



Newsletter

"A thankful heart is not only the greatest virtue, but the parent of all the other virtues."

—Marcus Tullius Cicero

ClearConnected

HOT TOPIC:

Legend Removals Revealed

With Black Friday around the corner marking the beginning of America's month-long shopping spree, every wallet could probably use some holiday fattening. For many investors, a cash source lays 'under the mattress' in that restricted stock certificate they've been holding. Restrictive legend removals under Rule 144 tend to pick up around this time of year, so it's a good time to clarify some common misunderstandings.

Legends are never really removed. Many people assume that removing the red stamp from a stock certificate deems it eternally free from restriction. This is not the case at all—unregistered stock that relies on an exemption to registration such as Rule 144 is *always* subject to the Rule. The red stamp is only removed as a logistical practicality to facilitate resale in the marketplace. As an example, if you have the legend removed from a fully reporting company stock after holding it for six

months, and the company ceases to fully report, you will not be eligible to sell under Rule 144 until you have held the stock for one year. It doesn't matter if your stock is deposited into your brokerage account at that time—the rule still applies to you.

The date on the certificate doesn't matter.

When calculating your holding period for restricted stock, you must start from the date that the stock was *bought and fully paid for*. This is very rarely the date that is on the stock certificate. The certificate could have been issued prior to you completing purchase of the shares, or the certificate could have been transferred subsequent to the purchase date. Although it is popular to rely on the date on the certificate when calculating the holding period, this practice misses the whole point of 144 holding periods. Use the copy of your cancelled check, subscription agreement, and other documents proving acquisition instead.

The SEC is not the referee.

The SEC states clearly on their website that it

is the discretion of the issuer to determine the appropriateness of legend removals. If a dispute arises, it is a waste of time to contact the SEC (even though a hot shareholder will threaten this from time to time). While the SEC established Rule 144, it does not resolve related disputes. State law takes this role instead.

Brokers may not accept restricted paper.

To the surprise of some investors, certain brokers treat restricted stock like the plague. They may reject restricted stock deposits, provide little or no additional guidance, and request that you contact the transfer agent yourself for legend removal. *Ah the joy of working with a discount broker.* Don't despair if your broker refuses a helping hand—we are glad to assist shareholders with legend removals from start to finish. We even provide this assistance to shareholders if we are not the transfer agent, and we've got a Rule 144 guide on our website:

www.cleartrustonline.com/Rule-144.php

Issuer of the Month

U.S. Gas & Electric, Inc.
www.usgande.com

USG&E is a licensed Energy Service Company that provides natural gas to commercial and residential users in deregulated markets. By overseeing each step of the process, from drilling to end user delivery, USG&E is able to competitively price natural gas and effectively grow their business. They are one of the nation's top ten energy marketers and consistently ranked one of the fastest growing companies in the US and Florida.

Thankful

Week before Thanksgiving,
I limp around real strange.
Huddle in the corner,
As though I have the mange.
All the other turkeys,
Just gobble, gobble on.
I'm silent, and I act
As if my gobbler's gone.
Everyone is thankful
On Thanksgiving Day.
Friday it's forgotten.
You all go on your way.
I know what thankful is
So listen when I say.
"It's great to be a turkey,
After Thanksgiving Day."

“ We love what we do here at ClearTrust, and it would not be possible without all of you. To our issuers for building ClearTrust strong, to shareholders for keeping us on our toes, to brokers for keeping us busy, to DTC for testing our patience... to all of the industry players with whom we have the pleasure to work— Thank you. Happy Thanksgiving!

-The ClearTrust Team

