

## Identification Number Requirement

Island Stock Transfer requires identification numbers to be provided for each and every shareholder, prior to allowing any physical or electronic transfers or issuances on behalf of the issuing company. Acceptable forms of identification numbers would include social security numbers, passport numbers, international numbers or other government issued identification numbers.

The shareholder identification numbers are required by Island to comply with our obligations to run shareholder names against the OFAC list. The numbers allow us to ensure we are checking and verifying the correct persons. Without the identification numbers, it is all but impossible to verify names against OFAC, in particular the names of foreign shareholders. Though the identification numbers do not make the checks infallible, we can at least argue that the issuing company and Island are providing sufficient information to the software or third-party systems to potentially find and verify matches. In addition, Island's agreement for FAST/DRS services with the Depository Trust & Clearing Corporation requires Island to provide OFAC verifications, and a detailed description as to how those verifications are conducted.

Recent determinations indicate that a transfer agent is defined as a "financial institution" under the Patriot Act. The paragraphs below specify the requirements for financial institutions, though the method of identification does not "require" identification numbers. However, Island must show that our information and verification methods are sufficient to identify matches. In this regard, the only practical method is to use government issued identification numbers for this purpose. At the moment all Anti-Money Laundering/OFAC databases require identification numbers to run definitive searches. The SEC indicated to Island that, in order to ensure compliance, they recommend all transfer agents utilize an approved form of OFAC identification procedures, in which the repercussions of missing a match and allowing an asset to be transferred or issued to anyone on the control list would be "significant". The maximum penalties can be \$20 million and 10 years imprisonment for conspiring with known terrorists or parties identified on the OFAC list. The companies we represent as agent are also subject to the Act and, though we do not act as any issuer's OFAC search center, Island's process of running these names against the OFAC list on a daily basis helps protect not only ourselves but also acts as a great independent secondary search for our client companies. The procedure, in whole, acts to assist Island and the issuing company from inadvertently interacting with restricted entities or persons.

*The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury administers and enforces sanctions against targeted foreign countries, terrorists, international narcotics traffickers and similar individuals. Stock transfer agents are among asset record keepers required to prevent these individuals/entities from using its systems without detection, and interception, by Treasury authorities. Public companies should ask their transfer agent how it performs this function exactly, and how the agent's cost to perform the function is passed back to its clients.*

*The USA PATRIOT Act - an acronym for "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism" - requires financial institutions to verify and identify all new customers, maintain records relating to information used to verify customer identities, and check customer names against government-maintained lists of suspected terrorists, including the Office of Foreign Asset Control (OFAC) list, pursuant to Sections 326 and 352*