

Issuer Data Initiative

Internal Backgrounder and Talking Points

Background: Approximately 70 percent of trades execute away from listing exchanges as a result of the rapid rise of alternative trading systems (ATS's), "dark pools" (which serve as repositories of liquidity where trades can be executed in an anonymous fashion) and internal crossing networks at large broker-dealers including Morgan Stanley and Goldman Sachs. These developments have expanded competition in global capital markets, trimmed face-value trading costs for passive investors in particular, and increased the volume of trades.

The same factors have reduced transparency into where shares are trading and which brokers are executing the trades. The inability to understand who is trading, investing or divesting in the company's stock on a timely basis hinders a business's ability to evaluate trading behavior, and may be obscuring what are in fact significant market inefficiencies and higher investment costs for long-term holders.

Publicly traded companies operate on a premise that the national market for their shares is liquid and efficient. Companies bear a responsibility to support a liquid and efficient market through clear, consistent, and credible communication to the investment community. Without complete data, public companies cannot accurately measure whether markets are in fact liquid and efficient, nor can they report precisely to management or holders the nature and substance of trading activity. They cannot police their own trading, as the data puzzle is incomplete. These are fundamental fiduciary responsibilities of publicly traded companies that cannot at present be properly performed.

A coalition of publicly traded companies is now supporting an issuer-data initiative and petitioning Congress to remedy these deficiencies. The petition asks Congress and the SEC to authorize the Consolidated Tape Association and the Financial Industry Regulatory Authority (FINRA) to provide the missing data. Listing exchanges offer executing-broker data now; what lacks is meaningful data on the vast amount of shares trading away from exchanges.

Major exchanges also have voiced agreement that issuers need comprehensive data on trading activity to make informed investor-relations and management decisions about stock performance, repurchases, dividends and other matters relative to market value.

Benefits of taking a public position on the issuer-data initiative

- Company seen as a market leader in working to increase overall market efficiency.
- Company's public position on the issuer-data initiative reinforces an overall commitment to transparency.
- Greater market transparency will provide the Company the additional information needed to understand stock-movement and improve Investor Relations outcomes.
- Public companies, a key capital-markets constituency, have experienced a significant decrease in data transparency as trading markets have fragmented, and the petition seeks to correct it.

- Companies have a fundamental right to understand where their shares trade and who trades them, because regulations require markets to be free and open and treatment of all constituents to be uniform and fair.

Disadvantages of taking a public position on the issuer-data initiative

- Company would be out in the forefront on an issue that many shareholders may not understand.
- Company would be taking a position that broker-dealers, including large ones covering its equity with research, may not support. Brokers compete with exchanges for liquidity and may want an informational disadvantage to persist.

Talking Points

- Company supports the issuer-data initiative as a necessary step in increasing market transparency and market efficiency.
- Companies are merely asking that what is promised when shares are listed for public trading – a comprehensive view of how their shares trade – be delivered.
- The issuer-data initiative is consistent with Company's overall philosophy and commitment to market-transparency and market-efficiency.
- It is vital that we ensure a robust capital market infrastructure that protects fairness for all participants including shareholder-owned public companies. The issuer-data initiative is an important step toward helping public companies gain better understanding of market transactions involving sales of their stock.
- Most people assume that companies know the facts about where shares trade and what brokers trade them. The truth is that public companies do not have a detailed picture about stock activity anymore.
- With this additional information, Company will be better able to quantify stock volatility, monitor trading activity, assess market efficiency and liquidity, and explain what moves the stock in one direction or another.