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**Traits that Serve an IR professional**

“Grace, discretion, diplomacy and patience.”

-Former IRO, Current CEO

**Transparency**

“We want our investors to know how we think about running the business and managing this great brand. They can agree or disagree and then make their own decision fully informed. Fortunately I have heard from plenty of investors who have given us credit for meeting that objective. We don’t throw the kitchen sink at them. I communicate a compelling story but try not to sugar coat it or to deliver only the good points. It is great to talk about the growth but also to present and be candid about the issues and the challenges that the company faces. Investors give credit for a balanced view. Might as well be forthright and talk about it.”

-Retail IRO

“We wanted to be a fairly transparent company, born out of necessity. We were an unknown, no direct competition. Ours is not a business that our competitors (who are much bigger and more diverse) really discuss. We got granular and gave detail and erred on the side of more rather than less. We were educating the market in the process.”

-Medical Device IRO

“Everyone wants transparency from the issuers, but they don’t reciprocate. We don’t know who our shareholders are anymore. Particularly in the age of activism, that’s not okay.”

-Mining IRO

“We were less transparent than the Street wanted – though that is the case for everyone – and now we disclose quite a bit more than in the past. The impetus was we were getting a lot of feedback from the Street – both buy and sell side. They told us, ‘We all want to know a lot more than you’ll ever tell us, but more transparency would help us understand your business a little bit better.’”

-Business Services IRO

**Consistency**

“The IRO is the consciousness of the organization. There are facts and nuances and the IRO knows that or should. If someone else speaks who is not in the loop, they can say something factually correct, but which in its nuance can be innocently misinterpreted. And then the investor misinterprets and then it becomes a game of telephone. Five people away the message has been twisted.

Even the CEO or CFO will turn to me and ask, ‘How are we answering that?’ It requires humility to know that they don’t know everything and it is just practical for them to recognize that.”

-Retail IRO

“Companies’ disclosure practices can’t be switched on and off. You have to think about ramifications and live with the disclosure model at least for a sustained period of time. You have to think far ahead. Is this the level of disclosure and transparency that the company wants and is willing to live with both when the times are good and when they’re not?”

-Medical Device IRO

“One of my most important responsibilities is to be the Reg FD watchdog. In terms of our general interaction with the investment community, we are extremely careful to answer every question the same way throughout the quarter. We won’t discuss anything material that hasn’t been publicly disclosed.”

-Manufacturing IRO

“Some people are better at following a script than others. But having that script means that at least we can all speak directionally on what we want to say. Then we go back to check on our performance. Did we comment on our business consistently? It is a tool for me. If I don’t think someone was very good in following our prepared Q&A answer, I use the document to point back to what we agreed to.”

-Manufacturing IRO

“One thing that we have done is that we take extra steps to give tutorials to spokespersons. Any business people who are spokespeople are reminded about the current disclosures, new disclosures, etc.”

-Manufacturing IRO

“I’m more aggressive in providing feedback with people lower in the organization. But, we’re not picking poorly-informed individuals to talk to the Street. They’re savvy and they’re more than willing to listen to appropriate counsel.”

-Telecommunications IRO

### Responsiveness

“When a company is actively trying to expand its shareholder base, it should consider disclosing more information to be viewed as shareholder-friendly and a company investors could be interested in.”

-IR Counselor

“It’s not a question of **how much** is disclosed, but **when**. FD has significantly disadvantaged the disclosure process as a continuous process. In the past, you could add information to the mosaic, such as confirmation that things are on track, but now you have to disclose via a press release. Unfortunately, the press release formalizes and gives weight to information, so it must be used judiciously.”

-Diversified IRO

“In a tough time, investors get nervous when a call is not returned, so IROs should make the effort to return the call because it can be reassuring to the investor. But not everyone can do that comfortably.”

-IR Counselor

“This is the one area where Reg FD has entered the thought process. Reg FD has given us the focus that says if senior management will talk to investors – as opposed to not talking at all – to get around selective disclosure, they have to have an IR person who is willing to talk to anyone who wants to call. Anyone who calls gets me. They can’t get to senior management directly. Then after I take the questions, we see if senior management is still needed. It takes the selectivity out of the process. Otherwise, management would be making the judgment of who they talk to and who they won’t. You can only do that if you have a really good IRO. The CEO has a public persona, and coupled with the knowledge of the IRO, there is a good team and process in place.”

-Retail IRO

### Credibility

“Not every IRO has the experience of being able to influence management. If management trusts you, understands your ability and appreciates your ability, you can have influence. The chemistry, time and results have to be there, however. But there are lots of cases where it doesn’t matter how brilliant you are, there are some cases that don’t work because there is someone who is recalcitrant.”

-Former IRO, Current CEO

“We set out to be as visible as we could when we were going through a difficult time. We got out there, even if we didn’t have all the answers. At least we had passion around our decisions. I believe that the overall response from the market was softer than it would have been otherwise. We got points for credibility and the willingness to take tough questions. The answers may not be to the investors’ liking but at least you’re not hiding.”

-Medical Device IRO

“The more the investment community can hear from the operating heads, the more credibility is deepened, particularly as it gives line of business (LOB) leaders the opportunity to be groomed. This enables succession planning and bench strength to be more transparent. If investors see that, they have more confidence and the company becomes more user-friendly.”

-IR Counselor

“It behooves the company and the succession plan to prep more than just the CEO and CFO. Others also need to be exposed to the financial community.”

-Manufacturing IRO

### **Regulation Fair Disclosure**

“At the time it was instituted, I didn’t think FD was necessary, but now I see it differently. I knew most companies operated ethically but the press assumed that FD was the Lone Ranger coming in to save investors... What changed was the speed of information dissemination starting with First Call. Regulation is almost by definition fixing yesterday's problems.”

-Information Technology IRO

“I think [Reg FD] has changed what [counselors] do. It has changed the number of rounds of revisions. People are putting more information in releases and in Web casts so it’s all out there. There are some people who claim folks hide behind FD and are saying less. I don’t see that so much.

When you’re trying to build a following, you want to be transparent. You want to be able to speak to details.”

-IR Counselor

“The boogeyman I thought Reg FD would be didn’t happen. There are a lot more plusses than minuses so I am a converted believer. You can work within it. You can work it to your advantage and be more transparent. It can be a win for everyone.”

-Financial Services IRO

“We are a little more cautious in what we say. It is very difficult because a lot of people are very good in posing questions. You have to be on your toes. I think that it’s also that you’re dealing with a sophisticated institutional audience. I tell them ‘hey look, I can’t tell you that.’ They back off but when you’re talking to retail people, they don’t understand our restrictions.”

-Mining IRO

“Everyone reacted in various ways. We never said ‘no more one-on-ones’ but we were more judicious. We’ve gone back to pre-FD in some ways, doing one-on-one meetings with greater frequency and ease. Everyone is used to the environment and is dealing with it.”

-Business Services IRO

“Pre-FD we would express comfort with the consensus fairly deep into the quarter. That is now considered an update so we don’t ever make any comment whatsoever on Street estimates at any point in the quarter. And we also don’t even talk qualitatively about the business intra-quarter. In the past we had a looser interpretation in terms of expressing that things are positive or consistent with estimates.”

-Information Technology IRO

“I think we ultimately disclose more because of the practice of having one-on-ones. We want to have meetings, but we don’t want to compromise ourselves or the analysts. So, we disclose a lot in the public domain and then have conversations that anchor to that information. We might amplify or color for sophisticated investors. It has definitely resulted in us increasing the amount we disclose by design.”

-Financial Services IRO

“FD did not change any of our reporting practices other than the use of webcasts for disclosure. What I have seen is a change in the way we prepare for calls. We’re over 100 times the size we were 15 years ago, so we have had a natural evolution of the organization, rather than a reaction to FD.”

-Energy IRO

## Miscellaneous

### Analyst Relations

“They all push all the time. It’s not their job to respect our limitations. It’s their job to get information all the time.”

-Diversified IRO

“People better respect the position I’m in if they want mutual respect.”

-Retail IRO

“We participated in investor conferences and non-deal roadshows. A portion of the compensation for sell-side analysts depends on their ability to set-up meetings with management and institutional investors. By participating in conferences or non-deal roadshows, we provide significant support to the sell-side analysts.”

-Higher Education IRO

“The buy-side is going to the Web site more and more. It used to be they’d call and ask for an annual report. Now they go online. They want a rich Web site. They’re already very well informed. You don’t have ‘tell me about your company’ questions. The IR role is more strategic as a result.”

-Consumer Goods IRO

“We aren’t shy about telling certain funds that they are not a good fit. I think it is an unusual thing for them to hear. I will never forget the first time we had that conversation. Our CEO said, “I don’t think this was a good use of either of our time. I just as soon you not buy our stock.” They bought the stock, were not happy and they dumped the stock.”

-Consumer Goods IRO

“One thing I will say that I get heat about is the policy of letting a sell-side analyst host a road show or meeting. Our policy is that they can arrange the meetings, but they can not accompany us. I have drawn that line. If they want to host a meal, that is fine. They can arrange and take credit for the meetings but they can’t be present at them.”

-Business Services IRO

“Having kids has been great training for my role in IR. It helps teach you how to disappoint but not discourage, and it certainly fine-tunes the skill of saying no without explanation, apology or detail. My goal is to help the analysts do the best they can, while staying within the needs, guidelines and restrictions of my own job.”

-Media IRO

“Reg FD caused us to be vigilant in communicating policies to employees to keep them from communicating with outside research firms paid by hedge funds who don’t respect the boundaries established by FD.”

-Food Service IRO

“We’re willing to engage in conversations with the analysts. Because we give detailed guidance, we can get into those conversations.”

-Energy IRO

“We will help them to understand our model and encourage them to base their models on our income statements. Then we explain the segments of our business. We will then take their questions on *their* assumptions without providing any comment on our numbers specifically. I make them discuss their assumptions with me. I will engage them in a dialog of *their* assumptions not ours. If they want to show interest rates collapsing or going up, I will carry that through onto our growth rate.”

-Retail IRO

“Our hedge fund experience began in early '06 when a somewhat activist group took a big position. They wanted us to sell a couple of divisions based on assumptions with which we did not agree. It made my life a living hell for 6 months when all their 'friends' started calling and making the same demands. I avoided anyone calling with a 203 area code. That year I handled more than 500 one-on-one meetings. I try to be even-handed. I am polite and courteous even when I am unable to give them the answers they are seeking. But their aggressive, antagonistic approach was difficult to deal with. Suddenly these young guys with their brand new MBAs were geniuses at running your business.”

-Manufacturing IRO

“Hedge funds are sometimes unprofessional in their attempt to get at information, but that is a small number of people. You sort of groan when they call, especially if the stock isn't doing well. The short-termers and short-sellers can be especially brazen, and you have to be careful what you say to them because they will replay your comments to other hedge funds and try to create a ripple with the stock. Next thing you know, you have another hedge fund calling you and probing based on what you said to the first one.”

-Business Services IR Professional

### **Conference Calls**

“Here is my perception of the conference call: when people are on the conference call, they're multitasking – looking at their stocks, reading emails, glancing through mail. They're not totally listening. No one is that good at multitasking, so our rule of thumb for calls is to try to repeat important messages as many as three times to help ensure that listeners catch what we're saying.”

-Media IRO

“When we made that first jump to conference calls, I had to start meeting with more people. I used to meet with 3 people to draft the release. Now I meet with 20 people and I’ve got groupies who want to tag along. Now you have an entourage of people who want to participate. People love to know what’s going on (like an Oprah thing) so that increases IR’s brand. I am the arbiter of who comes and what’s being discussed.

The push and pull of collaboration versus control is that you like to share and you like to receive but the IR person has to control who shares and who receives. You have to take care of the people who provide you with information.”

-Hospitality IRO

“We used to have 2 pages of Q&A prep, but now it’s 50 pages. We try to anticipate every question and have a thought-out response. It is then reviewed by the disclosure committee.”

-Manufacturing IRO

“I prepare a Q&A deck for those meetings that averages 50 questions. Out of 50, probably 15 are what I would call fresh. The others are standard. I have prepared Q&A decks since ’87. It’s just smart.”

-Retail IRO

### **Consensus and First Call**

“Don’t even get me started about First Call. Wall Street and the world think that a consensus number has meaning, but it doesn’t. One quarter the spread was 28 to 75 cents. How is the average of those numbers meaningful?”

Prior to FD, most IROs routinely questioned sell-side assumptions and models, but subsequent to FD that was ‘go to jail’ stuff because you were ‘commenting’ on earnings in a selective manner. One would never have said ‘we’re going to beat the hell out of your number,’ but at least underlying assumptions could be questioned.”

-Manufacturing IRO

### **C-Suite and Internal Relations**

“I have worked in different places and some individuals I’ve worked with are reluctant guests [at analyst meetings] and others are happy to show off their knowledge. I’d rather work with the former group.”

-Manufacturing IRO

“Some IROs limit distribution of analyst reports because they’re worried about being held responsible for what the analysts say or they’re worried that they’ll be perceived as endorsing the analyst report. So, we put all kinds of disclaimers on our emails. I avoid putting any comments in the email.”

-Hospitality IRO

“There is an intimacy and casualness [with the Street] that’s been lost and that’s good.”

-Business Services IR Professional

### **Earnings Release Process**

“We look over the numbers, think about the quarter, think about strategy. We ask ourselves what data will support our strategy on the tactical level? We start to put together quotes. They help illuminate the strategy and also what we did in the quarter.”

-Telecommunications IRO

“I suggest that companies discuss key value drivers over 2-3 years; debt to total capital, ROIC, cash flow, etc. based on a range or a target that is long term. I don’t see it as forecasting, but as a long term strategic model. It should be in earnings releases. We don’t want to cover just the current year but also where you’re going strategically. Then tie it to the most recent performance. Then talk about how you’ll take corrective actions [if results were disappointing]. But you should acknowledge the misses.”

-IR Counselor

### **Guidance**

“We generally recommend that clients give guidance. That doesn’t mean all of them do. Some audit committees say ‘don’t do it.’ We come down on the side that it will help you attract analysts.

The trade-off is that if you choose not to give guidance, understand that especially for small-cap companies it will be harder to get analyst coverage. At least give annual guidance, and most of our clients are doing that. I am generally in the annual camp because I think it is easier for companies to have an annual target. We all know numbers are still out there for the quarter, but most companies evaluate themselves on the annual number.

I don’t think anyone is going to change the Street’s focus on the quarter. I have a few companies that just do quarterly because that’s the visibility they have. They just feel they have a better chance of meeting a quarterly number.”

-IR Counselor

“Yeah, we didn’t do quarterly guidance formally pre-FD. We gave guidance informally. We gave quarterly for a long time. Three years ago, we ceased quarterly guidance and moved to annual. That came out of FD. We wanted reasonable consensus. Without the ability to comment on analyst models, the only way to keep consensus is to guide.”

-Consumer Goods IRO

“One of the reasons we’re going away from guidance, is that we might diverge from consensus. We have a 3 penny range. The Street takes the middle number and if don’t make that middle number, it is considered a miss. If you don’t hit consensus you’re a miss, even if you’re within the range you set out. We expect some volatility as a result of changing guidance, but we will manage through that risk. We have to and we’re ready to do that.”

-Diversified IRO

“We guide to increase transparency, lower the cost of capital and drive consensus. We call outlier analysts and point out that they’re not in the range suggested by our guidance. I view that to be in the spirit and letter of the regulations.”

-Energy IRO

### **Investor Meetings**

“Every investor conference should be webcast. Some brokerage firms don’t allow webcasting because of the exclusivity factor. Probably eighty percent do webcast, but some do not and I don’t understand that because investor conferences are considered a public forum and an opportunity to update the Street on a company’s strategies. Companies might put out a release at the conference or if it is close to the quarter they’ll do a pre-release.

Disallowing webcasts at these venues is a major FD violation, in my opinion.”

-IR Counselor

### **IR, The Practice and Profession of**

“When I came out of college, I didn’t know what IR was. It was still forming. It was spotty and not viewed as a required corporate function. With the bull market in the 1990s, membership [in NIRI] exploded. It’s not like you came out of college with an IR degree. You morphed into it from another role.”

-Manufacturing IRO

“I’m obviously a believer that if you know the IR profession very well then you’re able to move from company to company with relative ease versus someone who’s deep on one company.”

-Manufacturing IRO

“‘True IR’ means front line in the trenches dealing directly with institutional investors and the C-Suite.”

-Manufacturing IRO

“A good IR person has trust and they cultivate relationships. People bend over backwards to keep us informed. Everyone realizes that that is ultimately in the best interest of the corporation.”

-Telecommunications IRO

**Materiality**

"I think the 5% guideline is a good guideline, but it's not the only one. You must consider what would move the stock price. And it could be something small, and it could be based on something true or inflated. So, IROs have to be really sensitive to materiality and understand the intricacies of the organizations. On some level, there is a gut instinct. For example, consider the health of the CEO. If the CEO has a medical problem, could it impact the valuation if someone finds out. At what point is that material? It requires the IRO to have an acute organizational understanding. So materiality is more than just a number. It's a gut instinct about what makes the company tick and not tick."

-Former IRO, Current CEO

"It is always a tough one. You kind of know – you have an instinct – that the stock price would move. Sometimes it doesn't always fit the text book definition."

-Consumer Goods IRO

"If you're spending much more than an hour on it and some say 10 minutes, you're dealing with a material issue."

-IR Counselor

"We essentially use our judgment. It has to do with the percentage of our earnings that we're talking about. In the fourth quarter our earnings are huge, so that might impact our decision differently."

-Retail IR Professional

"That's probably the trickiest part of the whole equation because materiality is not well-defined. Any conversation that is not in an FD setting is in a gray area. Arguably, if you say anything beyond reading the press release to the analyst, you're in murky territory."

-Financial Services IRO

"Clearly sales and earnings are material. There are a few bright lines, if you will."

-Food Service IRO

"Determining materiality is very difficult because markets are short term."

-Diversified IRO

**Policy and Process**

"Annually we route the disclosure policy to the individuals affected so everyone is aware of it. It is required reading. Just did it the week before last."

-Financial Services IRO

"Companies were encouraged to have formal disclosure policies. Anyone not having a policy is a fool."

-Financial Services IRO

“Our company’s spinoff was hurried. Some people didn’t know what they were doing. When I got here, there wasn’t a process. The only guidance they had was from the investment banks who were taking them on the road. I didn’t face a lot of obstacles to putting a process in place.”

-Consumer Goods IRO

“We have quarterly meetings and a set of certifications for all members of the disclosure working group. They are kind of like SOX certifications. We support the CEO and CFO certification process. We do this in order to make sure that the appropriate information is percolating in the management structure – that there are no material errors or omissions or misstatements of fact. It is not required, but it is prudent.”

-Insurance IRO

“You can have a disclosure policy that is off the shelf -- these are usually high level and more about the "command and control" of disclosure. That’s great, but there needs to be a discussion of what you’re actually going to talk about and what you won’t.

Initially there was a lot of disagreement in the legal community about whether or not to have a disclosure policy. Now there are very few companies that don’t have a disclosure policy. The key issue is that you have a policy that is reflective of your actual practices.”

-IR Counselor

“You must codify and renew policies regularly. The absence of a policy would be a red flag.”

-Manufacturing IRO

### **Pre-Announcing**

“We would pre-announce if circumstance dictated. One circumstance was when we were issuing public bonds. We pre-announced to enable discussion on a road show. Because we don’t give guidance, we don’t have to preannounce for misses.”

-Retail IRO

“The trigger for pre-announcing is situational, but it’s how far you are from expectations even if you have no duty to disclose. In our case, both negative and positive earnings surprises have caused us to pre-announce. The primary motivation is to get information out as quickly as practical because it impacts credibility [if you don’t pre-announce] even if you haven’t guided!”

-Information Technology IRO

**Non-Public Material Disclosures**

“Early after Reg FD came about, our CEO in a non-FD setting, accidentally affirmed earnings guidance. It was a non-FD setting (local analyst meeting). There was press present. It was publicized. We cured it by filing an 8K.”

-Financial Services IRO

**Quiet Periods**

“I don’t think a clear pattern has emerged here. When you’re dealing with a small cap company, they are less likely to have a formal quiet period when they don’t talk to the Street. These companies are looking to increase their exposure. If an analyst is coming through town, they’ll meet but they won’t talk about the quarter, whereas bigger companies who have an established following are more rigid about the quiet period.”

-IR Counselor

“Yes, companies should have a quiet period. The reason is to avoid meeting with or presenting to investors once you know what the numbers are but have not yet reported them. While the timing for quiet periods varies by company, most start when they have relative certainty about what the quarterly numbers are going to be. For some this is late in the last month of the quarter, while for others it is around the close of the quarter or at the beginning of the reporting month. It is typically four to five weeks long.”

-IR Counselor

“We have a two-week quiet period. We will take a call and discuss things, but nothing related to the quarter. We release in the second week of the quarter. We have a very short window. We are one of the first companies to report. We want to get it over with. I don’t know how anyone has a quiet period that is four weeks long.”

-Diversified IRO

**Technology/Combating Rumors**

“The benefit to technology is that there is a wealth of information out there. How do you make it work for you is the big question. Usually, you fight a lot of fires.”

-Medical Device IRO

“We archive everything on our Web site forever. We have a disclaimer for anything that is not new that says, 'This is dated material, we have no duty to update, etc.' A lot of analysts and investors are appreciative of having this archive available, particularly for strategic issues, especially for analysts initiating coverage or new to the company. All the historical context information is there.”

-Financial Services IRO

“[Technology has] made disclosure more onerous. I don’t know that it’s made it any easier. Now instead of getting mail and fax, you have to deal with e-mail. Anyone can access anything and make decisions about your responses.

I must be the only person to think this but I think XBRL will be onerous. It is another example of more monitoring by the IRO. You’ll have to monitor what your competitors are reporting. There is a cost in time and money to companies.”

-Mining IRO

“The same disclosure policies apply no matter the channel. There has always been conversation. This is just another –digital– way to have those conversations.”

-Business Services IR Professional

“It’s changed everything. There used to be quarterly reports, which disappeared 10 or 15 years ago. Now annual reports are on the way out. Meanwhile the conference call has become an integral part of our communications. Anyone who wants to be on the call, can get on, which has led to a change in the analysts’ role. They don’t have the back door relationships that they did when I started in this business. They don’t get any different or proprietary information. With everyone having access to the same information at the same time, it’s harder for analysts to draw a unique conclusion. The analysts’ advantage is that they have better industry knowledge. They can put what we are saying in a broader context or more quickly determine differentiating factors.”

-Media IRO

“The speed and ubiquity makes communication a nightmare. It’s always a nightmare. If you look at pre-2000, it was a much more orderly process. Now in two to three out of every 10 calls, I’m getting blind-sided with something I didn’t know. Usually, they’re not material issues and I’ve gotten used to it, so I don’t get upset. I just let them know that I will have to get back to them.”

-Diversified IRO

### **Volatility**

“The biggest impact on volatility is the growth of hedge funds. There is a lot of trading based on the monthly sales figures. A lot of short term volatility around monthly trading. A lot of retailers have eliminated the monthly calls. Potentially we would like to get to that point.”

-Retail IR Professional

“The reason we are transparent is to limit volatility. Unofficial sources, blogs, channel checks – we try to combat these sources with official information. It may not be P&L related but it helps with the mosaic. We hope it will contain volatility. Our view is we want to be a leader in providing information.”

-Food Service IRO