

# AST SHAREHOLDER TOOLKIT

What Shareholders Need to Know



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# INTRODUCTION

## Shareholder Education: Navigating the Evolving Securities Environment

Congratulations – you’re a shareholder! But, what does that really mean?

The realm of securities transactions and management continues to increase in complexity due to technological advances and regulatory changes. Shareholders and issuers both play important roles in ownership, but their responsibilities differ. Many shareholders do not know their rights and responsibilities or what it means to be a shareholder.

Being a shareholder comes with advantages, but you also have responsibilities to protect your investment by maximizing the benefits of the programs available through your transfer agent or employer. For example, you may have an option to reinvest dividends and purchase stock directly through your transfer agent. Shareholders should be aware of the importance of logging into their account annually, the importance of cashing their dividend checks regardless of the amount, keeping their address current, maintaining proof of ownership via certificate, saving your statement in a safe place, and monitoring any corporate action such as a merger or acquisition. These are just a few of the key informational and transactional items relevant to shareholders.

Ensuring that the shareholders we serve have the right information is of paramount importance to AST. AST leads a shareholder education mission to develop content and media, including publications, webinars and information guides designed to provide valuable insights. We created the AST Shareholder Toolkit to walk you through what it means to be a registered shareholder. The guide provides basic information on common terms, responsibilities and requirements, while detailing how shareholders can transact, inquire and manage their accounts. The AST website also includes helpful resources in the Knowledge Center tab including FAQs, forms and a glossary.

**Disclaimer:** *This document is intended for informational purposes only and is not intended to provide legal, investment, financial or other advice. For specific questions, please contact your financial advisor or legal counsel.*

### What Does It Mean To Be A Shareholder?

A registered shareholder owns stock directly with a company. This is different from holding shares with a broker. You may have become an owner by simply investing in a company of your choice, participating in a stock benefit program by your current or former employer or inheriting the stock.

By owning a stock directly, you are engaged in a financial relationship between yourself and the company in which you hold shares, known as the issuer. As in any financial relationship there are responsibilities on both sides. Steps are taken to protect against theft, provide accurate withholdings and prompt payments for annual tax filings. These measures ensure smooth transitions of ownership or address, safeguard the proper exercising of stock options and preserve your investment from inadvertent escheatment (capture) by a State Government. You also have the right to make an impact on the direction of the company in which you own shares through your proxy vote. As a shareholder, you also receive cash payments (per share) if the company decides to pay a dividend.

Shareholder responsibilities include:

- Tax certification (Form W-8 or Form W-9 as applicable)
- Responding to letters and calls to verify contact
- Maximizing the advantages of stock benefit plans
- Programs including Dividend Reinvestment and Direct Stock Purchase Plans

While this may seem like work, your transfer agent can assist you. AST prepared this document to empower shareholders, employee plan participants and investors to increase their knowledge of the industry through education. If you are a registered shareholder, your transfer agent is responsible for the administration of your holdings. If you own shares through a brokerage account, different rules may apply and you should consult your brokerage firm.

To guide your journey and ease you through the various shareholder responsibilities, AST has separated your requirements and options into a few categories. Remember these are general guidelines and not advice. You should always consult your own tax, financial or legal advisors for counsel on your situation.

AST has additional educational guides that address primary questions about each topic. Some of the resources available include:

- Shareholder Central Guide
- Restricted Stock Guide
- Transfer of Ownership Package
- Tax Compliance Guide
- Unclaimed Property Guide

# SHAREHOLDER ACCOUNT INFORMATION

## **Why is it important to maintain an active address?**

It is of utmost importance to always maintain a current address with your transfer agent. AST conducts various mailings on behalf of our issuers and it is the most common way we communicate with our shareholders. Financial regulations require that certain types of notices always be sent to a physical address. Failure to maintain an active address may result in mailings being returned to us, missing scheduled dividend payments, and overlooking important information related to your holdings. In some cases, your account may become dormant due to inactivity, resulting in your assets being turned over to the state in accordance with abandoned property laws.

## **How do I update my address?**

The most efficient method for updating your address is by accessing your account online. If AST is the agent, shareholders can log in using the following link: <https://www.astfinancial.com/login>.

Select the “Individuals” radio button, and then select “Login” under Shareholder Central to login. Click on the “Account Holdings” drop down menu and select “Account Information,” then click Update Address.

Alternatively, you can contact AST via email, fax or in writing to have the account address updated. For security purposes, if you cannot access the account online, you must request the update in writing along with any documents evidencing your capacity.

Any third party acting as attorney-in-fact for a shareholder must include a copy of the power of attorney document, as well as a notarized affidavit/statement indicating that the principal is living, and the document is still in full force and effect.

You may contact AST with address changes or questions as follows:

- Live Assistance: Call 1.800.937.5449 and follow the prompts for a live representative.
- Non-U.S. Shareholders: 718.921.8124
- Email Correspondence: [help@astfinancial.com](mailto:help@astfinancial.com)
- Write To: AST, 6201 15th Avenue, Brooklyn, NY 11219

## **What if I move temporarily?**

AST is aware that some shareholders have seasonal or temporary addresses, so our system includes the option for shareholders to maintain a seasonal address. Shareholders must indicate the precise dates they will be at that location to ensure that mail is delivered appropriately.

## **What if I want my dividends sent directly to my bank?**

A shareholder can advise in writing and provide the full address if they would like their dividends mailed directly to another financial institution. Shareholders can also enroll in direct deposit on the AST Shareholder Central portal.

## SHAREHOLDER ACCOUNT INFORMATION (CONT.)

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### How do I access my AST online account?

The Shareholder Central portal was designed to provide strong data security for shareholders.

[Click here](#) or navigate to [astfinancial.com/login](https://astfinancial.com/login) and select “Individuals.” If you have never accessed Shareholder Central before, click “Register” under Shareholder Central, and follow the prompts to create a Security Profile, Unique ID and Password. If you have already registered and know your Unique ID and Password, click “Login” under Shareholder Central.

### What should I do if I forget my unique ID or password?

Click here or navigate to <https://us.astfinancial.com/oForgotUserId> to reset your user ID or password.

If you answer the security questions you setup during your registration process correctly, your unique ID or password will be reset. If not, contact the AST support desk at (888) 999.0032 or email [help@astfinancial.com](mailto:help@astfinancial.com) for assistance.

### How can I change my unique ID and/or password?

Please note unique IDs cannot be changed. To change your password, login to your account at <https://www.astfinancial.com/login> and navigate to the My Profile tab, which contains password change instructions.

### How can I safeguard my password?

Make passwords long, strong and a minimum of eight characters. Please note, your password cannot be anything similar to your previous assigned 12 passwords and it cannot be your unique ID, your first name or last name.

- Your password should be a mix of upper and lowercase letters, numbers and symbols
- Don't share your password
- Your password(s) should be unique and not something that can easily be guessed
- Choose a different password for each online account
- Write down your password and store it in a safe place

### Why am I not able to register my account?

There are several reasons an account cannot be registered for online access:

- The Social Security Number / Tax ID Number entered does not match our records.
- The account number you entered is invalid
- Certain classifications of ownership do not have online access to account information: Individual IRAs, Corporate Entities, Non-Resident U.S. Citizens and Resident Aliens.

### What should I do if I am locked out of my account?

After five incorrect login attempts, you will be locked out of your account. You may use the password reset link to reset your password via our easy self-service option.

# TRANSFER OF SHARES

## **What is a transfer?**

An exchange of ownership of property from one party to another. Some transactions, like a name change or custodian change may also be considered a transfer.

## **What is the difference between a Registered vs. Beneficial Shareholder?**

A registered owner holds shares with the company directly. A beneficial owner holds shares indirectly through a bank or a broker. It is most commonly referred to as being held in street name. The most significant difference is that registered shareholders receive publications and other forms of correspondence from the Transfer Agent, while beneficial shareholders receive communication via their brokerage firm.

## **How do I transfer shares?**

In order to transfer shares, certain documents are required depending on the current registration at the transfer agent. Typically, a transfer of ownership with a Form W-9 must be completed with a medallion signature guarantee (see below). A description of the registration types and requirements can be found in AST's transfer of ownership package at <https://www.astfinancial.com/knowledge-center/forms>.

## **What happens to my shares when I die?**

Upon the death of an owner, if you leave a will, your beneficiaries will have to wait until your estate is probated to inherit your stocks or as dictated by other governing laws in the state in which the shareholder was domiciled. If the registration on the transfer agent's records reflects a beneficiary ownership such as a transfer on death (payable on death or trust) the assets can be transferred to the beneficiary listed with certain transfer documents.

## **What is a medallion signature guarantee?**

A medallion signature guarantee verifies the authenticity of a signature and helps to confirm that a transfer of securities is authentic. This is done through a stamp and signature combination. A medallion signature guarantee is required when securities need to be transferred from one party to another or for any transaction that is considered a transfer.

## **Where can I obtain a medallion signature guarantee?**

You can obtain a medallion signature guarantee from a bank, savings and loan association, brokerage firm or credit union. Go to <http://www.msglookup.com/search.html> to find a guarantor. The guarantor will typically ask for the following:

- Documentation showing the exact and complete ownership of the security
- Documentation showing the value of the transaction
- Documentation showing your legal authority (if you are signing on behalf of another individual)

## TRANSFER OF SHARES (CONT.)

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- Photo identification
- Proof of name change as a result of marriage, divorce or legal name change

### **What is a medallion signature Guarantee waiver?**

A medallion signature guarantee waiver is offered to enable the transfers of shares with an aggregate value of \$10,000 or less on the date on which the transfer request is signed. You can obtain a waiver for the medallion signature guarantee requirement by submitting the necessary transfer documents, a check payable to the transfer agent, a copy of a valid government issued identification with a signature (such as a driver's license or a passport), and if applicable, supporting documents reflecting your capacity to act on behalf of the shareholder.

### **How do you make sure your signature is acceptable?**

The presenter of the transfer documents must sign in their legal capacity according to the existing registration on record at the transfer agent and not the new registration. For example, if the existing registration is John Doe and Jane Doe Joint Tenant, it needs to be signed by both John and Jane. If the shareholder is deceased, the transfer forms must be signed by the executor/administrator of the estate of the decedent. If the shareholder is not deceased, but is deemed incompetent or unable to sign, documentary evidence must be submitted to the transfer agent supporting their role/relationship to the shareholder. Any document requiring the affixation of a medallion signature guarantee must be done in the presence of the guarantor of the medallion signature guarantee. It is important to note that a power of attorney becomes null and void once the maker is deceased.

### **Why is a W-8 or W-9 required?**

This is required to certify your tax ID (U.S. holders) or verify your country of residence (non-U.S. holders), and avoid backup withholding upon the liquidation of your assets. Please refer to the tax certification section for further details.

### **Reinvest Dividends (if applicable, for DRIP shares only):**

When a transfer includes Dividend Reinvestment Plan (DRIP) shares, if the new owner would like to keep the shares enrolled in the company's reinvestment program, they can check the box next to YES on their transfer package in order to reinvest their dividends. Users can also enroll online.

### **How can I transfer and sell my shares?**

If the company has a Direct Stock Sale Plan, you can sell the shares through the company appointed transfer agent. You will need to include a signed letter of instruction with your transfer request and provide the name of the security, account number and the number of shares you would like to sell.

### **What is a stock certificate?**

A stock certificate is documentation of a shareholder's ownership in a corporation. It indicates the number of shares owned by an individual, the par value (if any), the class of stock and date of issuance. Original stock certificate(s) must be presented to the transfer agent to effectuate a transfer of ownership.

# TRANSFER TYPES AND SECURITY REGISTRATIONS

## Common transfer types include:

- Transfer from single or joint owner
- Transfer due to name change
- Transfer due to deceased owner
- Custodial transfer

## Examples of Security Registrations:

- **Joint Tenancy:** Form of ownership where two or more individuals hold shares as joint tenants with rights of survivorship. When one tenant dies, the entire tenancy transfers to the surviving tenants.  
**EX:** JOHN BROWN & MARY BROWN JT TEN
- **Tenants by Entirety:** Joint ownership permits spouses to mutually own property as a single legal entity, with the survivor becoming the sole owner.  
**EX:** JOHN BROWN & MARY BROWN TEN ENT
- **Tenants in Common:** Form of ownership where each tenant owns undivided interest. When one tenant dies, their interest passes to the estate.  
**EX:** JOHN BROWN & MARY BROWN TEN COM
- **Community Property:** Form of ownership required by states that have adopted community property laws for shares owned by husband and wife.  
**EX:** JOHN BROWN & MARY BROWN COMMUNITY PROPERTY
- **Transfer or Payable on Death:** Form of ownership where stock is 100 percent property of owner. When the owner dies, 100 percent ownership is transferred to the beneficiary listed.  
**EX:** JOHN BROWN TOD MARY BROWN OR JOHN BROWN POD MARY BROWN
- **Custodial:** Form of ownership set up for the benefit of a beneficiary and administered by a legal guardian or custodian who has a fiduciary obligation to the beneficiary.  
**EX:** JOHN BROWN CUST MARY BROWN UNDER UNIF GIFT TO MINORS ACT CA  
**EX:** ABC BANK AGENT FOR MARY BROWN UA DTD 9-20-80
- **Trust:** A legal entity in which one person or institution (trustee) holds the right to manage a property or assets for the benefit of someone else (trust beneficiary). The creator of the trust is known as a grantor or settlor.  
**EX:** JOHN BROWN, TRUSTEE THE MARY BROWN REV LVG TR UA DTD 2/3/91

## TRANSFER TYPES AND SECURITY REGISTRATIONS (CONT.)

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### What are book-entry shares?

Investments with ownership recorded electronically, such as stocks and bonds, are known as book-entry shares. Common terms that are often used with book-entry shares include paperless shares, electronic shares, DRS shares, digital stock certificates and uncertificated shares.

### What should I do if I lose my certificate?

If your stock certificate is lost, accidentally destroyed or stolen, you should immediately contact the company appointed transfer agent and request a stop transfer to prevent ownership of the securities being transferred from your name. The transfer agent will send affidavits to replace the shares which require a Lost Securities Bond from an insurance company.

### How do I keep my shares safe?

We recommend the following:

- 1) Set up an online account with the transfer agent and periodically review your ownership
- 2) Physical stock certificates should be held in a safety deposit box with a financial institution or deposited electronically with your transfer agent for safekeeping
- 3) Request to convert your physical stock certificates to book-entry shares
- 4) Notify your transfer agent if you are moving to maintain a current address with agent
- 5) Notify your next of kin of your stock ownership or make provisions in your will regarding your beneficiaries

### What is an inheritance tax waiver and how can I determine if one is needed?

An inheritance tax waiver is an authorization by the tax department of a deceased's estate to transfer the securities of the deceased without charging taxes. Most states do not require an inheritance tax waiver. However, if the deceased resided in Puerto Rico or any states listed below, you must submit the inheritance tax waiver to the company appointed transfer agent when transferring those shares.

- Alabama
- Montana
- Oklahoma
- Hawaii
- New Jersey
- Pennsylvania
- Illinois
- New York
- Rhode Island
- Indiana
- North Dakota
- Tennessee
- Missouri
- Ohio

To determine the specific inheritance tax waiver requirements for the states listed above, please contact the appropriate tax authority, such as the Department of Revenue, Tax Commission, Department of Treasury, etc.

**Important Note:** Please ensure your address is always up to date with your transfer agent or broker to avoid missing critical information and to prevent your property from being escheated.

# DIVIDEND DISTRIBUTION

When a company declares a dividend, this sends a strong signal about its solid performance and financial well-being. Companies often provide shareholders with easy options for reinvestment to grow their investment in the company. AST works closely with companies to create direct stock purchase plans and dividend reinvestment strategies.

## **What is a dividend?**

A dividend is money or stock that is paid to shareholders, normally out of the corporation's current earnings or accumulated profits. It is a distribution (usually quarterly) of a portion of the company's earnings, decided by the board of directors to a class of its shareholders.

## **How is a cash dividend paid?**

Generally, when a company declares a cash dividend, they notify the transfer agent of the board of directors' decision on a record date and payable date and the dividend rate to pay the shareholders on their record date holdings in company shares. Once this is completed, the transfer agent processes the dividend on a certain record date (this is a date that the company decides on for the amount of shares the shareholders are holding at that time to pay on). The transfer agent will then send a funding letter to the company to verify and confirm the number of shares held as of the record date and the amount due from the company to pay the dividend. When verified, the company will send the funds to the transfer agent for distribution to shareholders on the payable date provided.

## **How are funds distributed?**

On the payable date, the funds can be distributed in one of four ways:

- 1) The shareholder can have them sent, via a physical check to the current name and address on file
- 2) A direct deposit ACH sent to the bank account on file (if allowed by the company paying the dividend)
- 3) In some instances, a fee-based wire transaction
- 4) If a company permits and a shareholder elects dividend reinvestment, the funds can be reinvested into additional shares of company stock within a shareholder's account

**Important Note:** *Please ensure your address is always up to date with the transfer agent so physical checks, statements, tax and ACH notices are sent to the correct destination.*

# ESCHEATMENT

## **What is escheatment?**

Escheatment is the act of reporting property in which the rightful owner has made no claim, engaged in no transaction or given no instruction for a time period meeting the dormancy determined by each state. Property that qualifies for the escheatment process includes uncashed company-issued checks and abandoned stock. Escheated assets are transferred to the state for safekeeping until the rightful owner makes a claim on the assets.

Common forms of unclaimed property include stocks, checking or savings accounts, uncashed dividends or payroll checks, refunds, traveler's checks, trust distributions, unredeemed money orders or gift certificates, insurance payments or refunds, life insurance policies, annuities, certificates of deposit, customer overpayments, utility security deposits and contents of safe deposit boxes.

## **How can you avoid escheatment and keep your property?**

Stay in contact with your transfer agent by taking the following actions:

- Vote your proxy.
- Cash all checks no matter how small. In some states, the existence of uncashed checks in an account may cause the property in that account to be considered unclaimed.
- Enroll in direct deposit if it is available to you.
- Notify your transfer agent and any other financial institutions of any changes to your contact information, including email and any changes of address. It's important to do this even if you primarily view your account information online.
- Act if you receive calls or notices asking you to update your mailing address, email address or other contact information. To guard against identity theft, contact the institution directly to verify that it requested the update.
- Consolidate small accounts to reduce management tasks and limit the risk of forgetting an account.
- Contact your transfer agent and other financial institutions with at least once each year by phone, email, in person or by logging into your online account.

## ESCHEATMENT (CONT.)

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### **Respond to mailings from the transfer agent:**

Be attentive to mailings and respond to them promptly. Transfer agents mail several types of letters during the year to the last known address, as required by law. If you receive one of these mailings, please sign it and return it as soon as possible in the envelope provided. If you receive a mailing from a third party and are unsure of its legitimacy, contact the transfer agent directly.

### **How do I reclaim property that has been escheated?**

Once your property has been turned over to the state you can recover it by contacting the appropriate state. A list of contact addresses and phone numbers can be found at: <https://www.missingmoney.com/Main/StateSites.cfm>

### **Links to important industry sites:**

- State Contact Information: <https://www.missingmoney.com/Main/StateSites.cfm>
- Shareholder Services Association (SSA): <https://www.shareholderservices.org/>
- Securities Transfer Association (STA): <http://www.stai.org/>
- National Association of Unclaimed Property Administrators (NAUPA): <https://unclaimed.org/>
- MissingMoney.com: <https://www.missingmoney.com/en/>

# RESTRICTED STOCK

## What does it mean to have restricted shares?

Restricted shares are securities acquired in unregistered, private sales from the issuer or from an affiliate of the issuer. Typically received through Regulation D offerings, employee stock benefit plans or as compensation for professional services. Restricted securities are subject to resale limitations. They typically have a restrictive legend stating that they cannot be resold in the public marketplace unless the sale is exempt from the SEC's registration requirements. This restriction is imposed by the issuer of the securities. These shares can be issued to you in certificate or book-entry form held electronically by the issuer's transfer agent.

Controlled shares are held by an affiliate of the issuer. If a shareholder obtains securities from a controlling individual as described above who has been identified as an affiliate, the securities will be considered restricted securities, even if such securities were not otherwise restricted.

There are several types of restricted securities. Below are common restricted securities handled by a transfer agent:

- **Private Placement:** securities acquired either directly or indirectly from the issuer or an affiliate of the issuer in a non-public transaction.
- **Accredited Investors or Compensatory Benefit:** securities acquired from the issuer subject to the resale limitations of the Securities Act of 1933 (the Securities Act) Rule 502(d) or Rule 701(c).

## How do I sell my restricted shares?

It depends on the type of restriction imposed by the issuer of the security. Securities are not considered restricted if the requirements of Rule 144 under the Securities Act of 1933 are met. When this occurs, securities may be sold or transferred by the shareholder. Rule 144 provides common exemptions for holders to sell restricted securities and you must meet several conditions which include a six-month or one-year holding period. Once you meet all the conditions of Rule 144, you cannot sell your restricted securities to the public until the legend is removed from the certificate or book-entry position.

- If the shares carry a 1933 Act legend, you must obtain an opinion from the issuer's counsel. The counsel will consider the conditions that you have met under Rule 144.
- If the issuer has filed a registration statement with the SEC (Securities & Exchange Commission) and you are listed on that registration statement, your shares may be sold by your broker of choice as long as the registration statement has not been rescinded and is deemed still in effect. Your broker will be able to direct you and provide the necessary documents to effectuate the sale of your shares.
- If the issuer of the security imposed a restriction specific to certain requirements being met with them, a letter of authorization to release the restrictive stop must be provided from that issuer. You may choose to sell your clean (unrestricted) shares through your transfer agent if a plan prospectus is in place or with any broker of your choice.

## RESTRICTED STOCK (CONT.)

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### **Be in the know:**

1. Know your status with the issuer (affiliate or non-affiliate)
2. Understand holding periods needed prior to sale
3. Request items needed to remove restriction with the issuer or transfer agent
4. Does a sale need to occur prior to restriction being removed?
5. Check with your broker to see if they are capable of performing a sale

### **How do I gain access to my locked-up shares?**

The issuing company may impose a time-based or other company-imposed restrictive stop on newly-issued or outstanding shares. In order to release or remove any company-imposed restrictive stop, we require a letter from the issuer authorizing the release of their lock-up; only the issuer of the security can provide this authorization. If it is a time-based restrictive stop, the lapse in time must have occurred in order to gain access to your time-based locked up shares. If shares are held in certificate form, it must be presented to the issuer's transfer agent in order to cleanse your shares.

# CORPORATE ACTIONS

## **What is a corporate action?**

A corporate action is an event initiated by a company that will bring a change to the securities equity or debt issued by the company. The event can be a merger, reorganization or exchange, which require intense planning, strategy and attention to detail. Corporate actions are typically agreed upon by a company's board of directors and authorized by the shareholders.

## **What is an acquisition?**

An acquisition is a corporate action in which a company buys most, if not all, of the target company's ownership stakes to assume control of the firm. Acquisitions are often made as part of a company's growth strategy when it is more beneficial to take over an existing firm's operations rather than expands its own niche. Acquisitions are often paid in cash, the acquiring company's stock or a combination of both cash and stock. To obtain information on the acquisition you can visit the company's website or contact the information agent or the transfer agent.

In order to participate in the voluntary offer, you must submit both a letter of transmittal and your certificates to the depositary agent prior to the expiration. It is recommended to send certificates via overnight mail or certified return receipt insured at the market value of the shares. If your certificates are lost, you need to contact the transfer agent to have them replaced to participate in the offer.

## **What is a merger?**

A merger is the combining of two or more companies. Generally, one company offers stockholders securities in the acquiring company in exchange for the surrender of their stock.

The target company ceases to trade once the merger is effective. The merger can be in the form of cash, stock or a combination of cash and stock. When the merger is effective the target shareholder is entitled to the merger consideration.

In order to receive your merger consideration, you must submit a letter of transmittal and your certificates to the exchange agent. It is recommended to send certificates via overnight mail or certified return receipt insured at the market value of the shares. If your certificates are lost, you will need to contact the transfer agent to have them replaced to receive your merger consideration.

## **What should I do if there is a corporate action?**

Go to the company's website, contact the Investor Relations department via their toll-free number or if you know who the transfer agent is, contact them for further direction. With an acquisition or merger you should receive a mailing with materials pertaining to the corporate action.

**Important Note:** *Please ensure your address is always up to date with your transfer agent or broker to avoid missing critical information and to prevent your property from being escheated. Additionally, ensure your account is tax certified with your broker or transfer agent to avoid any tax withholding from your merger considerations.*

# IRS NOTICES

## B-Notices

B-Notices are issued by the IRS for missing or incorrect taxpayer identification numbers (TINs), based on the information return forms that a transfer agent files during tax reporting with the IRS. The 'official' IRS names for B-Notices are CP2100 & CP2100A. The CP2100 is issued whenever a payer has 50 or more notices. If there are more than 250 notices the CP2100 will be given to the issuer on a CD or DVD. A CP2100A is issued when there are less than 50 accounts. The IRS issues B-Notices twice per year, during the spring and then during the fall based on the information returns filed in the previous year. Transfer agents are required to determine if an account is to be coded for a first and second B-Notice. A second B-Notice is issued when the IRS receives incorrect information for the same shareholder, within three years after the first B-Notice was issued. Transfer agents are required to apply backup withholding of 28 percent within 30 days on all payments to an account with a first or second B-Notice that remains unresolved.

B-Notices are issued to uncertified foreign accounts that had backup withholding, but transfer agents are not required to act on those notices.

## C-Notices

C-Notices are issued by the IRS for underreporting by a shareholder, based on the information returns that the transfer agent and others have filed during tax reporting. The official IRS name of C-Notices is a CP-543 Notice. The IRS issues a C-Notice to instruct payers that they should impose backup withholding on dividend or interest payments to the shareholder, because the IRS has made attempts to resolve the underreporting with the shareholder, but they were unsuccessful in their efforts. **Unlike B-Notices, it must be noted that C-Notices do not apply to gross proceeds payments.**

For accounts coded for a C-Notice, the transfer agent mails a C-Notice letter to the shareholder informing them that we have received the CP-543 Notice from the IRS and that backup withholding will continue, until they contact the IRS and resolve the issue.

The only cure for a C-Notice is a letter from the IRS, instructing the payer to discontinue backup withholding on the payments to the affected shareholder. Once the transfer agent receives the discontinue notice we will stop any further backup withholding on payments.

## Notices on Levy

A Notice of Levy, IRS Form 668-A(ICS) is issued to a shareholder by the IRS as a means of collecting taxes owed. The Levy instructs the transfer agent to turn over the shareholder's property to the IRS, which includes selling any book shares that we control, and any uncashed checks that we have on our system. The transfer agent issues a check for the liquidated assets of the shareholder to the United States Treasury in order to satisfy the Notice of Levy.

# TAX FORMS AND DESCRIPTIONS

## Typical IRS Forms

**Note:** Forms may change on an annual basis as per IRS rules and guidelines.

There are various forms used for tax reporting based on the type of income to be reported and whether the shareholder is a U.S. or a foreign shareholder.

## Form 1099-B

- Used to report all gross proceeds payments to U.S. shareholders and to uncertified shareholders with foreign addresses, because there was backup withholding imposed on their payments.
- The mailing deadline for Form 1099-B is February 15 of the year following the tax year that is being reported. If February 15 falls on a weekend or is a national holiday, the due date is the next business day.
- The IRS does offer a 30-day mailing extension that must be requested by the due date of February 15. The current version of Form 1099-B can be found at: <https://www.irs.gov/pub/irs-pdf/f1099b.pdf>

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Applicable checkbox on Form 8949	OMB No. 1545-0715 <b>2021</b> Form <b>1099-B</b>	Proceeds From Broker and Barter Exchange Transactions
<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED				
PAYER'S TIN		1a Description of property (Example: 100 sh. XYZ Co.)		
RECIPIENT'S TIN		1b Date acquired	1c Date sold or disposed	
RECIPIENT'S name		1d Proceeds \$	1e Cost or other basis \$	
Street address (including apt. no.)		1f Accrued market discount \$	1g Wash sale loss disallowed \$	
City or town, state or province, country, and ZIP or foreign postal code		2 Short-term gain or loss <input type="checkbox"/> Long-term gain or loss <input type="checkbox"/> Ordinary <input type="checkbox"/>	3 If checked, proceeds from: Collectibles <input type="checkbox"/> QOF <input type="checkbox"/>	
Account number (see instructions)		4 Federal income tax withheld \$	5 If checked, noncovered security <input type="checkbox"/>	
CUSIP number		6 Reported to IRS: Gross proceeds <input type="checkbox"/> Net proceeds <input type="checkbox"/>	7 If checked, loss is not allowed based on amount in 1d <input type="checkbox"/>	
FATCA filing requirement <input type="checkbox"/>		8 Profit or (loss) realized in 2021 on closed contracts \$	9 Unrealized profit or (loss) on open contracts – 12/31/2020 \$	
14 State name	15 State identification no.	10 Unrealized profit or (loss) on open contracts – 12/31/2021 \$	11 Aggregate profit or (loss) on contracts \$	
16 State tax withheld \$		12 If checked, basis reported to IRS <input type="checkbox"/>	13 Bartering \$	

**Copy 1  
For State Tax  
Department**

**Form 1099-B**  
There is a de minimis rule for Forms 1099-B, stipulating that transfer agents are not required to mail, or report aggregated annual income of less than \$20.00. (related to the sale of fractional shares).

Form 1099-B

www.irs.gov/Form1099B

Department of the Treasury - Internal Revenue Service



# TAX FORMS AND DESCRIPTIONS (CONT.)

## Form 1042-S

- This form is used to report all income to foreign shareholders. There are specific codes used to define the type of income.
- The mailing deadline for Form 1042-S is March 15 of the year following the tax year that is being reported. If March 15 falls on a weekend or it is a national holiday, the due date is the next business day.
- The IRS does offer a 30-day mailing extension that must be requested by the due date of March 15. The current version of Form 1042-S can be found at: <https://www.irs.gov/pub/irs-pdf/f1042s.pdf>

Form <b>1042-S</b>		<b>Foreign Person's U.S. Source Income Subject to Withholding</b> <b>2021</b>			OMB No. 1545-0096										
Department of the Treasury Internal Revenue Service		▶ Go to <a href="http://www.irs.gov/Form1042S">www.irs.gov/Form1042S</a> for instructions and the latest information.			<b>Copy A</b> for Internal Revenue Service										
		UNIQUE FORM IDENTIFIER <input type="checkbox"/> AMENDED <input type="checkbox"/> AMENDMENT NO.													
<b>1</b> Income code	<b>2</b> Gross income	<b>3</b> Chapter indicator. Enter "3" or "4"	<b>3a</b> Exemption code	<b>3b</b> Tax rate	<b>3c</b> Ch. 3 status code	<b>3d</b> Ch. 4 status code									
		<b>4a</b> Exemption code	<b>4b</b> Tax rate	<b>13e</b> Recipient's U.S. TIN, if any	<b>13f</b> Ch. 3 status code	<b>13g</b> Ch. 4 status code									
<b>5</b> Withholding allowance	<b>6</b> Net income	<b>13h</b> Recipient's GIIN	<b>13i</b> Recipient's foreign tax identification number, if any	<b>13j</b> LOB code											
<b>7a</b> Federal tax withheld	<b>7b</b> Check if federal tax withheld was not deposited with the IRS because escrow procedures were applied (see instructions) <input type="checkbox"/>	<b>13k</b> Recipient's account number													
<b>7c</b> Check if withholding occurred in subsequent year with respect to a partnership interest <input type="checkbox"/>	<b>13l</b> Recipient's date of birth (YYYYMMDD) <table border="1" style="width: 100%; height: 20px;"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>														
<b>8</b> Tax withheld by other agents	<b>9</b> Overwithheld tax repaid to recipient pursuant to adjustment procedures (see instructions) ( )	<b>14a</b> Primary Withholding Agent's Name (if applicable)													
<b>10</b> Total withholding credit (combine boxes 7a, 8, and 9)	<b>11</b> Tax paid by withholding agent (amounts not withheld) (see instructions)	<b>14b</b> Primary Withholding Agent's EIN			<b>15</b> Check if pro-rata basis reporting <input type="checkbox"/>										
<b>12a</b> Withholding agent's EIN	<b>12b</b> Ch. 3 status code	<b>12c</b> Ch. 4 status code	<b>15a</b> Intermediary or flow-through entity's EIN, if any												
<b>12d</b> Withholding agent's name	<b>12e</b> Withholding agent's Global Intermediary Identification Number (GIIN)		<b>15b</b> Ch. 3 status code	<b>15c</b> Ch. 4 status code	<b>15d</b> Intermediary or flow-through entity's name										
<b>12f</b> Country code	<b>12g</b> Foreign tax identification number, if any	<b>15e</b> Intermediary or flow-through entity's GIIN													
<b>12h</b> Address (number and street)	<b>12i</b> City or town, state or province, country, ZIP or foreign postal code		<b>15f</b> Country code	<b>15g</b> Foreign tax identification number, if any											
<b>13a</b> Recipient's name	<b>13b</b> Recipient's country code	<b>15h</b> Address (number and street)													
<b>13c</b> Address (number and street)	<b>13d</b> City or town, state or province, country, ZIP or foreign postal code		<b>15i</b> City or town, state or province, country, ZIP or foreign postal code												
<b>13d</b> City or town, state or province, country, ZIP or foreign postal code	<b>16a</b> Payer's name		<b>16b</b> Payer's TIN												
	<b>16c</b> Payer's GIIN		<b>16d</b> Ch. 3 status code	<b>16e</b> Ch. 4 status code											
	<b>17a</b> State income tax withheld	<b>17b</b> Payer's state tax no.	<b>17c</b> Name of state												

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cat. No. 11386R

Form **1042-S** (2021)

# TAX FORMS AND DESCRIPTIONS (CONT.)

## Form 1099-INT

- This form is used to report interest income to U.S. shareholders. There is a de minimis rule for Form 1099-INT stipulating that we do not have to mail, or report aggregated annual income of less than \$10.00.
- The mailing deadline for Form 1099-INT is January 31 of the year following the tax year that is being reported. If January 31 falls on a weekend or it is a national holiday, the due date is the next business day.
- The IRS offers a 30-day mailing extension that must be requested by the due date of January 31. The current version of Form 1099-INT can be found at: <https://www.irs.gov/pub/irs-pdf/f1099int.pdf>

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0112		<b>Interest Income</b>
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Payer's RTN (optional)	<b>2021</b> Form <b>1099-INT</b>	
PAYER'S TIN		1 Interest income \$		2 Early withdrawal penalty \$
RECIPIENT'S TIN		3 Interest on U.S. Savings Bonds and Treas. obligations \$		<b>For State Tax Department</b>
RECIPIENT'S name		4 Federal income tax withheld \$	5 Investment expenses \$	
Street address (including apt. no.)		6 Foreign tax paid \$	7 Foreign country or U.S. possession	
City or town, state or province, country, and ZIP or foreign postal code		8 Tax-exempt interest \$	9 Specified private activity bond interest \$	
FATCA filing requirement <input type="checkbox"/>		10 Market discount \$	11 Bond premium \$	
Account number (see instructions)		12 Bond premium on Treasury obligations \$	13 Bond premium on tax-exempt bond \$	
		14 Tax-exempt and tax credit bond CUSIP no.	15 State	16 State identification no.
				17 State tax withheld \$ \$

Form **1099-INT**      www.irs.gov/Form1099INT      Department of the Treasury - Internal Revenue Service



# TAX FORMS AND DESCRIPTIONS (CONT.)

## IRS Form 3921

- This form is used to provide employees with information relating to incentive stock options (ISOs) that were exercised during the calendar year.
- Employers provide one **Form 3921** for each exercise of ISOs that occurred during the calendar year.

<input type="checkbox"/> CORRECTED (if checked)					
TRANSFEROR'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 Date option granted	OMB No. 1545-2129 <b>Form 3921</b> (Rev. October 2017)	<b>Exercise of an Incentive Stock Option Under Section 422(b)</b>	
		2 Date option exercised			
TRANSFEROR'S TIN	EMPLOYEE'S TIN	3 Exercise price per share	4 Fair market value per share on exercise date		<b>Copy B For Employee</b>  This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.
EMPLOYEE'S name		\$	\$		
Street address (including apt. no.)		5 No. of shares transferred			
City or town, state or province, country, and ZIP or foreign postal code		6 If other than TRANSFEROR, name, address, and TIN of corporation whose stock is being transferred			
Account number (see instructions)					
Form <b>3921</b> (Rev. October 2017)		(keep for your records)		www.irs.gov/Form3921	Department of the Treasury - Internal Revenue Service

## IRS Form 3922

- This form is used to report the transfer of stock acquired through an Employee Stock Purchase Plan (ESPP) under Section 423(c).
- The form is for informational purposes only and is not entered into your return.

2626 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED					
CORPORATION'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 Date option granted	OMB No. 1545-2129 <b>Form 3922</b> (Rev. September 2016)	<b>Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)</b>	
		2 Date option exercised			
CORPORATION'S federal identification number	EMPLOYEE'S identification number	3 Fair market value per share on grant date	4 Fair market value per share on exercise date		<b>Copy A For Internal Revenue Service Center</b> <b>File with Form 1096.</b>  For Privacy Act and Paperwork Reduction Act Notice, see the <b>current version of the General Instructions for Certain Information Returns.</b>
EMPLOYEE'S name		\$	\$		
Street address (including apt. no.)		5 Exercise price paid per share	6 No. of shares transferred		
City or town, state or province, country, and ZIP or foreign postal code		7 Date legal title transferred			
Account number (see instructions)		8 Exercise price per share determined as if the option was exercised on the date shown in box 1			
Form <b>3922</b> (Rev. 9-2016)		Cat. No. 41180P		www.irs.gov/form3922	Department of the Treasury - Internal Revenue Service
<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>					

# TAX ID CERTIFICATION AND W-8 / W-9 FORMS

## Tax Certification

All U.S. shareholders are required to submit a Form W-9 to certify their Tax Identification Number (TIN). A TIN is either a Social Security Number (SSN) for individuals or an Employer Identification Number (EIN) for entities. The transfer agent is required to impose \*backup withholding (currently 28 percent) on payments to un-certified U.S. shareholders and to deposit those tax amounts with the IRS in a timely manner.

*\*Backup withholding is the method used by the IRS to assure it collects taxes on shareholders' income.*

## IRS Form W-9

The Form W-9 is a request for TIN and certification. The transfer agent as a reporting/paying agent is required by the IRS to collect a Form W-9 or Form W-8 from each shareholder.

## IRS Form W-8

The IRS issued several versions of Form W-8 to be used by foreign shareholders for tax certification. The specific form submitted depends on the type of shareholder.

## Form W-8 BEN

W-8 BEN Form is used by individuals. The form is valid starting on the date the form is signed and ending on the last day of the third succeeding calendar year, unless a change in circumstances made any information on the form incorrect. Form W-8 BEN: <https://www.irs.gov/pub/irs-pdf/fw8ben.pdf>

## Form W-8 BEN-E

Form W-8 BEN-E is used by entities. The form is valid starting on the date the form is signed and ending on the last day of the third succeeding calendar year, unless a change in circumstances made any information on the form incorrect. Form W-8 BEN-E: <https://www.irs.gov/pub/irs-pdf/fw8bene.pdf>

If an account is held by a non-resident alien or a foreign entity, the transfer agent must have a W-8 on file. This information is required for U.S. tax withholding purposes on income earned in your account. Any uncertified shareholder is subject to backup withholding.

**Important:** The IRS requires those who are not defined as U.S. citizens or [resident aliens](#) to use the appropriate [Form W-8](#) in place of a Form W-9.

## W-9 vs. W-8 Summary

W-9 Form	W-8 BEN Form
Filed by U.S. Persons	Certifies the individual is the beneficial owner of the account
Provides withholding agent with SSN/TIN for reporting purposes	Certifies that the individual is a non-U.S. person
Does not expire unless individual has a change in circumstance	Expires on the last day of the third succeeding calendar year after it is signed  Ex: Form W-8 BEN signed on September 30, 2019, remains valid through December 31, 2022

### Voluntary withholding on dividends and gross proceeds from registered shares:

U.S. shareholders can request that the company-appointed transfer agent withhold tax from their payments, although they are properly certified and not subject to withholding. The following conditions must be met for voluntary withholding to occur:

- The transfer agent must receive a written request from the shareholder to withhold their dividend payments. This request can either be a signed letter that is mailed to the transfer agent or it can be an email from the shareholder to the transfer agent.
- The voluntary withholding request must state the percentage that the shareholder wants withheld from their dividend payments.
- This request will remain in effect until the shareholder submits a written request to stop the voluntary withholding.
- The transfer agent will deposit all voluntary withholding amounts with the IRS in a timely manner.

### What are long-term gains or losses?

A long-term capital gain or loss results from the sale of shares that have been owned for longer than 12 months at the time of sale. The long-term capital gain or loss amount is determined by the difference in value between the purchase price and sale price. Long-term capital gains often receive more favorable tax treatment than short-term gains.

### What are short-term gains or losses?

A short-term capital gain or loss results from the sale of shares that you have owned for less than 12 months. Short-term capital gains or losses are determined by the net profit or loss when the shares are sold.

# COST BASIS

## **What is cost basis reporting and when was it implemented?**

The term cost basis reporting refers to the original value of an asset for tax purposes (usually the purchase price), adjusted for events such as wash sales, stock splits, dividends and return of capital distributions. This value is used to determine the capital gain or loss when an asset is discarded. On October 3, 2008, legislation was passed under the Emergency Economic Stabilization Act of 2008 that had a substantial impact on many areas of the financial services industry. As part of the legislation there are more stringent requirements on financial intermediaries such as issuers, transfer agents, brokers, banks and mutual funds, to report customers' cost basis in securities transactions to both their customers and the IRS. Recognizing financial institutions' need to adapt their systems and processes to comply with the new rules, the law takes a phased approach, requiring them to report cost basis for:

- Stock acquired on or after January 1, 2011
- Regulated investment companies (RIC) and dividend reinvestment plans (DRIP) shares acquired on or after January 1, 2012
- Financial instruments such as debt securities and options acquired on or after January 1, 2014

## **What is a covered security?**

A covered security is a specified security acquired for cash on or after the applicable effective date as per IRS Code §1.6045 (g)(3)(A).

## **When is cost basis applicable?**

The Emergency Economic Act of 2008 came into effect on January 1, 2011, it mandated brokers and transfer agents to maintain cost basis of shares. Shares acquired prior to that date are considered non-covered, because record of cost basis was not maintained. In addition, shares acquired via employee restricted plans are defined by the IRS as non-covered. There is no exchange of cash for the restricted award, therefore cost basis may not be maintained for shares acquired via vesting of restricted awards/units.

## **Can AST provide historical cost basis information?**

AST can provide cost basis information for covered securities starting January 1, 2011, the effective date of the new cost basis reporting legislation. AST will not provide historical cost basis information prior to this date.

## **Does AST utilize the DTCC CBRS services to transfer cost basis information?**

Yes. AST is a DTCC limited participant and utilizes DTCC CBRS for transferring cost basis information to and from participating brokers. For more information on DTCC CBRS, [click here](#).

## COST BASIS (CONT.)

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### **How will 1099-B reporting change and will this require a new version of IRS Form 1099-B?**

As a result of the 2011 cost basis reporting requirements, the only additional modifications to the Form 1099-B are the addition of Box 1d stock or other symbol and Box 1e quantity sold. In order to streamline shareholder reporting, AST has produced a combined Form 1099-B, which details every covered and uncovered sales transaction for a particular company on a single form. In effect, a shareholder will receive one combined Form 1099-B for each group of transactions for a company, rather than one form for each separate sales transaction. The boxes on the IRS Form 1099-B are denoted on the combined form for ease of use. All other required information on the combined Form 1099-B remains the same, except for symbol and quantity sold as previously noted. Please reference the [IRS site](#) for updated information.

### **I currently receive an Form 1099-B when I receive a proceed check. Will the Form 1099-B still be provided with the proceeds check?**

The Form 1099-B currently distributed with proceed checks (Check/1099 Combo) will no longer be distributed when sales are made throughout the year. After the tax reporting year, AST will only provide Form 1099-B at year-end. For example, taxable transactions in 2016 produce a 2016 1099-B, which is mailed by February 15, 2017.

### **Were there any changes for S corporations under the updated legislation?**

Yes. In the past, no broker or transfer agent reporting on Form 1099-B was required for corporate customers, including S corporations. The updated legislation requires broker and transfer agents to begin Form 1099-B reporting for S corporations (other than a financial institution) for sales of covered securities acquired on or after January 1, 2012.

### **What is a wash sale?**

A wash sale occurs when you sell stock or securities at a loss and then replace the stock or security within 30 days. You cannot deduct losses from sales of stock or securities in a wash sale under IRS rules. For more information on wash sales, refer to the IRS regulations and IRS [Publication 550 – Investment Income and Expenses](#).

### **What is lot relief and what methods does AST support?**

Lot relief is a method of computing the cost basis of an asset that is sold in a taxable transaction. AST supports FIFO (First-In-First-Out) and specific lot identification. As of January 1, 2012, AST continues to support average cost for RICs and DRIP accounts.

### **What is the current status of the cost basis reporting implementation at AST?**

As the next phases of cost basis reporting become effective, financial institutions will continue to adapt their systems and processes to comply. AST is compliant and is actively working on implementing cost basis reporting solutions to comply with future phases of the legislation.

### **Where can I access the cost basis reporting regulations passed under the Economic Stabilization Act of 2008?**

To view the full act, please visit the [IRS site](#).

# LOST STOCK CERTIFICATE OR CHECK

## What is a stock certificate?

Documentation of a shareholder's ownership in a corporation. Certificates indicate the number of shares owned by an individual, their par value (if any), the class of stock and date of issuance.

## What should I do if I lose my certificate?

If your stock certificate is lost, accidentally destroyed or stolen, you should immediately contact your transfer agent and request a stop transfer to prevent ownership of the securities from being transferred from your name to another's. The transfer agent may send affidavits to replace the shares which require the purchase of a Lost Securities Bond from an insurance company.

## What is a surety bond?

A bond that guarantees payment if the second party fails to meet the terms of a contract. The surety bond protects the first party against any losses that result from the second party's failure to meet the obligation. There are three parties involved:

- **The Principal:** the business or individual who will be performing a contractual obligation
- **The Obligee:** the party who receives the obligation, which is normally a government entity
- **The Surety:** who guarantees the principal's obligations will be performed

## What is a surety premium?

A surety premium is a fee paid by a shareholder to cover insurance for replacing lost securities or by an estate of a deceased shareholder who transfers shares without probate.

## How do I replace my lost certificate with AST?

A shareholder can access their account online via the [AST website](#) or contact our Shareholder Services department to report their certificate lost, stolen or destroyed. Upon receipt of the communication, the Lost Securities department will mail, fax or email Affidavits of Loss forms for completion. The forms will require notarized signatures of all shareholders along with the quoted surety premium. Additional documents and information may be required.

## What is a replacement check?

When a check is created and sent to a shareholder (e.g.: a cash dividend, a proceeds check for the sale of shares, escheatment, corporate action or IPO closing, etc.) it can sometimes be lost, misplaced or damaged. In such an event, the shareholder can request a replacement check for the funds.

## LOST STOCK CERTIFICATE OR CHECK (CONT.)

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### How do I obtain a replacement check with AST?

There are several ways in which a shareholder can request a replacement check. The shareholder can go online to [www.astfinancial.com](http://www.astfinancial.com) or contact AST's Shareholder Services department via phone or mail. Once the notification is made a request is sent to the check replacement department for processing. When it reaches the department, the proper banks and departments are notified so no excess funds are distributed. The request can take up to 48 hours to be processed. Once completed and the new check is created it is mailed via the U.S. Postal Service. Additional documents and information may be required once you contact the transfer agent.

**Important Note:** *Please ensure your address is always up to date so checks are printed and sent to the correct destination. You should cash checks regardless of the dollar amount.*

# DIRECT REGISTRATION SYSTEM (DRS)

## Book-Entry Share Ownership Through A Direct Registration System

### **What is a Direct Registration System (DRS)?**

A DRS records shares of stock in book-entry form. Book-entry means the issuer's transfer agent maintains your shares without the need for a physical stock certificate. Shares held in uncertificated book-entry form have the same rights and privileges as shares held in certificate form.

### **What are the benefits of DRS?**

Holding shares in book-entry form through DRS has many benefits. DRS helps reduce the risks and costs associated with storing stock certificate(s) and replacing lost or stolen certificate(s). It also enables electronic share transactions between the broker/dealer and transfer agent. DRS reduces overall administrative costs to the issuer and its shareholders.

### **What documents will I receive showing my shares held through DRS?**

You will receive a DRS Transaction Advice form following each transaction involving your shares.

### **How do I transfer shares to or from my brokerage account or sell shares?**

If you wish to transfer or sell your shares you will need to transfer them to your brokerage account, contact your broker and provide him or her with your DRS account information (which appears on the Transaction Advice form you receive when you become a participant in DRS). Your broker will then electronically initiate the transfer of your book-entry shares based on your instructions.

### **How do I transfer shares held through DRS to a new owner?**

Shares can be transferred to a new owner by contacting the appointed transfer agent. The instructions to transfer must include a medallion signature guarantee (see details below).

### **What will it cost me to hold my shares through DRS?**

You will not be charged for holding your shares through DRS. You should contact your brokerage firm to determine its fees if you transfer your shares to or sell your shares through a brokerage account.

## DIRECT REGISTRATION SYSTEM (DRS) (CONT.)

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### **How do I know my book-entry shares are safe and can't be transferred without my consent?**

Your written consent with a medallion signature guarantee is required by the company appointed transfer agent to transfer shares to any third party other than your broker. If you choose to supply a broker with your DRS account information, your broker is responsible for obtaining instructions and documentation for any transfer or sale.

### **What is a medallion signature guarantee and how do I obtain one?**

A medallion signature guarantee is a statement (stamp and signature) given by a financial institution such as a commercial bank, credit union, brokerage firm, etc., that is a member of the Securities Transfer Association Medallion Program (STAMP), New York Stock Exchange Program or Stock Exchange Medallion Program (SEMP, MSP). The medallion program is not a notarization. To obtain a medallion signature guarantee visit a financial institution that participates in the medallion program.

# GLOSSARY

## Common Financial Acronyms & Abbreviations

The financial industry is full of acronyms. Here are some of the most commonly used ones you may come across.

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### **ACH**

Automatic Clearing House: the way in which electronic transfer of funds take place.

### **ADP**

Automatic Data Processing

### **AMEX**

American Stock Exchange

### **CTA**

Co-Transfer Agent

### **CUSIP**

Committee on Uniform Securities Identification Procedure: CUSIP # is a nine-digit, alphanumeric number that identifies securities.

### **DPP or DSPP**

Direct (Stock) Purchase Plan

### **DR**

Dividend Reinvestment

### **DRP or DRIP**

Dividend Reinvestment Plan

### **DRS**

Direct Registration System

### **DTCC**

The Depository Trust & Clearing Corporation

### **EFT**

Electronic Funds Transfer

### **ESOP**

Employee Stock Option Plan

### **ESPP**

Employee Stock Purchase Plan

### **IPO**

Initial Public Offering: when a company first becomes a stock company publicly trading on the market.

### **IR**

Investor Relations

### **IRA**

Individual Retirement Account

### **IVR / AVR**

Interactive Voice Response / Automated Voice Response: a telephony system that interacts with callers, gathers information and routes calls to the appropriate department or recipient.

### **JT TEN**

Joint Tenants: a type of ownership where two or more people own property together, each with equal rights and obligations. Upon an owner's death, that owner's interest in the property is transferred to the survivors without the property having to go through probate.

### **LLC**

Limited Liability Company: a type of legal entity where risks to owners are limited by law.

### **LP**

Limited Partnership

### **LT**

Letter of Transmittal

### **NASDAQ**

National Association of Securities Dealers Automated Quotation System

### **NYSE**

New York Stock Exchange

### **OTC**

Over The Counter: stock that is purchased without a broker

### **PTA**

Prior Transfer Agent

### **RPO**

Returned by the Post Office

## GLOSSARY (CONT.)

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### SEC

Securities and Exchange Commission

### STA

Securities Transfer Association

### T + 2

Transaction Date (for sale of stock), plus two days settlement to clear

### TA

Transfer Agent

### TEN COM

Tenants In Common: a type of stock ownership of an asset by two or more people who share a specific portion of ownership rights in an asset and upon the death of a **tenant in common**, that share is transferred to the estate of the deceased **tenant**.

### TEN ENT

Tenants by the Entirety: a type of stock ownership of an asset by two or more people and upon the death of a tenant, the asset immediately becomes the property of the remaining owner or owners.

### TIN

Tax Identification Number (in some circumstances can be Social Security Number) – see language under Tax Identification Number

### TOD/POD

Transfer On Death/Payable On Death

### YTD

Year To Date

## Financial Terms

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### 1042-S

A tax form provided to foreign owners of American securities to report the dividend or interest earnings for the calendar year.

### 1099

A series of tax forms provided to taxpayers by financial institutions to report income to the Internal Revenue Service. There are four common types of 1099 forms:

- 1099-B – Reports the proceeds from the sale or the exchange of securities
- 1099-DIV – Reports dividend income
- 1099-INT – Reports interest income
- 1099-MISC – Reports miscellaneous income

### Abandoned Property

Also called Unclaimed Property, abandoned property is stocks, bonds or any other holdings or payments for which the registered owner has not demonstrated ownership, interest or awareness during a set length of time (determined by the state of residence.)

### Account Balance

Net of debits and credits at the end of a reporting period. The term applies to a variety of account relationships. For our purposes, it is the balance/ amount of shares that currently appears on our system.

### Account Executive (AKA Account Administrator)

The role of an account executive / administrator is to advise and counsel our corporate clients. They act as the liaison between the corporation and our transfer services.

### Accrued Dividend

Any dividend that has been declared and paid by the corporation, but has not been received by the shareholder.

### ACH

Automated Clearing House. ACH (also referred to as EFT) refers to the automatic electronic deposit or withdrawal of funds from an account. Many shareholders have their dividend payments made through ACH directly into their personal accounts.

### Acquisition

When a company takes over controlling interest in another company. (See Merger)

### Administrator

An individual named in a court appointment to manage or distribute a decedent's estate when there is no will.

### ADP (Automatic Data Processing)

ADP acts as an intermediary to perform proxy services for banks and brokers. ADP distributes proxy material to beneficial owners, tabulates the returned proxies, and provides the Corporation or its tabulator compiled reports of the tabulation results. ADP also distributes quarterly reports and other company information to the beneficial owners.

## GLOSSARY (CONT.)

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### **Affidavit of Domicile**

A notarized written document that states the legal residence of a decedent. This is also known as an Affidavit of Residence.

### **Affidavit of Loss**

A sworn statement describing the details and circumstances of the lost securities that attests to the fact that a shareholder is not in possession of his/her certificate. The affidavit of loss must be notarized and be completed in duplicate. This affidavit is required before a bond of indemnity can be issued and the securities replaced.

### **Affidavit of Non-Receipt**

A notarized form affirming that the shareholder never received the securities mailed by the transfer agent.

### **Age of Majority**

The age when a minor legally becomes an adult and can control their assets. The age of majority is not the same for all states; it is determined by state statutes.

### **American Depositary Receipt or ADR**

Also known as an ADR or GDR. A depositary receipt is a negotiable certificate that usually represents a foreign company's publicly traded equity or debt. When a broker purchases the company's shares on the home stock market and delivers them to the depositary's local custodian bank, which then instructs the depositary bank to issue Depositary Receipts. Depositary Receipts may trade freely, just like any other security, either on an exchange or in the over-the-counter market. Also known as GDRs (Global Depositary Receipts).

### **Assignment**

The transfer of ownership from one party (the assignor) to another (assignee), generally relating to a document with the authorization and instructions pertaining to the transfer of the ownership of property. On stocks and bonds, the assignment is executed by completing the area on the reverse side of the certificate or by completing an irrevocable stock or bond power.

### **Attorney In Fact**

An individual who has been authorized to transact business for another person.

### **Beneficial Owner**

The person or company who is the actual owner of securities that are registered in the name of a bank or broker. The entity who receives all the benefits of ownership, including cash flow, even though title to a security may be in another name. Title is frequently held in a name other than that of the beneficial owner for safety or convenience of transfer.

### **Beneficiary**

A person to whom an inheritance passes as a result of being named in a will, or the person, company or organization for which a trust exists.

### **Bond of Indemnity**

A bond of indemnity protects corporations, transfer agents and their clients from any liabilities incurred if the original certificate(s) is/are presented for value in the future. A bond of indemnity can also be obtained independently from your own insurance provider or an insurance company of your choice.

### **Book-Entry (Book Shares)**

An account of electronically-held registered shares for which there are no physical certificates.

### **Book-Entry Delivery**

A method of transferring securities through computerized entries, which may eliminate the need for physical securities.

### **Broker**

A person who negotiates the exchange (buying or selling) of securities and receives a commission or fee. Brokers are required to be licensed and their activities are regulated by the Securities and Exchange Commission.

### **Broker Dealer**

An entity engaged in buying and selling securities both for its own account and for the accounts of others.

### **Capital Gain/Loss**

The difference between an asset's purchase price and selling price. It is a gain when the difference is positive and it is a loss when the difference is negative.

### **Cash Acquisition**

A cash acquisition is a mutually-agreed upon merger of two companies in which the stockholders or the company being acquired receive cash for their shares.

### **Cash-In-Lieu**

Payment for a fractional share. The calculations of some exchanges result in fractional shares, and since a certificate is rarely issued for less than one share, a check is generally issued to the shareholder, reflecting the share price multiplied by the fraction of a share owned.

### **Certificate**

An instrument that evidences ownership in a corporation or debt of the issuer. The printed document issued by a corporation as evidence of ownership to its holder; each certificate represents a specific principal/share amount. NYSE and AMEX listed corporations must have their certificates steel engraved on special paper to thwart counterfeiters. Many companies no longer issue physical certificates.

## GLOSSARY (CONT.)

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### **Certificate of Appointment/Court Appointment**

A legal document evidencing a person's present possession of an office or position (i.e., executor, administrator, personal representative or trustee). A dated document issued by the court naming an individual to act on behalf of an estate. These are also known as Letters of Testamentary.

### **Certified Copy**

A statement by court or authorized party that the copy is a true and correct copy and is still in full force and in effect. In other words, a transfer agent or issuer is safe in acting on the document when it is presented in support of a request to transfer securities.

### **Closed End Fund**

A type of mutual fund that raises money only once and offers a fixed number of shares that are traded on an exchange. Closed-end funds fluctuate in response to investor demand as well as to changes in the value of the fund's holdings.

### **Co-Transfer Agent**

A co-agent acts as an alternate agent and can transfer securities. The co-agent delivers the records of all transfers to the principal transfer agent via electronic tape.

### **Common Stock**

Common stock is a security issued by a corporation representing an ownership in the corporation. Common stockholders have the lowest priority claim to assets in case of bankruptcy, but can receive a dividend and usually have voting rights. The price of common stock varies with the supply and demand for the stock. The dividend per share varies with the corporation's profitability.

### **Conservator**

A person who is named by the court to be legally responsible for the welfare and property of another individual.

### **Consolidation**

Two or more accounts belonging to one shareholder that are to be combined into a single account. Also, the process of combining two or more security holder accounts that may have been created by variances in registration or address.

### **Conversion**

The cancellation of preferred stock, convertible bonds or debentures or an acquired company's stock in exchange for another kind of security. The exchange rate may change from time to time, either by prearrangement or because subsequent stock splits or stock dividends. The movement of a corporation's security holder records from one transfer agent to another.

### **Convertible Stock**

Convertible stock, generally a preferred issue, is exchangeable for a set number of another type of security, often common stock.

### **Corporate Resolution**

A legal document bearing the seal of the corporation from the state in which it is incorporated. The corporate resolution contains the names and signatures of company officers who have the authority to sign for financial transaction on behalf of the firm.

### **Cost Basis**

Cost basis is the price at which the investor purchased his or her securities. The cost basis is required to calculate capital gain or loss after the securities are sold.

### **Court Appointment**

A written document issued by the court that officially names the individual(s) or institution that can transact business for the beneficiary. A dated document issued by the court naming an individual to act on behalf of an estate. Generally, this document which names the executor, administrator or personal representative. Also known as Letters of Testamentary.

### **Court Order**

A direction of the court on some other matter incidental to the main proceeding which adjudicates a preliminary point or directs some step in the proceedings.

### **CUSIP**

A nine digit number used to facilitate transactions of the securities industries. The first six digits identify the company, the following two digits represent the issue, and the final digit is a control number to ensure the accuracy of the other eight numbers. The word CUSIP stands for the Committee on Uniform Securities Identification Procedures.

### **Custodian**

A person or institution legally charged with the responsibility of safeguarding the property of another.

### **Custodian for Minor**

A Trustee under the Uniform Gifts to Minors Act, which set up rules for the distribution of assets held in the name of the child. The act provides for a so-called custodian of assets. A supervisor of property belonging to or held in the interest of another. Often supervision is for minors or persons unable to handle their own affairs.

### **Cut Off Date**

The date assigned in the unclaimed property law in most states for determining the items of property that must be turned over to the state. (Uniform Act Sec. 11(d))

## GLOSSARY (CONT.)

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### **Decedent**

A person who has died.

### **Declaration Date**

The date on which the Board of Directors declares an annual meeting record and meeting date, or a dividend record and payable date.

### **Declared Dividends**

Dividends approved to be paid at a future date by a corporation's Board of Directors.

### **Deposit/Withdrawal At Custodian (DWAC)**

DWAC processing through the Depository Trust Company allows a DTC participant to transfer shares into and out of the DTC position through the transfer agent. The DWAC process is handled by our DTC unit and initiated by the broker.

### **The Depository Trust & Clearing Corporation (DTCC)**

DTCC is a securities depository which accepts deposits of eligible securities for custody, executes book-entry deliveries and records book-entry pledges of securities in its custody, and provides for withdrawals of securities from its custody. A large clearing house for banks, brokers and institutions which allows participants to keep their holdings of eligible securities on deposit in computerized book-entry accounts. DTCC holds the underlying securities in its own vault, or that of a qualified Transfer Agent, in its nominee name of Cede & Co. DTCC and other securities depositories facilitate the settlement of securities trades at the end of each day without physical movement and reissuance of stock certificates.

### **Direct Registration System (DRS)**

The DRS records shares of stock in book-entry form. Book-entry means the issuer's transfer agent maintains your shares without the need for a physical stock certificate. Shares held in uncertificated book-entry form have the same rights and privileges as shares held in certificate form.

### **Direct Stock Purchase Plan (DSPP)**

A DSPP enables interested first time individual investors to purchase a company's stock directly from the company or without direct intervention of a broker. AST has the ability to administer such plans. They are handled by our Dividend Reinvestment department. The administrator of the plan also ensures safekeeping of the shares by registering them directly on the books of the company making it possible for shareholders not to hold physical stock certificates.

### **Dividend**

A proportion of net earnings paid periodically by the corporation to its stockholders as a return on investment. Not all corporations pay dividends to their holders; most corporations that pay dividends do so quarterly.

### **Dividend Rate**

The rate per share declared by a corporation's board of directors that all registered holders are entitled to receive as a dividend payment.

### **Dividend Reinvestment**

A plan set up by a company that allows its shareholders to automatically use their dividends to purchase additional shares of the company's stock. Dividend Reinvestment plans vary from company to company and may include such features as optional cash payments (sending additional funds to purchase shares); partial investment (reinvesting a portion of the dividend and receiving cash for the balance); and safekeeping (depositing certificate shares with the agent). Many dividend reinvestment plans charge nominal fees for the purchase or sale of shares.

### **Divorce Decree**

The formal court document that dissolves a marriage and lists the distribution of marital assets.

### **Domicile**

Legal home or residence.

### **Due Diligence Letter**

A letter sent as a final attempt to locate a holder before property held (unclaimed or abandoned) is transferred to the original issuer or to the state of the last known address. A Due Diligence letter is required by some states prior to escheatment (the process of turning over unclaimed funds to the issuer or state).

### **Effective Date**

The section of a fact sheet that refers to the start date of a particular reorganization appointment.

### **Electronic Funds Transfer (EFT)**

Also known as ACH, EFT refers to the automatic electronic deposit or withdrawal of funds from an account. Many shareholders have their dividend payments made through EFT directly into their personal accounts.

### **Employee Stock Option Plan (ESOP)**

A plan under which employees of a company are issued stock options—the right to purchase shares of the company's stock at a set price. Option plans vary widely: some are offered only to the officers of a company; some are offered to all employees (broad-based plans); some plans vest (the options become exercisable by the employees) based on the stock reaching a certain share price; others vest after a certain period of time has elapsed.

## GLOSSARY (CONT.)

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### **Employee Stock Purchase Plan (ESPP)**

Employees of a company offering an ESPP are permitted to purchase shares of the company's stock directly through the company, often by payroll deductions. Plans that qualify under Section 423(b) of the IRS tax code can make purchases through payroll deduction and may receive a discount of up to 15 percent from the Fair Market Value. Non-qualified ESPPs have fewer restrictions, but do not come with the tax advantages of qualified plans.

### **Endorsement**

Writing on an instrument by which all rights, title and interest in such instrument is assigned and transferred by a registered owner or its authorized agent.

### **Equity**

A shareholder's ownership of a company.

### **Erasure Guarantee**

A guarantee by an accredited guarantor organization of any erasure or alteration in a transfer instrument (such as a stock power or the back of a certificate) to ensure its integrity.

### **Escheatment**

The process of turning abandoned or unclaimed properties over to the state or original issuer. The time that property must be unclaimed or abandoned varies from state to state, as does whether the property will revert to the state of the last known address or to the original issuer.

### **Estate**

All of the property, money, securities and debts of a person at the time of death.

### **Executor or Executrix**

An individual or trust institution nominated in a will and appointed by a court to settle the estate of a deceased person. Also known as an executrix if the individual is female.

### **Fiduciary**

A person or company who holds in trust the property of another person or company, or who holds a special relationship of trust with regard to the company. For example, a company director as fiduciary has an obligation and responsibility to manage the assets of the company. An individual or trust company charged with the duty of acting for the benefit of another party, within the scope of the relationship between them. Fiduciary registrations will have such words as Executor (EX), Administrator (ADM), Trustee (TR) and Guardian (GDN).

### **Final Order of Distribution**

The appointment and division, under authority of the court, of the remainder of the estate of an intestate, after payment of the debts and charges, among those who are legally entitled to share in the same.

### **Fractional Share**

Less than a full share of stock. Fractional shares generally result from either a purchase within dividend reinvestment accounts or from calculations from transactions such as exchanges and tenders. Fractional shares can be maintained in book-entry accounts, but if the holder wants to have their shares certificated, the issuer will generally issue a cash-in-lieu check for the value of the fractional share.

### **Guaranteed Signature**

Provided by a financial institution; a signature guarantee signifies that the person signing the document is who they claim to be, and that the financial institution backs that guarantee by a bond it has posted as a guarantor.

### **Individual Retirement Account (IRA)**

An IRA allows a person to save money for retirement in a tax-advantaged way.

### **Inheritance Tax Waiver**

Authorization by the tax department of a decedent's state to transfer the securities of a decedent without imposing any taxes. We are required by some states to collect an inheritance tax waiver from the estate representative before transferring securities.

### **Initial Public Offering (IPO)**

A privately held company converts to a public company by holding an initial public offering of shares, generally offered by one or more underwriters (depending on the size of the offering.) There are significant regulatory and disclosure documents that a company must file prior to going public.

### **Joint Tenancy**

A form of ownership by two or more persons concurrently, whereby upon the death of any tenant the title remains with the surviving tenants, and ultimately in the last survivor. Also referred to Joint Tenancy with Right of Survivorship (Jt Ten WROS).

### **Legal Opinion**

(1) Statement as to legality, written by an authorized official such as a city attorney or an attorney general.  
(2) Statement as to the legality of a municipal bond issue, usually written by a law firm specializing in public borrowings. It is part of the official statement, the municipal equivalent of a prospectus. Unless the legality of an issue is established, an investor's contract is invalid at the time of issue and he cannot sue under it. The legal opinion is therefore required by a syndicate manager and customarily accompanies the transfer of municipal securities as long as they are outstanding.

## GLOSSARY (CONT.)

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### **Letter of Administration**

A certificate issued by the court showing the appointment of the administrator of an estate. Also known as Letters of Testamentary.

### **Letters of Testamentary**

A certificate issued by the court confirming the appointment of an executor of an estate.

### **Letter of Transmittal**

The letter of transmittal is a letter sent to the shareholders of a company that is going through a spin-off, merger, or exchange which explains what the shareholders need to do to participate. It includes a form that shareholders must complete and return with the securities in order to receive cash-in-lieu payment or exchanged securities. The Letter of Transmittal (or LT) includes a Form W-9 and an Affidavit of Loss (to expedite processing if the shareholder has lost the securities).

### **Limited Partnership**

Two or more partners who conduct a business jointly, and in which one or more of the partners is liable only to the extent of the amount of money that partner has invested. Limited partners do not receive dividends but have access to income flow and expenses.

### **Market Value**

The current price of a security as indicated by the latest trade recorded.

### **Medallion Guarantee**

The type of signature guarantee required for the transfer of securities. The guarantor (who must belong to a medallion program), by affixing a medallion seal, certifies that (a) the signature was genuine; (b) that the signer was the appropriate person to make the endorsement; and (c) that the signer had the legal capacity to sign. The guarantor assumes financial responsibility should the endorsement turn out to be fraudulent. Medallion program members include most large U.S. financial institutions, such as banks, brokerages and credit unions.

### **Merger**

A combination of two or more companies. Merging companies appoint an exchange agent to exchange all outstanding shares of one or both companies for shares in the newly formed company or for cash.

### **Minor**

An individual who is not of legal age. Legal age varies from state to state. In most states the legal age is 18. In others it is 21.

### **Net Asset Value (NAV)**

For a mutual fund, it is computed by dividing the assets in the fund by the number of outstanding shares.

### **Non-Probated Estate**

An estate that has not been administered in a probate court.

### **Notary Seal**

Provided by a notary public; a notary seal signifies that the party signing the document has sworn the contents of the document to be truthful and accurate.

### **Notice of Meeting**

A legal one-page notice to security holders stating details of the shareholder meeting – the date, time and place. This page is normally included on the front of the proxy statement.

### **Odd Lot**

An amount of stock less than a normal trading unit (which is 100 shares).

### **Optional Cash Payments**

Additional funds sent in by an individual in a dividend reinvestment plan account, used to purchase additional shares.

### **Partnership**

Two or more persons (or organizations) who join their resources in business, sharing both rights and obligations.

### **Payable Date**

The date on which a corporation makes dividend payments or interest payments to a Holder. Dividend payments are generally mailed one or two days prior to the payable date.

### **Paying Agent**

Receives funds from the issuer and pays dividends or interest to the entitled stock or bond holders.

### **Personal Representative**

An individual appointed by the court to distribute the assets of an estate.

### **Power of Attorney**

Instrument authorizing a person to act legally for another either generally or in a specified manner.

### **Probate**

A court procedure where a will is determined to be valid or invalid; probate also refers to the administration of the estate of a decedent, supervised by a probate court.

## GLOSSARY (CONT.)

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### **Proxy**

The authority or instrument that permits a shareholder's voting right to be granted to an agent of the shareholder.

- (A) A proxy card is the voting instrument created by the issuer and sent to the shareholders for the purpose of casting their votes at the shareholder meeting. This card is used by the transfer agent for tallying votes on directors, auditors and other management and shareholder proposals. This card also assigns the right to vote shares by the proxy committee for other matters that may be voted upon at the shareholder meeting. For brokers and intermediaries (like ADP) it is the card or form which is sent to beneficial or street name owners.
- (B) Legal proxy is a power of attorney executed by a broker, nominee or individual empowering another party (usually an individual) to vote shares at a shareholder meeting.
- (C) A person who is properly authorized to cast a vote.

### **Proxy Statement**

A booklet containing, among other disclosures, the description of the proposals to be voted upon at a shareholder's meeting, the names and brief biographies of nominees for directorships and a summary of their salaries and benefits. The content of the proxy statement is prescribed by SEC rules and regulations.

### **Proxy Solicitor**

A specialist firm hired to gather proxy votes. A proxy solicitor can be extremely helpful when non-discretionary proposals are on the proxy card.

### **Rate**

The per-share cash amount declared by the corporation and paid to shareholders as of a designated record date. Also, an exchange ratio used when converting one security into another.

### **Record Date**

The date on which an investor must be a registered owner of a company's stock to be entitled to the dividend. The record date is generally 15–20 days prior to the payable date. The board of directors announces the record and payable dates and the dividend rate on the declaration date.

### **Registered Owner**

The individual or organization who owns the securities. The name in which a security is registered as stated on the certificate itself or on the books of the paying agent. All principal and interest payments are made to the registered holder regardless of beneficial ownership on the record date.

### **Registration**

The format or legal title showing a security's ownership.

### **Restricted Stock**

Shares of stock in a corporation that are not freely transferable. See also Stock Legend.

### **Reverse ACH**

Also known as Reverse EFT. Reverse ACH allows shareholders enrolled in dividend reinvestment to make automatic purchases by deducting a set amount directly from their checking or savings account.

### **Reverse Stock Split**

A decrease in the corporation's total number of outstanding shares accompanied by a proportionate increase in the value per share. Shareholders must surrender their certificates in a reverse split, and new ones will be issued to them. (Example: A one for two reverse stock split – if the holder owned 10 shares valued at \$25 per share, after the split they will own 5 shares valued at \$50 per share).

### **Safekeeping**

Providing basic secure storage for securities, deeds and contracts. These documents are accepted for deposit and receipts are issued. Documents are delivered back to the depositor on demand. The storage and protection of customers' securities provided as a service by a bank or institution acting as agent for the customer.

### **Securities Act of 1933**

The truth in securities act requires the filing of a statement and the use of a prospectus.

### **Securities Act of 1934**

Regulates national securities, listing securities, purchase and sale of securities via an exchange and the creation of the SEC.

### **Securities and Exchange Commission (SEC)**

The SEC regulates the activities of securities traders. The SEC ensures that investors are fully informed about securities being offered for sale and prevents misrepresentations and other types of fraud involved with securities transactions.

### **Shareholder**

A person owning shares of stock in a company.

### **Small Estate Affidavit**

A notarized document which states the value of the estate and the individual who can distribute the proceeds from the estate.

## GLOSSARY (CONT.)

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### **Spin-Off**

The restructuring of a company that occurs when part of the corporation is severed for the purpose of creating a separate operating company and shares in the new company are distributed to shareholders of the parent.

### **Stock Dividend**

Distribution of profit to shareowners in the form of additional shares of stock, proportionate to the shareowner's holdings.

### **Stock Split**

An increase in the corporation's total number of outstanding shares accompanied by a proportionate decrease in the value per share. Example: In a two for one stock split, the shareholder receives an additional share for every share that they owned on the split's record date. If the holder owned 10 shares valued at \$100 per share, after a two for one split they will own 20 shares valued at \$50 per share.

### **Stock/Bond Power**

A form that when properly filled out will provide the necessary information for transfer of a stock. A stock power is used when the owner is not available or when a large number of certificates are involved.

### **Stop Transfer Notation**

A block placed against a security reported as a non-receipt or lost, stolen, destroyed or misplaced, so it cannot be transferred. There are also temporary stop notations as well that are placed against a security for a variety of reasons, i.e., documents were mailed under separate cover or special mailing instructions.

### **Street Name**

Also known as nominee name. A type of account maintained by large institutions to safe keep the securities of individual investors. A brokerage, for example, will maintain all of the holdings of its individual client investors in one large street name account so that they can make trades and transfers quickly and easily. Also known as nominee name.

### **Successor Trustee**

A trustee who follows or succeeds an earlier trustee and who generally has all the powers of the earlier trustee. Trust instruments generally make provision for the appointment of successor trustees.

### **Survivor**

The living owner named in the registration of securities.

### **T + 2**

Trade +two days. A rule that requires all purchases and sales of securities to be settled by the second business day following the trade.

### **Taxpayer Identification Number (TIN)**

A nine-digit number under which American citizens and institutions report income for taxation purposes. For individuals, it is their Social Security Number. Legal entities such as corporations and trusts are assigned a TIN for tax reporting.

### **Tenancy by the Entirety**

Joint ownership of real property by a husband and wife, with the survivor becoming the sole owner.

### **Tenancy in Common**

Shared ownership of property by two or more persons with the interest of each tenant passing on to his/her heirs upon his/her death.

### **Transfer on Death (TOD)**

A form of registration that allows the registered owner to designate a beneficiary.

### **Trade Date**

The date that the purchase or sale of securities is made.

### **Transfer**

The conveyance of right, title and/or interest in property from one person to another.

### **Transfer Agent**

A transfer agent is appointed by a company to maintain records of its stock and bond holders, to cancel and issue certificates and resolve problems arising from lost, stolen or destroyed certificates, and disburse dividends for dividend-paying companies. A transfer agent is often a commercial bank or trust company, although some large corporations act as their own agent.

### **Trustee**

A person or organization appointed to manage the property of a trust. An agent appointed to administer and keep the records of an employee stock plan or a publicly traded bond issue or similar kind of investment.

### **Uniform Gift to Minors Act (UGMA)**

A statute adopted by most states to govern ownership and determine transferability of a gift of securities to a minor.

## GLOSSARY (CONT.)

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### **Form W-8**

This form, which is similar to a W-9, is used as a written declaration by a shareholder that he/she is not a citizen of the United States of America and not subject to taxation here. In a reorganization foreign holders are required to complete this form to receive full compensation on a merger, redemption, or recapitalization plan. If they do not complete this form to identify themselves as not subject to U.S. tax laws, the IRS requires that taxes be withheld.

### **Form W-9**

This is a form used by the IRS as a result of TEFRA (Taxpayer Equity and Fiscal Responsibility Act) passed by Congress in 1984. Under this legislation, the taxpayer must supply the correct TIN to financial institutions who report income from stock, bonds and other securities to the IRS. Every eligible taxpayer is supplied with a Form W-9, which must be filled out with the correct TIN information, signed and returned. Taxpayers who fail to supply AST with the TIN numbers are subject to a withholding penalty of 31 percent of the proceeds of their reportable transactions.

### **Waiver of Probate**

A notarized form that contains most of the same information contained in the small estate affidavit. In addition, the form states an insurance bond premium amount (two percent of the value of the stock) which is required to transfer the stock. The premium is calculated in the same way that we calculate a loss security bond. The bond is a protection for the transfer agent in case other heirs or creditors try to make claim on the stock after it has been transferred. We will send waivers whenever the estate is not probated.

### **Withholding**

Monies that payers are required to withhold from dividends, interest payments or sales. A paying agent will withhold for several reasons, including failure of a security holder to certify his/her TIN or if they are instructed to do so by the IRS. The withholding rate for and uncertified TIN is 31 percent. All withheld funds are turned over to the IRS.

### **Year to Date (YTD)**

The time span from the beginning of the calendar year through the present day. Fiscal YTD would apply to a company's fiscal year.

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