	---	1-Nov	July / August	June / July
Idaho	5		1-Jul	---	1-Nov	July / August	June / July
Indiana	3		1-Jul	1-Sep	1-Nov	July / August	June / July
Iowa	3		---	31-Aug	1-Nov	July / August	June / July
Kansas	5		1-Jul	1-Sep	1-Nov	July / August	June / July
Kentucky	3		1-Jul	1-Sep	1-Nov	July / August	June / July
Louisiana	3		30-Jun	31-Aug	1-Nov	July / August	June / July
Maine	3		1-Jul	1-Sep	1-Nov	July / August	June / July



# AST ESCHEATMENT MATRIX

State	Cutoff Date	Due Diligence Mailing to Shareholder	Payment Due Date	Final Reports Date
Maryland	30-Jun	30 to 120 days prior to report deadline	31-Oct	31-Oct
Massachusetts	30-Jun	At least 60 days prior to report deadline	1-Nov	1-Nov
Minnesota	30-Jun	Not more than 120 days prior to the report deadline	31-Oct	31-Oct
Mississippi	30-Jun	Before report deadline	1-Nov	1-Nov
Missouri	30-Jun	Within one year of report deadline	1-Nov	1-Nov
Montana	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Nebraska	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Nevada	30-Jun	60 to 120 days prior to report deadline	31-Oct	31-Oct
New Hampshire	30-Jun	Not more than 120 days before report deadline nor less than 60 days	1-Nov	1-Nov
New Jersey	30-Jun	60 to 120 days prior to report deadline	31-Oct	31-Oct
New Mexico	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
North Carolina	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
North Dakota	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
Ohio	30-Jun	At least 30 days prior to the report deadline	1-Nov	1-Nov
Oklahoma	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
Oregon	30-Jun	Not less than 60 days prior to report deadline	1-Nov	1-Nov
Puerto Rico	30-Jun	Not Applicable	10-Dec	8/10 for preliminary report
Rhode Island	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
South Carolina	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
South Dakota	30-Jun	Before report deadline	prior to 11/1	prior to 11/1
Utah	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
Virgin Islands	30-Jun	Not more than 120 but less than 60 days prior to the reporting deadline	1-Nov	1-Nov
Virginia	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
West Virginia	30-Jun	60 to 120 days prior to report deadline	1-Nov	1-Nov
Wisconsin	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov
Wyoming	30-Jun	Not more than 120 days before report deadline	1-Nov	1-Nov



State	Dormancy	Season	Earliest Mail Date	Latest Mail Date	Report Date	Prelim Report	Due Diligence Mail File
Maryland	3		30-Jun	1-Oct	31-Oct	July / August	June / July
Massachusetts	3		---	1-Sep	1-Nov	July / August	June / July
Minnesota	3		1-Jul	---	31-Oct	July / August	June / July
Mississippi	5		---	1-Oct	1-Nov	July / August	June / July
Missouri	5		2-Nov (prior yr)	1-Oct	1-Nov	July / August	June / July
Montana	5		1-Jul	1-Sep	1-Nov	July / August	June / July
Nebraska	5		1-Jul	1-Sep	1-Nov	July / August	June / July
Nevada	3		30-Jun	31-Aug	31-Oct	July / August	June / July
New Hampshire	3		1-Jul	1-Sep	1-Nov	July / August	June / July
New Jersey	3		30-Jun	31-Aug	31-Oct	July / August	June / July
New Mexico	5		1-Jul	1-Sep	1-Nov	July / August	June / July
North Carolina	3		1-Jul	1-Sep	1-Nov	July / August	June / July
North Dakota	3		1-Jul	---	1-Nov	July / August	June / July
Ohio	5		---	1-Oct	1-Nov	July / August	June / July
Oklahoma	3		1-Jul	---	1-Nov	July / August	June / July
Oregon	3		---	31-Aug	1-Nov	July / August	June / July
Puerto Rico	5		---	---	10-Dec	July / August	June / July
Rhode Island	3		1-Jul	---	1-Nov	July / August	June / July
South Carolina	3		1-Jul	---	1-Nov	July / August	June / July
South Dakota	5		---	---	1-Nov	July / August	June / July
Utah	3		1-Jul	---	1-Nov	July / August	June / July
Virgin Islands	5		---	---	1-Nov	July / August	June / July
Virginia	5		1-Jul	1-Sep	1-Nov	July / August	June / July
West Virginia	5		1-Jul	1-Sep	1-Nov	July / August	June / July
Wisconsin	3		1-Jul	---	1-Nov	July / August	June / July
Wyoming	3		1-Jul	---	1-Nov	July / August	June / July

## VOLUNTARY PROGRAMS

### DEEP SEARCH

Deep search is a process designed to locate shareholders whose accounts have been unresponsive or are not subject to SEC searches. This voluntary program gives shareholders the option of using the services of a third party to help recover assets and prevent escheatment. If the account is associated with a known lost decedent account, we will reach out to heirs.

The deep search vendor will identify shareholders who cannot be located using traditional methods. The process is initiated only after an account has been unresponsive to mandated SEC search efforts. When shareholders are located, they must contractually agree to have their assets recovered by the vendor on their behalf.

In all letters and communications with the shareholders, the assets are disclosed. Using third parties, shareholders will be given the option to have their certificates replaced or have their shares liquidated.

For shareholders choosing to use this program, the vendor will provide a letter of instruction to Shareowner Services for any registration changes. This includes obtaining the required legal documents and a copy of the signed shareholder contract.

While our deep search program is administered through our preferred strategic partners, we are positioned to work with an alternate provider of a client's choice.

Shareholder-paid fees range from 10% to 30% and are based on account status (living, deceased, etc.)

Deep search is implemented because it:

- Lowers fees and provides shareholders with full disclosure
- Supports fraud prevention efforts
- Reduces the number of lost shareholders, and therefore, assets escheated to the states
- Helps refresh correct, accurate shareholder data files

### POST-MERGER CLEAN UP

This component involves a review of a corporate action event in order to identify lost or unexchanged shareholders. Investors are offered assistance in the exchange of their shares. The ultimate goal is to maximize shareholder participation.

The post-merger cleanup (provided by LINK Shareholder Services) is a voluntary service that helps reunite shareholders and their heirs with merger entitlements. There is no cost to the issuer and the program is typically employed six months following the effective date.

**Dormant account owners.** Many dormant account owners are unaware of ownership because of previous corporate reorganization, unknown inheritance or confusion. On average, 50% of shareholders claim they have either lost or have no recollection of ever receiving their original certificates. They find the replacement process intimidating and burdensome and the instructions overwhelming. Collectively these factors often create a shareholders inability to act.

**Notable state specifics.** The most noticeable difference among the states is the unique dormancy periods and specific due diligence requirements related to the transfer of property, for example:

- New York, New Jersey and Ohio have certified due diligence mailing requirements.
- California requires a pre-escheatment file seven months prior to remitting property.

This program is implemented because it:

- Drastically reduces the amount of shareholder property needlessly escheated to state treasuries
- Allows highly-receptive shareholders the option of an issuer's governance of this function
- Results in a higher and more efficient participation rate for the M&A event
- Provides contact for all unexchanged shareholders
- Replaces or exchanges certificates lost by unexchanged shareholders
- Shortens the M&A event duration, saving additional annual administration fees
- Incurs no additional cost since fees are shareholder-paid (with their consent)

### WHAT SHAREHOLDERS CAN DO TO PREVENT ESCHATEMENT

The most effective preventative measure shareholders can take to avoid escheatment of their property is to notify the transfer agent of any change to their mailing address or registration. Decedent-related escheatment is a typical example, as oftentimes heirs are unaware of the decedent's assets.

The most challenging scenario is for a non-dividend paying issuer because there are no cash distributions or dividend reinvestment shares to buy or sell. Another challenging scenario occurs when an issuer utilizes a third party for proxy services. It is incumbent on the issuer to obtain the voting records from the third party so the agent can update the records for contact.

Ultimately, as the issuer, it is highly recommended that you work with the agent to help ensure proper communication/education is made available to shareholders. Ideally, shareholders are accustomed to notifying the transfer agent when they move and have solid estate provisions in place (e.g. wills, executorships, etc.) That clearly designate heirs and assets.

### SPECIAL SCENARIOS THAT REQUIRE UNIQUE HANDLING

Escheatment services and other voluntary unclaimed property programs have unique and special requirements based on individual state laws and rules that preside over them. The items below are some of the more typical special scenarios that require unique handling. If you have questions regarding a scenario not discussed here, please contact your relationship manager.

### CERTIFICATED SHARES

**For initial escheatment.** Certificated shares held pending an exchange or corporate action are processed and handled in the same manner, within the same time frames, and in accordance with the same individual state requirements as book-entry shares.

**For annual escheatment.** Certificated shares held by shareholders are processed and handled in the same manner, within the same time frames, and in accordance with the same individual state requirements as book-entry shares.

### FRACTIONAL SHARES

**For initial escheatment.** Fractional shares that would otherwise be issued from an exchange or corporate action are typically paid out in the form of a check as cash-in-lieu (CIL).

**For annual escheatment.** Fractional shares held by shareholders are processed and handled in the same manner, within the same time frames, and in accordance with the same individual requirements as full shares.

### DIVIDEND REINVESTMENT SHARES

**For initial escheatment.** Dividend reinvestment shares held pending an exchange or corporate actions are reported within the same time frames and in accordance with the same individual state requirements as non-dividend reinvestment shares.

**For annual escheatment.** Dividend reinvestment shares held by shareholders are processed within the same time frames and in accordance with the same individual requirements as non-dividend reinvestment shares. Several states have aggressively targeted these shares for remittance.

### ERRONEOUS CLAIMS

From time to time a shareholder may claim his/her shares were mistakenly escheated. These claims are dealt with in a sensitive and responsive manner. As the issuer, the claim should be logged in accordance with your standard protocols for other shareholder correspondence and delivered to your

relationship manager for proper handling and resolution.

As the transfer agent, we will review the account(s) in question to research the particulars of the escheatment. If the shareholder's claim is correct, we will facilitate contact with the state to coordinate the reimbursement of the shareholder's property.

### FOREIGN SHAREHOLDERS

Foreign shareholders are processed and handled in the same manner, within the same time frames and in accordance with the same individual as domestic shareholders. Rather than escheating property to the shareholder's country of residence, all property is typically remitted to the issuer's state of incorporation.

### UNEXCHANGED OLD ISSUES

Unexchanged shares held pending an exchange or corporate action are processed and handled as part of your company's initial compliance.

### RETURN FROM THE POST OFFICE (RPOS)

Within a shareholder's account there are several portions of an account that can be affected by an RPO, such as an advice, certificate, dividend check, dividend reinvestment statement, proxy card or correspondence. These items are coded as RPO (a "bad address" is on file) and as such, the shareholder is excluded from future mailings.

### SHAREHOLDER DUE DILIGENCE MAILINGS

This mailing is performed prior to escheatment cycle. Recipients are identified because there is

no indicator that the investor's address is not valid. However, the shareholder has not taken a required action in their account.

The attempt is made to contact all shareholders with potentially-eligible property for escheatment.

In accordance with each jurisdiction's statute, a notice is sent to shareholders with escheatable property. This notice informs the shareholder that the funds/ shares are subject to escheatment, and requests that they update/confirm their address on record. Upon the shareholder's contact, we replace checks for all outstanding dividends and reissue any certificates or statements previously returned as undeliverable.

If a new address is obtained, a verification mailing is sent to the new address. When contact is received from a shareholder, their address is updated and outstanding property for the account's unclaimed property is released.

### SEC 17 AD-17 SEARCH MAILINGS

In compliance with SEC Rule 17Ad-17, the transfer agent is required to attempt to locate shareholders after one or more mailings to the shareholder address on record has been returned as "undeliverable" by the U.S. Postal Service.

Twice a year, we transmit a file containing a list of accounts with bad addresses to our information agent. These are accounts that had items returned by the U.S. post office or were converted to our files with a known bad address by the prior agent. The file is run against a

database in accordance with SEC regulations. Once new addresses are verified, a mailing is sent encouraging the shareholder to update his/her account information.

### ADDRESSING AUDITS

States have become increasingly aggressive in escheatment enforcement. Auditors may profile specific industries and, if appropriate reporting and record keeping is not available, can issue assessments higher than a company's legitimate liability. Some states utilize third-party collection agents to audit your transfer agent for unreported escheatable property.

In the event you receive an audit notification, immediately contact the transfer agent via your relationship manager.

As an issuer, the best defense to prevent an audit is to work closely with your relationship manager and actively participate in your annual service review, which provides a retrospective of your company's previous year's escheatment activities and statistics.

### ADDRESSING PENALTIES

Statutes of limitation typically do not apply to unclaimed property. In some cases, state auditors have gone back several decades in an attempt to identify non-compliance with the unclaimed property law.

Under the Uniform Unclaimed Property Act, the failure to report the results of unclaimed property efforts results in steep penalties. As your agent, we make every effort to ensure that penalties are not incurred for the property we maintain on your behalf.

**Important!** On an annual basis, you should discuss regulatory changes (e.g. dormancy periods) with your relationship manager, as well as review your company's previous year's escheatment activity, which includes corporate action events.

# FREQUENTLY ASKED QUESTIONS & GLOSSARY

## CLIENT-RELATED QUESTIONS

### What is my responsibility in the escheatment process?

As the issuer, the states will ultimately hold your company responsible for full compliance with each respective escheatment law, as you are considered the holder of the property.

### How do I best serve my company in this required process? What can I do to assist my transfer agent in these processes?

An important and proactive step you can take is to periodically review the preliminary escheatment report provided via your relationship manager (RM). A client may use this report to identify active employees and high-profile shareholders with property subject to escheatment. For those shareholders, clients are encouraged to promote action to reconcile their account(s). A second valuable resource is the final escheatment report, which details (by shareholder) what property has been escheated, the value and to which state(s).

### How do I know that my transfer agent is completing all the required processes?

Final escheatment reports, available via your RM, detail all property, its value and the state of escheatment. We also conduct internal audits as a supplemental measure to ensure compliance with each state regulation and SEC regulations.

### What information should I look for in the available reports?

Review the preliminary escheatment reports at the individual shareholder level to identify potentially-eligible escheatable property (employees, insiders, etc.) The final escheatment report will detail the property, its value and the state of escheatment. Further, statistics related to due diligence efforts (e.g. shareholder responsiveness) are also available via your RM.

### If I find an error or property that should not be included, how do I get that corrected prior to it being escheated?

Our escheatment process will automatically identify property that is eligible for escheatment based on each state regulation. If you identify any records on the preliminary escheatment report you deem to be inaccurate, you should advise the shareholder to take action on his/her account prior to the next escheatment cycle.

### Where is foreign held property escheated?

Foreign shareholders' property is typically escheated to the state of your company's incorporation.

### Is there a different process or timeline for foreign holders?

No. The client will follow its state of incorporation's escheatment requirements for both domestic and foreign shareholders.

### Is there a different process or timeline for unexchanged old issues?

Yes. We typically utilize the services of a state-approved agent. We interface directly with these agents to escheat the property to the respective state(s). Unexchanged shareholders' property is typically required to be escheated three to five years after the effective date of a given corporate action event depending on the state's dormancy period.

### Are the call centers notified of shareholder due diligence mailings?

Yes. All call centers are provided with notification, including the volume and mail dates.



**What are the transfer agent's responsibilities to their clients with respect to undeliverable mail/bad addresses?**

We adhere to SEC 17Ad-17 regulations with respect to undeliverable addresses of record. Refer to SEC mandated searches on page five for more information.

**What type of account is designed for an SEC search? What happens to the other accounts?**

All living shareholder accounts for which we have evidence of undeliverable correspondence are included in two separate searches, which are conducted six months apart. Accounts that do not qualify for the SEC search may be submitted to a third-party search vendor for further research.

**How do I know if there is a problem with a shareholder's address? Is the account coded as such, and is the date of the application of the code notated on the record?**

The records will notate those accounts returned as undeliverable. Once flagged, these accounts are dated and suppressed from future mailings.

**How can we tell when certificated shares were escheated?**

Accounts with certificates that have been escheated are noted as such with a debit code of 99 on our system.

**How long does it take before states receive the escheated asset?**

The timing is based on when the abandoned property is due and varies by state. Please refer to the matrix on pages 12-15 for more information. The due dates usually fall into two filing seasons – Spring (March through May) and Fall (November 1). Some states are also moving to a July timeline, making unclaimed property a year-round event.

**Once the state(s) receive the property, how long does it take them to post the unclaimed assets?**

This varies for each state. Typically, shareholders can expect to search on their claim(s) in about six weeks. In some cases, however, it may take longer.

**Who can I contact at AST with questions when an issue arises?**

Your relationship manager will answer any specific questions and assist in the resolution of any issue you may have in the escheatment or SEC lost shareholder process.

**Why are shares sold by the states after escheatment?**

States may be required by their respective laws to sell securities within a specified time frame after receipt of the property and the time varies. Individual states should be contacted for this time period.

**What are the transfer agent and issuer responsible for after property has been escheated?**

As your TA, we will provide any assistance we can to shareholders who contact us after their property is escheated, including proof of escheatment and supporting documentation.

**What is the retention time for these records?**

Each state has its own record retention policies, which typically range from five to ten years.

**Are there any requirements for proof of ownership?**

When claiming property back from the state, a shareholder will generally be required to provide:

1. Photo identification (e.g. driver's license)
2. Proof of a social security number
3. Proof of current address

**Are there any requirements for proof of ownership?**

A third party making a claim (e.g. an estate or heir) may be asked to provide:

1. Personal identification
2. Wills
3. Letters testamentary
4. Probate documents
5. Estate tax id number
6. Death certificate(s)

Shareholders may initiate claims on their own using [missingmoney.com](http://missingmoney.com), a website administered by most states' unclaimed agencies. From there they can initiate the claim, download required forms and/or contact the state directly.



**TYPICAL SHAREHOLDER QUESTIONS**

**What is lost or abandoned property?**

Tangible or intangible property that is unclaimed by its rightful owner or his/her heirs. Abandoned property may include stocks and/or dividends if checks are not cashed within the dormancy period as prescribed by a state.

**What does "escheat" mean?**

Escheatment is the transfer of property to a state, making the state the legal owner of the asset.

**A search vendor has contacted me regarding The assets in my account. Do I need to use this vendor to recover my property?**

No. You may contact the transfer agent directly to recover assets. Search vendors may assist you in preparing specific legal documents to assist in the recovery process, but you are under no obligation to use them.

**How long will it take to receive my property back from the state?**

States typically send out acknowledgment letters within one month after receiving a claim. To ensure that all property is returned to the rightful owners, it typically takes 90 days or more for claims to be reviewed and verified. Claims involving estates generally take considerably longer.

**How can I prevent my property from being turned over to the state?**

1. Keep accurate records of all accounts
2. Keep accounts active by contacting the record keepers of your property by mail, telephone or Internet
3. Cash all checks for dividends, wages, refunds and insurance settlements



4. Notify a family member or trusted advisor of the location of your records
5. Notify all concerned parties if you change addresses

#### **Is there a time limit for claiming my property?**

Most states do not enforce a time limit for shareholders to file a claim. Generally most jurisdictions sell escheated shares within a specific time (please refer to individual states for this information), resulting in a cash value for the claim. The unclaimed property account is held for the owner, or the owner's heirs, until a claim is received and paid. It is important to note that shareholders will receive the value of their assets at the time of the sale (e.g. an M&A transaction) and will not receive market appreciation from the point of the sale on. Only two states have time limitations on when individuals can make claims on escheated property. Rightful owners have ten years in Idaho, and 25 years in Indiana, to file a claim before escheated property permanently becomes property of the state.

#### **Why did you give my property to the state considering that I haven't moved in years?**

Property may be escheated when either no account activity is generated or there has been no direct contact with the owner for a specified period of time, as governed by the individual state's escheatment law.

#### **How can I find out if I have any escheated property?**

People can search for escheated property in their state at [www.unclaimed.org](http://www.unclaimed.org).

#### **Who gave you permission to give away my property?**

All companies are required to report lost or abandoned property to each state and follow the respective escheatment laws that govern how lost or abandoned property is handled.

#### **Why wasn't I contacted before my property was escheated?**

If you were not contacted, we had trouble locating you. We make every effort to notify shareholders of impending escheatable property in their accounts.

For lost shareholders, SEC notifications are generated. Supplemental programs, such as deep searches and pre-escheat location (PEL) searches are conducted.

If a shareholder is not coded as "lost," the transfer agent will perform due diligence mailings as required by each state.

#### **How long does it take for property to be escheated?**

Each state has its own escheatment laws regarding abandoned property. Dormancy periods range from three to five years.

#### **What should I do if a family member or I have escheated shares?**

Contact the unclaimed property division in your state by visiting your state government's website or by using the unclaimed property website, [www.unclaimed.org](http://www.unclaimed.org).

#### **How do I make a claim to have my property returned to me?**

For instructions on how to make a claim, visit your state government's local website or the unclaimed property website, [www.unclaimed.org](http://www.unclaimed.org), which contains links to unclaimed property for each state.

#### **What should I do if I hold unexchanged shares from another company and they are escheated?**

To search for escheated property in your state, visit [www.unclaimed.org](http://www.unclaimed.org).

#### **Were my dividends forfeited?**

Uncashed dividend checks are typically turned over to the state as lost or abandoned property if they are not cashed within a specified period of time as outlined in the state escheatment laws.

#### **Do I have to pay to get my money back?**

Depending on the state that your property has been escheated to, you may have to pay a fee to recover your assets.

#### **Can I have my shares reinstated?**

In accordance with each state's abandoned property regulations, the state may sell shares as soon as immediately. In that case, you will recover the entitlements based on the market price on the day they were sold. If the state has not sold your shares, you may have the option to have your shares reinstated.

#### **I still have my original stock certificates. What should I do with them?**

For certificates that have been already escheated, you should keep the certificate, as some states may require you to submit the certificate, or charge an additional lost security bond fee.

#### **I still have my original dividend checks. What should I do with them?**

Keep a photocopy and destroy the original, which no longer has any value.

#### **I am enrolled in the dividend reinvestment plan. Why was my stock escheated?**

If you did not contact the transfer agent for a period of years (e.g. a statement was returned or you didn't respond to a due diligence mailing), or there was no account activity (e.g. sale or purchase of shares, not including reinvestment of dividends), your stock account was considered to be dormant. As such, the property is then escheated to the state according to its specific laws.

#### **Is dividend reinvestment considered contact?**

No. Dividend reinvestment is not considered activity. Activity which is defined as a shareholder-initiated transaction, including a purchase of additional shares, sale of shares, proxy vote, etc.

#### **How long will it take to have my property returned to me?**

Each state has specific guidelines on how escheated property is returned to its owner. Shareholders must contact the state for this information.

Many of these same questions are addressed on [www.unclaimed.org](http://www.unclaimed.org) as well as individual states' unclaimed property websites.





# GLOSSARY

## ABANDONED (UNCLAIMED) PROPERTY

Tangible or intangible property that is unclaimed by its rightful owner or his/her heirs. Checks and drafts may be unclaimed property if they are uncashed for the dormancy period prescribed by the applicable state.

**ACTIVITY** Action taken on property by the owner, which may include making a deposit, a withdrawal, a written memorandum from the account holder or any action that state statute deems adequate. Dividend reinvestment is not considered activity. Activity is defined as a shareholder-initiated transaction, including a purchase of additional shares, sale of shares, etc.

**AGGREGATE DUE DILIGENCE** The threshold dollar value used to determine if an individual holder's account will require owner detail and due diligence efforts. For example, if the aggregate is \$25, all individual accounts equal to or greater than \$25 must be identified on the report and due diligence performed.

**AGGREGATE REPORTING** The standards used to determine what form of reporting to the state is necessary. Some states do not require reports in a specific format if the property being reported is under a certain value, typically \$50.

**CUSTODIAN** An individual or entity that holds property until it is delivered to the rightful owner. Most states' laws make the unclaimed property division a custodian of the property remitted to the state.

**DORMANCY PERIOD** The time period during which the owner of a property does not take action on his/her property. After this period of inactivity, the property is presumed abandoned and must be reported and remitted to the applicable state.

**DORMANCY DATE/DATE OF LAST ACTIVITY** The date of last contact by the owner as evidenced by the records of the holder.

**DUE DILIGENCE** In the unclaimed property world, most states require that the holder transfer agent make an attempt to contact the shareholder at his/her last known address in the holder records prior to reporting and remitting the property to the shareholder's state of residence.

**ESCHEAT** A transfer of property that makes the state the legal owner of the transferred property. Today, in the unclaimed property industry, the term escheat is used by many to mean that property is delivered to the state as required by applicable state unclaimed property statutes and regulations.

**FALL ANNUAL COMPLIANCE FILING PERIOD** This refers to the process of escheating to those states with a reporting deadline of November 1.

**FINAL ESCHATEMENT REPORT** A report that details what property has been escheated over to the states.

**INDEMNIFICATION** An agreement that protects a party from loss by transferring the responsibilities to a third party.

**INTANGIBLE PERSONAL PROPERTY** Property that has no intrinsic value but is merely representative or evidence of value. Examples include royalty payments, securities, accounts receivables, gift items and deposit accounts.

**PRELIMINARY ESCHATEMENT REPORT** A report that details which shareholders have escheatable property in their account.

**PROPERTY TYPE** The standard description of reported assets as designated by the state.

**REPORTABLE PROPERTY** Tangible or intangible property for which the required activity has not occurred during the applicable state prescribed dormancy period.

**RIGHTFUL OWNER** A person/entity who has the legal right to the property.

**RPO (RETURNED FROM POST OFFICE)** Vendor payment checks, rebate or refund checks, payroll checks, dividend checks, stock dividends, bond interest checks, securities certificates or statements, etc., Which are returned as undeliverable by the post office because the owner no longer resides at the address, the address is unknown, no forwarding address provided, etc.

**SEC SEARCH** In accordance with SEC regulation 17Ad-17, the transfer agent is required to look for qualified lost shareholder accounts, which may include open checks. Qualified lost shareholder accounts are required to go through two separate SEC searches in six-month intervals.

**SHAREHOLDER** The entity that is in possession of, or controls, the property until it is transferred to the state on behalf of the lost owner.

**SPRING REPORTING PERIOD** This refers to the process of escheating to those states with a reporting deadline between March 1 and May 1.

**STATE-APPROVED VENDOR** Due to the complexities of the initial voluntary compliance escheatment process, states will use the services of a vendor that we, as the transfer agent, are required to report through.

**SUPPRESSED SHAREHOLDER ACCOUNT** This occurs when there has been evidence of correspondence sent to a shareholder account being returned by the post office as undeliverable. Also referred to as a lost shareholder.





# EXTERNAL RESOURCES

## SHAREHOLDER SERVICES ASSOCIATION (SSA)

[www.shareholderservices.org](http://www.shareholderservices.org)

The SSA provides members with a forum to communicate with industry peers, obtain and share information and address various needs of member companies in servicing all types of security holders. Its corporate and agent members reflect the diversity found in every facet of the securities industry.

## SECURITIES TRANSFER ASSOCIATION (STA)

[www.stai.org](http://www.stai.org)

STA is a national organization focused on servicing securities investors in the United States and Canada. It provides representation and leadership in issues of government regulation and industry practices. The STA encourages and promotes an exchange of information, experience, and ideas among association members.

It also fosters cooperation with similar industry organizations to address common concerns.

## NATIONAL ASSOCIATION OF UNCLAIMED PROPERTY ADMINISTRATORS (NAUPA)

[www.unclaimed.org](http://www.unclaimed.org)

NAUPA is a non-profit organization affiliated with the National Association of State Treasurers. Members represent all states and the District of Columbia. NAUPA provides a basic forum for continuing discussions on interstate cooperation, education, training, uniform laws, reporting requirements and increasing the public awareness of the role the states play in protecting their property.

## UNCLAIMED PROPERTY PROFESSIONALS ORGANIZATION (UPPO)

[www.uppo.org](http://www.uppo.org)

Founded in 1992 at the annual conference of the National Association of Unclaimed Property Administrators, the UPPO is a complementary association of corporate unclaimed property administrators articulating the concerns of the holders of unclaimed property and serving as liaison with the states. UPPO is recognized by NAUPA and other entities involved in the areas of unclaimed property as the voice of the holder community.

## MISSINGMONEY.COM

[www.missingmoney.com](http://www.missingmoney.com)

To enhance the state and province outreach efforts to locate lost owners, missingmoney.com, a national database, was established in November 1999 by the National Association of Unclaimed Property Administrators (NAUPA). It enables owners to perform comprehensive searches for lost assets required by law to be turned over to the states and provinces.



## REACH OUT

**w** [astfinancial.com](http://astfinancial.com)

**e** [newbusiness@astfinancial.com](mailto:newbusiness@astfinancial.com)

**p** 877.814.9687

© 2019 American Stock Transfer & Trust Company, LLC.

All rights reserved. Transfer agent, employee plan administration, trustee and other services requiring trust powers are offered through American Stock Transfer & Trust Company, LLC.

