

Included is information known to the company concerning:

- (i) Its property, business, financial condition and prospects;
- (ii) Mergers and acquisitions;
- (iii) Dealings with employees, suppliers, customers and others; and
- (iv) Information concerning a significant change in ownership of the company's securities by insiders, principal shareholders, or control persons.

In those instances where a company deems it appropriate to disclose internal estimates or projections of its earnings or of other data relating to its affairs, such estimates or projections should be prepared carefully, with a reasonable factual basis, and should be stated realistically, with appropriate qualifications. Moreover, if such estimates or projections subsequently appear to have been mistaken, they should be promptly and publicly corrected.

Q. What kinds of events and conditions in the market for a company's securities may require disclosure?

A. The price of a company's securities (as well as a reasonable investor's decision whether to buy or sell those securities) may be affected as much by factors directly concerning the market for the securities as by factors concerning the company's business. Factors directly concerning the market for a company's securities may include such matters as the acquisition or disposition by a company of a significant amount of its own securities, an event affecting the present or potential dilution of the rights or interests of a company's securities, or events materially affecting the size of the "public float" of its securities.

While, as noted above, a company is expected to make appropriate disclosure about significant changes in insider ownership of its securities, the company should not indiscriminately disclose publicly any knowledge it has of the trading activities of outsiders, such as trading by mutual funds or other institutions, for such outsiders normally have a legitimate interest in preserving the confidentiality of their securities transactions.

Q. What are some specific examples of a company's affairs or market conditions typically requiring disclosure?

A. The following events, while not comprising a complete list of all the situations which may require disclosure, are particularly likely to require prompt announcements:[]

- A joint venture, merger or acquisition;

- The declaration or omission of dividends or the determination of earnings;
- A stock split or stock dividend;
- The acquisition or loss of a significant contract;
- A significant new product or discovery;
- A change in control or a significant change in management;
- A call of securities for redemption;
- The borrowing of a significant amount of funds;
- The public or private sale of a significant amount of additional securities;
- Significant litigation;
- The purchase or sale of a significant asset;
- A significant change in capital investment plans;
- A significant labor dispute or disputes with subcontractors or suppliers;
- An event requiring the filing of a current report under the Securities Exchange Act;
- Establishment of a program to make purchases of the company's own shares;
- A tender offer for another company's securities;
- An event of technical default or default on interest and/or principal payments;[]
- *Board changes and vacancies; and*
- *Receipt of an audit opinion that contains a going concern qualification (see also Section 610(b)).*

Q. When may a company properly withhold material information?

A. Occasionally, circumstances such as those discussed below may arise in which—provided that complete confidentiality is maintained—a company may temporarily refrain from publicly disclosing material information. These situations, however, are limited and constitute an infrequent exception to the normal requirement of immediate public disclosure. Thus, in cases of doubt, the presumption must always be in favor of disclosure.

(i) When immediate disclosure would prejudice the ability of the company to pursue its corporate objectives.

Although public disclosure is generally necessary to protect the interests of investors, circumstances may occasionally arise where disclosure would prejudice a company's ability to achieve a valid corporate objective. Public disclosure of a plan to acquire certain real estate, for example, could result in an increase in the company's cost of the desired acquisition or could prevent the company from carrying out the plan at all. In such circumstances, if the unfavorable result to the company outweighs the undesirable

consequences of non-disclosure, an announcement may properly be deferred to a more appropriate time.

(ii) When the facts are in a state of flux and a more appropriate moment for disclosure is imminent.

Occasionally, corporate developments give rise to information which, although material, is subject to rapid change. If the situation is about to stabilize or resolve itself in the near future, it may be proper to withhold public disclosure until a firm announcement can be made, since successive public statements concerning the same subject (but based on changing facts) may confuse or mislead the public rather than enlighten it.

For example, in the course of a successful negotiation for the acquisition of another company, the only information known to each party at the outset may be the willingness of the other to hold discussions. Shortly thereafter, it may become apparent to the parties that it is likely an agreement can be reached. Finally, agreement in principle may be reached on specific terms. In such circumstances (and assuming the maintenance of strict confidentiality), a company need not issue a public announcement at each stage of the negotiations, describing the current state of constantly changing facts, but may await agreement in principle on specific terms. If, on the other hand, progress in the negotiations should stabilize at some other point, disclosure should then be made if the information is material.

Whenever material information is being temporarily withheld, the strictest confidentiality must be maintained, and the company should be prepared to make an immediate public announcement, if necessary. During this period, the market action of the company's securities should be closely watched, since unusual market activity frequently signifies that a "leak" may have occurred. This is one reason why it is important to keep the company's Listing Qualifications Analyst fully apprised of material corporate developments.

Note: Federal securities laws may restrict the extent of permissible disclosure before or during a public offering of securities or a solicitation of proxies. In such circumstances (as more fully discussed below), a company should discuss the disclosure of material information in advance with the Exchange and the Securities and Exchange Commission. It is the Exchange's experience that the requirements of both the securities laws and regulations and the Exchange's disclosure policy can be met even in those instances where their thrust appears to be different.