

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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C. THOMAS KEEGEL  
General Secretary-Treasurer

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June 16, 2010

Mr. Duncan L. Niederauer  
Chief Executive Officer  
NYSE Euronext  
11 Wall Street  
New York, NY 10005

&

Mr. Richard G. Ketchum  
Chairman and CEO  
Financial Industry Regulatory Authority  
1735 K Street, NW  
Washington, D.C. 20006

Dear Messrs. Niederauer and Ketchum:

As General Secretary-Treasurer of the International Brotherhood of Teamsters, representing 1.4 million members employed in many industries, my responsibilities include monitoring financial markets to minimize risks and maximize returns for our members' \$100 billion in pension and other benefit fund investments. In addition, hundreds of thousands of Teamsters and retirees are participants in public sector retirement benefit plans which comprise some of the largest institutional investors in our country. In this regard, we take great interest in the operations and policy decisions of the New York Stock Exchange (NYSE).

I am writing to request that NYSE Euronext and the Financial Industry Regulatory Authority (FINRA) adopt strict policies prohibiting any entity, party or interest with direct managerial control or ownership stake

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exceeding 20% in an equity offering from acting as an underwriter for said offering under any circumstances. This request stems from last year's initial public offering (IPO) of Dollar General Corporation – a transaction fraught with glaring conflicts of interests that both NYSE Euronext and FINRA failed to recognize, regulate or administer sufficient oversight to protect investor interests.

Completed in November 2009 at \$21 per share, the Dollar General IPO raised \$716.1 million from new investors. The selling shareholders in the Dollar General transaction were private equity investors including Kohlberg Kravis Roberts & Company (henceforth referred to as KKR), Goldman Sachs, and Citibank, N.A. In aggregate, these three institutions owned over 98% of Dollar General's equity prior to the IPO, with KKR effectively owning over 51%. All three of these institutions participated as joint lead-managers of the Dollar General IPO.

As per the company's S-1 filing, approximately \$468 million of the IPO proceeds went to pay down corporate debt. Of the roughly \$248 million remaining IPO capital raised, over \$239 million went to Dollar General's private equity ownership consortium in the form of a special, one-time dividend. In addition, KKR, Goldman Sachs and Citibank took home the lion's share of the \$64 million in transaction fees paid to the IPO syndicate team.

Contrary to the blatant conflicts of interest present in the Dollar General underwriting syndicate, neither NYSE Euronext nor the industry's chief regulating agency FINRA objected to the deal as constructed. Per the amended S-1 filing, Dollar General claimed compliance with industry conflict of interest standards by adding JP Morgan Chase as a co-lead manager to the syndicate, thereby providing a "qualified independent underwriter" as defined by FINRA Rule 2720.

We strongly believe that FINRA Rule 2720, recently amended in August 2009, is woefully inadequate to deal with the striking conflict of interests caused by private equity firms such as KKR acting as managers for IPOs of their portfolio companies. KKR maintains a controlling interest in approximately 50 portfolio companies, many of which are former public

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companies acquired through leveraged buyouts with cheap debt over the past ten years. KKR makes no secret of their plans to develop a robust capital markets franchise using their own private equity portfolio as the primary driver of the business. It is imperative, in our view, that NYSE Euronext and FINRA take aggressive, proactive measures to address the unique situation presented by KKR's capital markets initiatives before investors and the broader markets are put at risk.

As most investors do, we perceive many risks yet few benefits from private equity firms such as KKR representing both the majority selling shareholder and the lead underwriter of IPOs.

We appreciate your time and attention to these matters and look forward to discussing these issues with you in the near future.

Sincerely,



C. Thomas Keegel  
General Secretary-Treasurer

CTK/am

cc: The Honorable United States Senator Christopher J. Dodd  
Chairman, United States Senate Committee on Banking, Housing &  
Urban Affairs

The Honorable United States Representative Barney Frank  
Chairman, House Committee on Financial Services

The Honorable Mary Schapiro, Chairman, United States Securities &  
Exchange Commission