



April 14th, 2016

US. Securities Exchange Commission
Att.: Brent J. Fields, Secretary
100 F Street N.E.
Washington D.C. 20549-9303

Re.: Transfer Agent Regulations
SEC File # S7-27-15

Dear Mr. Fields:

Coral Capital Partners is an independent consulting and advisory services firm that provides services to both privately held and publicly traded companies. We very much appreciate the opportunity to comment on the proposed changes to transfer agency regulations¹. Since our founding in 1995, we have had numerous clients who have utilized the services of a transfer agent. In many instances we have either advised our clients on their activities with their transfer agents or interacted with the transfer agent on their behalf².

Our activities have allowed us to interact with some of the largest transfer agents in the industry as well as some of the smallest. Our experience has been that the vast majority of transfer agents that we have worked with have provided good service in a timely manner. We have encountered very few problems or difficulties.

Based upon our general familiarity with the process of requesting comments on proposed new regulations we felt that our perspective might be different from the typical submission.

Our format for providing comments is to provide the text of the item of discussion, and our comment to that item below the item.

7. The Commission intends to propose to require transfer agents to submit annual financial statements. Should these statements be required to be audited? Why or why not?

¹ The President of Coral Capital Partners, Erik Nelson, is also the President of Mountain Share Transfer. Mr. Nelson has submitted comments on the proposed new transfer agency regulations on behalf of Mountain Share Transfer. Those comments were drafted from the perspective of a smaller transfer agent. Mr. Nelson also believed it was important to provide comments from the perspective of his consulting firm, and that it was equally important that those comments and their perspective remain distinct and separate.

² Coral Capital Partners has provided management service to some of its clients. As a result, the principals of Coral have occasionally served as an officer or director of some of its clients.



Comment to # 7:

In those instances when we have been asked to help select or recommend a new transfer agent for one of clients, we have never inquired about the financial statements of the transfer agent.

What has mattered to us and our clients has been the quality of the service provided by a transfer agent to its clients. Generally this has been as a result of recommendations from other who have interacted with the transfer agency, or our experience in working with them on a prior project.

We do think that requiring the financial statements to be audited would be unnecessary expense with very limited or no benefit to the public. We also believe that this expense would be passed on to the end customer, resulting in higher fees for issuers and shareholders.

14. Should the Commission require that any arrangement for transfer agent services between a registered transfer agent and an issuer be set forth in a written agreement? Why or why not? What are the alternative means of achieving similar objectives, and are they as effective or efficient? If the Commission were to require a written agreement, should it cover certain topics? If so, what topics? For any such provisions or topics, are there asymmetries in information or other areas between transfer agents and issuers that the Commission should consider in connection with such contractual provisions? For what types of transfer agents, or in what types of such relationships, do these asymmetries most frequently arise, and where are they most acute? Please provide a full explanation and supporting evidence.

Comment # 14:

We believe that it is in the best interest of issuers and shareholders that the relationship between a transfer agent and the issuer is memorialized in a contract.

We have encountered several instances where our clients did not have actual contracts with their transfer agents. In some instances they were longtime clients of the transfer agent and the engagement of the transfer agent was through a verbal agreement. In other instances the appointment documentation was an appointment resolution, which the Nevada state court later ruled was not a contract³.

³ White Tiger Partners, LLC. a Colorado Limited Liability Company v. Nocera, Inc. a Nevada Corporation et al. Case # A-11648056-C District Court, Clark County, Nevada.



We have experienced other circumstance where a transfer agent has refused our request to provide copies of the contact or agreement between the issuer and the transfer agent⁴; then later request we sign a new appointment resolution with the agent before providing services⁵.

We do not believe the Commission should regulate the provisions of a contract between a transfer agent and an issuer. We believe that is best left to the free market and competition.

15. How are fees set out in transfer agent agreements today? Do issuers find it difficult to fully understand the fee structures offered by transfer agents, and how do those fee structures work in practice? Should the Commission require that all fee arrangements between an issuer and a transfer agent be set forth and specified in a written agreement? Why or why not? Should the Commission require that transfer agents disclose their fee arrangements in their filings with the Commission? If so, should transfer agents be required to utilize a standardized framework or terminology when disclosing their fee structures? Should the Commission exempt fees which may be negotiated on a case-by-case basis, such as corporate action fees? Why or why not? Would requiring disclosure of fees affect competition, or the form of competition, among transfer agents or between transfer agents and other entities? Please provide a full explanation and supporting evidence.

Comment # 15:

We have never experienced any difficulties in understanding the fee structure of any transfer agent we have worked with. We believe that forcing transfer agents to disclose their fee structure will ultimately provide lower priced transfer agents the opportunity to raise their fees to slightly below those of the next tier of larger transfer agents. This would result in the industry adopting a form of a “follow the leader” pricing model where the very largest companies in the industry set the price, and then it is gradually ratcheted lower as the size of the competition drops. We believe this would ultimately raise fees for issuers and shareholders.

33. Should the Commission provide specific guidelines and requirements for registered transfer agents in connection with removing a restrictive legend and in connection with

⁴ We made these requests to the transfer agent as members of management of the Issuer, and not on behalf of Coral Capital.

⁵ Based upon our experience we believe there are a countless number of older companies that are long time clients of their existing transfer agent and have never signed a contract with that agent.



issuing any security without a restrictive legend, such as: (1) obtaining an attorney opinion letter; (2) obtaining approval of the issuer; (3) requiring evidence of an applicable registration statement or evidence of an exemption; and/or (4) conducting some level of minimum due diligence (with respect to the issuer of the securities, the shareholder and/or the attorney providing a legal opinion)? Why or why not? Should the Commission also consider specific recordkeeping and retention requirements related to the issuance of share certificates without restrictive legends? Why or why not? How should book-entry securities be addressed? Are there other guidelines or requirements the Commission should consider with respect to the issuance of share certificates or book-entry securities without restrictive legends?

Comment to # 33:

In general we believe that clarifying the rules regarding the removal of restrictive legends benefits all participants in the public markets. We believe that it is prudent to obtain a legal opinion for the removal of any restrictive legend when there is any doubt of its ability to qualify for an exemption allowing its removal.

We would very much appreciate clarification on the rules and regulations surrounding securities held in excess of two (2), five (5) and ten (10) years.

We believe that requiring the prior approval of issuer before a restrictive legend can be removed has the potential for significant abuse and to become a tool for market manipulation. A very good example of this is dispute we encountered with a former client, Sun River Energy. In 2010 we found ourselves in a dispute with the new management of Sun River Energy over our attempts to have the restrictive legend removed from a certificate that was issued several years earlier⁶. Ultimately this issue ended up in the Federal Court system where we prevailed over Sun River Energy at trial. However, there are several important items to note, Sun River Energy did prevent us from liquidating our position, for which we are now pursuing a damages claim in Federal Bankruptcy Court. Furthermore during the discovery period we uncovered documents showing that Sun River Energy was refusing to allow any and all shareholders from removing the restrictive legends on their securities⁷. Additionally it should be noted that Sun River Energy engaged in at least five (5) other lawsuits with shareholders who would

⁶ Sun River Energy, Inc. v. Coral Capital Partners, Inc. et al. Case # 11-cv-00198-MSK-MEH United District Court for the District of Colorado.

⁷ Sun River Energy made an exception for those shareholders who were funding the company through back door private placements washed as loans to the Company. The shareholder who placed the shares and loaned the money back to the company was able to remove the restrictive legends from his securities without any difficulty.



not be intimidated. In one instance the general counsel of the company litigated with a shareholder, then purchased a portion of his shares and deposited them into his wife's brokerage account (presumably to be sold in the market) while claiming that other shareholders who wanted to remove their restrictive legends, claiming they had insider information, while he as general counsel did not⁸.

37. Should the Commission obligate transfer agents to: (i) confirm the existence and legitimacy of an issuer's business (for example by reviewing leases for corporate offices, etc.); (ii) obtain names and signature specimens for persons the issuer authorizes to give issuance or cancellation instructions, together with any documents establishing such authorization; (iii) conduct credit and criminal background checks for issuers' officers and directors and shareholders requesting legend removal; (iv) obtain and confirm identifying information for shareholders requesting legend removal (e.g., legal name, address, citizenship); and/or (v) obtain and review publicly-available news articles or information on issuers or principals? Why or why not?

Comment to # 37:

Coral Capital Partners provides due diligence services and conducts background checks. While we do think that the requirements proposed in item 37 would be a tremendous boom to our business; we do not believe there are any transfer agents in a position or with the skills to adequately conduct the form of due diligence specified in item # 37.

Furthermore, we estimate the cost of such due diligence to be anywhere from \$10,000 to \$100,000 per issuer dependent on the size of the issuer and variety of other factors. This is obviously not feasible to expect transfer agents to perform this function, or the average company to be able to bear this expense.

47. Should the Commission require transfer agents to undertake security checks or confirm regulatory and employment history for employees, certain third-party service providers, and associated persons, and to require certain employees of registered transfer agents to register with the Commission? Why or why not? What would be the costs, benefits, and burdens associated with such a requirement? What challenges does the trend toward the outsourcing and offshoring of certain aspects of transfer agents' functions pose for ensuring compliance with such a requirement? Please provide a full explanation.

⁸ The Fort Worth office of the Commission opened an investigation into Sun River Energy. For additional information, please see FW-3655. Or if the Commission would like additional documents I will be more than happy to send them a disc with our files.



Comment # 47:

While we are not commenting on the specific need for the items in # 47, we do believe that we could provide them at a reasonable price

48. Should the Commission require transfer agents to obtain certain information concerning their issuer clients, clients' securityholders and their accounts, and securities transactions? Why or why not? Please explain and provide supporting evidence where applicable. Should transfer agents be required to perform a form of due diligence on their clients and the transactions they are asked to facilitate, similar to the know-your-customer requirements applicable to broker-dealers? Should transfer agents be required to obtain a list of all affiliates of their issuer clients—including current and former control persons, promoters, and employees—and to take special precautionary steps whenever they are asked to process transactions for these affiliates?

Comment to # 48:

We do not believe that transfer agents possess the necessary skills and resources to perform these function. We believe that obtaining them from outside providers would create a significant cost burden to be borne by the issuers and shareholders. This could have a chilling effect on the market and capital raising for smaller companies.

93. It is the Commission staff's understanding that investors have brought legal actions against transfer agents under state law to require the transfer agent to effect a transfer, including when the transfer agent claimed the securityholder's instructions were not in good order and therefore the relevant securities were not transferred, or were delayed for a long period of time. Are commenters aware of these or other problems or issues associated with transfer agents failing to effect a securityholder's transfer instructions within a reasonable period of time? If so, please describe the relevant facts and circumstances. For example, what factors might have led to such a situation and how was it resolved? What types of securityholders were directly involved? What were the adverse consequences, if any?

Comment to # 93:

Please see our comments to item # 33 in reference to the issues relating to Sun River Energy. It should be noted that the management of Sun River Energy as part of its attempt to prevent any and all shareholders from having the restrictive legend removed from their certificates continually threatened the owners of their transfer agent with



litigation if they removed a restrictive legend⁹. This effectively delayed the removal of the restrictive legend for 30 days, and forced the issue into the various court systems.

105. Should the Commission require that transfer agents provide more detailed information on Form TA-2 about the type of issuers they are servicing and the types of work they are performing for those issuers? Why or why not? For example, should Form TA-2 include information regarding whether a transfer agent is servicing investment companies or pension plans? Why or why not? Would this information be helpful to issuers who seek specific skills or experience from their transfer agent? Should Form TA-2 require the disclosure of the name of each issuer serviced during the reporting period? Why or why not? What would be the benefits, costs, or burdens associated with any such requirements? Are there already freely available sources for this information? Please provide empirical data, if any.

Comment to # 105:

We believe that this information is best disclosed on a voluntary basis by transfer agents on their own web sites.

147. Do other transfer agent activities, such as operating call centers, present investor protection or other concerns? How are call center employees supervised? How are call center employees trained on applicable federal securities law and legal documents that may govern or affect the issuer, for example policies and procedures of the issuer and, for certain types of issuers, prospectus limitations? Are risks greater if these securityholder services are conducted by offshore call centers?

Comment to # 147:

We experienced a situation where we provided management services to a client and it took us approximately 3 months to explain to the call center employees that we were management of the issuer and not shareholders. This proved to be a very difficult and frustrating situation as none of the call center employees knew who to refer or transfer us to. They simply had no idea and could not provide us a telephone number of who to call. We finally resolved this issue by calling the main number of the bank that owned the transfer agent and talking to everyone we could until we got to the right person. This took countless phone calls and the majority of the three months.

⁹ This also resulted in a great deal of stress for the owners of the firm, and resulted in their decision to sell the firm following the termination of the being a party to the lawsuit between Nova Leasing and Sun River Energy.



As a result, we believe that there needs to be more disclosure of the proper contact information on a transfer agents web site for the various needs.

151. Do the current transfer agent rules adequately address the interests of issuers? If not, in what ways do they not address issuers' interests and should they? Why and in what way?

Comment to # 151:

We believe that the current rules are reasonably good at accomplishing their objectives.

152. Do the current transfer agent rules adequately address the interests of other market participants? If not, in what ways do they not address those interests and should they? Why and in what way?

Comment to # 152:

We believe that for the most part they do address the interests of other market participants.

We very much appreciate the opportunity to have provided comments on the proposed changes to transfer agency regulations. Hopefully they will be of some benefit to the Commission.

Please feel free to contact our office if you would like to discuss anything we have included in our submission.

Sincerely,

A handwritten signature in blue ink that reads "Erik S. Nelson". The signature is written in a cursive style and is set against a light gray rectangular background.

Erik S. Nelson,
President