



RULE 144



Rule 144: Selling Restricted & Control Securities

Selling restricted or control securities can be complicated. The Securities and Exchange Commission regulates the sale of these securities through Rule 144, which requires very specific procedures.

Our firm has extensive experience in complying with Rule 144. We can manage the entire process for you — making the sale of restricted or control securities easy. We help you determine your holding period; calculate the number of shares you may currently sell; make sure the necessary SEC filings are current; complete the forms involved; file Form 144 with the SEC and make sure you get the sale proceeds as close to the settlement date as possible. We've described below some of the elements of the process.

Securities Covered

Control securities are securities owned by an affiliate of the issuer — someone whose decisions can influence the direction of the business. This includes each executive officer, director or major shareholder (defined as someone who owns 10 percent or more of the company's outstanding stock). *Restricted securities* are non-public securities acquired from an issuer or a control person, usually in a private placement. Sometimes restricted securities are distributed to employees through a pension, profit-sharing or bonus plan.

Through Rule 144, a holder may sell control or restricted securities without registration if certain conditions are met.

Sellers Covered

Rule 144 applies to anyone (whether a person or an organization) who has acquired shares not registered in a public offering (restricted stock), and all affiliates of public companies (control stock). Again, an affiliate is anyone who exerts direct or indirect control over a company. Affiliates also include certain family members and other persons and organizations related to a control person. Your company's legal counsel can assist in determining affiliate status.

Short-Swing-Profit Rule

This SEC rule prohibits corporate employees — not just affiliates — from taking unfair advantage of what they know about the company. Persons affected by this rule must wait six months between a purchase and a sale of the issuer's stock. If you are selling stock acquired through a qualified stock-option plan, you must wait at least six months after your option-grant date before shares you bought through the option can be sold.

Conditions to Be Met Before Selling a Restricted or Control Stock

1. Current Public Information

Rule 144 is available only if the issuer:

- Is a listed company or an over-the-counter company registered under Section 12(g) of the Securities Exchange Act of 1934, and
- Has filed the most recent annual report and all reports required by the Act during the 90 days preceding the sale.

2. Holding Period for Restricted Securities

Control securities don't involve a holding period unless they bear a restrictive legend or the issuing company has told the transfer agent not to transfer the security. If a control person buys stock in the open market or exercises stock options, there is no holding period.

To sell restricted securities that bear a legend:

- If you bought the securities, you must have paid the full price at least one year before selling.
- If the securities were acquired by gift, pledge, etc., the original owner's holding period can generally be added to yours to reach the required full year. Securities received as stock dividends or stock splits are deemed to have been owned since the original acquisition date.

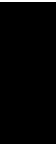
3. Number of Shares Sold

During any three-month period, as a general rule, sales may not exceed:

- 1 percent of the shares of the class outstanding as represented by the issuer's most recently published report or statement; or
- The average weekly trading volume reported on all national exchanges and/or reported on an automated quotation system during the four calendar weeks preceding the filing of the notice required by the rule.

If you are a control person, this limitation applies not only to your own sales, but also to sales of the same securities by:

- Relatives who live in your household
- Any trust or estate in which you and such relatives collectively own 10 percent or more of the beneficial interest, or serve as trustee, as executor or in a similar capacity
- Any corporation or organization other than the issuer of the securities in which you and such relatives collectively own 10 percent or more of the equity interest



In addition, you must aggregate all sales in the three-month period made by persons or entities involved with you under the following circumstances:

- Pledge-pledgor-pledgee
- Gift-donor-donee
- Trust-settler-beneficiary
- Estate-decedent-beneficiary
- Other persons acting in concert with you

4. Manner of Sale

Restricted and control securities must be sold in “brokers’ transactions” or in a direct transaction with a market maker. The solicitation of buy orders “in anticipation of” or “in connection with” Rule 144 sales and any payment other than to the broker who executes the sell order are prohibited.

5. Notice of Proposed Sale

- Form 144 must be signed by the seller and transmitted for filing concurrently (prior to or the same day) with the placing of a sell order with a broker or its execution with a market maker.

- Filing must occur if the amount of securities to be sold during any three-month period exceeds 500 shares or has an aggregate sale price of more than \$10,000.
- If a person filed Form 144 but does not sell all of the securities listed within a three-month period, the person must file another Form 144 to sell more shares.

6. Bona Fide Intention to Sell

The Rule requires that the person filing the notice referred to above have a bona fide intention to sell the securities referred to in the notice within a reasonable time after the filing of the notice.

Because of the number of steps required when Rule 144 shares are sold — including working closely with your attorney and the issuer's transfer agent — the release of the proceeds will not be effected as a normal settlement (three business days). As much as three weeks may be needed to complete the transaction.

Other Ways to Sell Restricted Stock

Rule 144(k) — Sales by non-affiliates. If you have held the securities for at least two years, and have not been an affiliate or control person of the issuer for at least three months before selling, the shares can be sold under the provisions of paragraph (k) of the rule.

Rule 145 — Governs the resale of securities issued and registered in connection with business combinations of the types known as Reclassification, Merger, Consolidation or Transfer of Assets. In this type of transaction, most shareholders receive registered stock with a Rule 145 legend affixed to the certificates. The stock can be sold free of the holding period and filing of notice requirements of Rule 144; however, the volume limitations, current public information, and manner of sale provisions do still apply (see pages 9 and 10). Affiliates of the acquired company can sell under Rule 145. Ordinarily, affiliates of the acquired company who become affiliates of the acquiring company are governed by Rule 144.

Shelf Registration — An acquiring company may issue restricted stock to an acquired private company's shareholders. They may then request that a registration statement and prospectus covering the public resale of the acquiring company's stock be filed. Selling shareholders listed in the

prospectus can sell after the registration statement becomes effective. Before or upon a sale, the client must deliver a prospectus to their Financial Advisor.

Talk with Your Financial Advisor

Your Financial Advisor can explain the program and help you complete the necessary paperwork to sell your restricted or control stock. When the transaction is complete, he or she can either send you the proceeds or work with you to create a comprehensive financial strategy tailored to your specific needs and goals.

Your Rule 144 transaction can lead to the beginning of our helping you in areas like:

- Comprehensive financial and estate planning
- Retirement planning for you and for your company
- College-education funding for children and grandchildren
- Portfolio evaluation of your current investments
- Investment consulting services
- Cash management for your company

We want to be your financial problem-solver. Your Financial Advisor is trained to help meet your lifetime investment needs. Give him or her a call today.

Conditions for Securities Resale

Rule	Current Public Information	Holding Period
Rule 144 Restricted	Company must have filed current financial information with the SEC during the preceding 12 months and be a “Reporting Company” for 90 days*	One year calculated from the date of full payment
Rule 144 Control	Same as Rule 144 Restricted	No holding period required
Rule 144(k)**	Not required	Two years calculated from date of full payment
Rule 145 Securities acquired in a merger and holder is not an affiliate of the acquiring company	Same as Rule 144 Restricted	No holding period required

* Reporting companies are those subject to the reporting requirements of the Securities Exchange Act of 1934, and include issuers whose securities are traded on national securities exchanges, Nasdaq and certain other components of the over-the-counter markets. Securities of non-reporting companies may also be sold if they file current public information with the SEC.

** Seller has been a non-affiliate of issuer for 3 months preceding sale.

Limitation on Amount of Securities to Be Sold	Manner of Sale	Filing of Form 144 with SEC
The greater of 1 percent of outstanding shares of the class to be sold, or the average weekly volume during the preceding four calendar weeks	Unsolicited agency transaction or block positioned or market maker transactions	Required — Forms are valid for 90 days from their filing date. Form 144 must be mailed to the SEC no later than the day of sale.
Same as Rule 144 Restricted	Same as Rule 144 Restricted	Same as Rule 144 Restricted
No limitation	Not applicable	Not required
Same as Rule 144 Restricted	Same as Rule 144 Restricted	Not required

