



# What Individual Investors Should Know About Holding Securities



## There are three primary ways that individual investors hold stocks:

- Via the **Direct Registration System (DRS)**, if offered by the company issuing the security (the “issuer”)
- As a **physical, paper certificate**, which should be stored in a safe-deposit box or other secure location
- In a **brokerage account** also known as “street-name registration,” with the security registered in the name of a brokerage firm and the individual shareowner being the beneficial owner

Both DRS and street-name registration are forms of “book-entry” ownership because no physical certificate is printed. Purchases, transfers and other transactions are recorded using electronic entries by either the issuer (in the case of DRS) or the brokerage firm (in the case of street-name registration). Rather than a certificate, an individual investor receives periodic statements indicating the number and value of the securities owned and any transactions that have occurred. Book entry is the security industry’s preferred method of securities ownership and is used for all U.S. Treasury bills, bonds and notes; U.S. Government Agency securities; and for all mutual funds. In addition, companies use book entry for investment plans.



## Frequently Asked Questions

### Can I hold different securities in different ways?

Yes. You can hold some securities in street-name registration, some in DRS and others in physical certificate form.

### Can I change from one form of holding securities to another?

Yes. You can change to a different method of holding your securities at any time. Be aware that if you use a brokerage firm, they may assess fees for making these changes.

### What is the DRS?

DRS is an “electronic highway” that facilitates book-entry ownership on the issuer’s books and records, and allows investors to electronically move book-entry shares between broker-dealers, transfer agents and issuers that are DRS eligible. DRS also provides a vehicle to communicate your instructions and account data between broker-dealers, transfer agents and issuers.

For DRS-eligible issuers, securities are automatically placed in DRS when you buy them directly through the issuing corporation’s investment plan. In the event of a stock distribution where the security is eligible for DRS, the issuer will send you a DRS statement of ownership showing your stock distribution shares and the total share position you hold in that security. An additional certificate will not be issued. However, you have the right to request and receive a certificate after the distribution or to have the DRS-held securities moved electronically to your brokerage account. You also have the right to instruct your broker to move your brokerage account shares and have them registered directly in your name through DRS.

### What fees apply to each form of ownership?

**For DRS:** Issuing corporations and transfer agents do not charge fees for recording your securities in DRS. Some broker-dealers may charge a fee if you request a DRS transaction.

**For printed certificate:** Issuers usually do not charge any fees for a printed certificate for securities purchased directly from them. You will be charged a fee to issue a replacement certificate if the original is lost, stolen or destroyed. Broker-dealers may charge a fee for having a physical certificate issued.

**For street-name:** Your broker-dealer will tell you about any fees associated with holding street-name securities in your brokerage account.

### What does a transfer agent do?

A transfer agent, such as Mellon, is hired by an issuer to maintain shareowner records on the issuer's behalf. Transfer agents mail dividend and interest payments to investors, answer shareowner inquiries, distribute annual reports and tabulate shareowner votes and proxies. Transfer agents also often are appointed to administer investment plans offered by issuers.

### Why does the securities industry encourage investors to use DRS?

When investors choose DRS, their trading instructions and their securities move electronically, so physical certificates and other documents do not have to be handled and processed. They can't be lost in the mail, misplaced at home, destroyed in a fire or flood, or stolen — because the underlying security position has been “immobilized” or converted to book-entry. If you sell a security, your transaction is submitted more quickly than if you hold a printed certificate.



## After I decide how I want to hold my securities, what do I do?

If you currently hold a physical certificate of a DRS-eligible issuer for whom Mellon acts as transfer agent and you want to convert your shares to DRS, you can deliver your certificate to Mellon and Mellon will convert your shares to a DRS account. You will be sent an initial confirmation and, at least yearly, an account statement acknowledging your ownership. If you purchase shares through a broker-dealer but you want to hold your shares in a DRS account at the transfer agent, tell your broker-dealer at the time you purchase the securities that you want DRS; otherwise, you will default into street-name registration. For securities currently held in street-name registration, you may continue to hold them in street-name or you can instruct your broker-dealer to transfer your shares through DRS or to obtain a certificate for you. If you want to move your shares from a DRS account to a brokerage account, instruct your broker-dealer to transfer your shares through DRS.

## What happens if I lose a DRS statement?

Unlike a physical stock certificate, a DRS statement does not provide evidence of your share ownership, and you are not forced to replace a DRS statement if it is lost, stolen or destroyed in order to transfer or sell your shares. If you would like a duplicate statement of ownership, access your account online at [www.melloninvestor.com](http://www.melloninvestor.com), and we will mail you a replacement. You also can access your account statement through Mellon's online program, MLink<sup>SM</sup>. Log on to Investor ServiceDirect<sup>®</sup> for more information.

## What if a physical stock certificate is lost, stolen or destroyed?

A physical stock certificate provides evidence of your ownership of the shares, so if your certificate is lost, stolen or destroyed, you should immediately notify us and request a replacement. You will be asked to complete an affidavit explaining the circumstances of why the certificate must be replaced. You also will have to provide a surety bond. The surety bond protects the issuer and the transfer agent against someone finding your lost certificate and claiming it as theirs. Surety bonds usually cost about three percent of the certificate's current market value.



## *How are my securities protected?*

### How are my securities protected?

**If you choose DRS:** Your DRS book-entry shares are maintained in your account and your ownership is directly registered on the books and records of the issuing corporation.

**If you choose street-name registration:** Shares registered in street-name are beneficially owned through a broker-dealer intermediary, not directly on the books of the issuer, and you must rely on the broker-dealer to protect your shares. To protect you if your broker-dealer goes out of business, U.S. broker-dealers are members of Securities Investor Protection Corporation (SIPC). This means securities and money held in those brokerage accounts are insured up to \$500,000 for securities and up to \$100,000 for cash, per account. (Declines in the market value of securities are not covered by SIPC.)

Many broker-dealers also carry additional insurance above and beyond the SIPC coverage. Your periodic brokerage account statements and trade confirmations would be enough to establish a claim with SIPC, if you ever needed to. You can confirm that your broker-dealer is a member by telephoning SIPC at (202) 371-8300 and asking for the Membership Department.

**If you choose a physical certificate:** Your ownership is registered directly on the books and records of the issuing company, but is evidenced by a physical certificate, which can be lost, stolen or destroyed. Protecting your physical certificates will be your responsibility.

## Direct Registration System (DRS)

DRS lets you avoid the risk of holding a physical certificate that might be lost, stolen or destroyed. Instead, the issuer or its transfer agent registers the securities directly in your name on the books of the company. Additionally, DRS is able to record fractional shares — unlike physical certificates that are only available in whole shares — which is important in the case of stock dividends, splits or merger/acquisition activities that may result in fractional shares being issued to individuals. While not all issuers' securities are currently available in DRS, Mellon Investor Services (Mellon) acts as the transfer agent for a significant number of leading U.S. companies that are DRS eligible.

Shares held in DRS are considered registered shares on the books of the issuer. In its role as the issuer's transfer agent, Mellon provides a range of shareowner services to investors holding securities through DRS. Mellon sends an account statement when shares are first deposited in DRS, and annually thereafter. Mellon also sends confirmations for all transactions occurring in the account. Dividend checks, annual reports, proxy materials and other shareowner documents and communications are delivered directly to the investor in a timely manner. Through Mellon's secure Web site at [www.melloninvestor.com](http://www.melloninvestor.com), investors also can view account information in real time and buy or sell shares or reinvest dividends pursuant to the issuer's investment plan, if available. You also can opt for electronic delivery of shareowner communications through Mellon's online program, MLink<sup>SM</sup>.

## Physical Certificate

When you hold a physical, paper certificate, your name is registered on the books of the issuing company — just like DRS.

However, you are responsible for safeguarding the certificate from theft, fire, loss or other risks. If the certificate is stolen, lost or destroyed, you will probably be charged a percentage of the certificate's value to replace it. If you wish to sell the securities represented by the certificate, you must tender the certificate to complete the transaction — even if you only want to sell a portion of the shares. Ongoing

shareowner service is very similar to that of DRS. The issuer or its transfer agent will send any dividend checks, annual reports, proxies or other information directly to you. The issuer also will inform you if there is an investment plan and how to participate.

Converting shares from physical certificate form to DRS book entry form is an easy process. All you need to do is send the certificate to the issuer's transfer agent along with a letter of direction.

If your physical certificate is being held in safekeeping with your broker, instruct your broker to deliver the certificate to you. You can then send the certificate to the transfer agent to convert it to DRS. As a free service to our clients' shareowners, Mellon provides up to \$100,000 in mail loss insurance when certificates are sent for conversion to DRS.

## Street-Name Registration

In street-name registration, your securities are recorded as an electronic entry on the books of a broker-dealer. You do not have a direct relationship with the company whose securities you own or its transfer agent. You do not receive a printed stock certificate. Any dividends, annual reports or other information from the issuing company are relayed through the broker-dealer to you. Your proxy votes on company directors and shareowner issues are cumulated by the broker-dealer with other owners of the stock and voted as a group. Dividends, interest or other disbursements from the company are credited to your brokerage account or mailed to you by the broker-dealer. Broker-dealers send their street-name shareowners a statement on at least a quarterly basis that lists all the security positions and any transactions or changes that occurred since the previous statement. Address or other account changes are conveniently handled by notifying the broker-dealer. Broker-dealers can handle the sale of all or part of your street-name holdings as well as make additional purchases for your account based on your instructions. However, broker-dealers generally cannot or will not enroll you in an issuer's Direct Stock Purchase Plan or Dividend Reinvestment Plan. As a street-name shareowner, you may not be made aware that these plans even exist.



How you hold your securities  
is **solely your decision**,  
and it is an important one.

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