



Stock-trading Plans Catch On

Since 2004, executives at some 35 percent of companies in the S&P 500 have used 10b5-1 plans to sell stock automatically at prearranged intervals.

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Stock-trading plans that allow executives to sell their companies' stock without fear of violating insider-trading rules — also known as Rule 10b5-1 plans — are finally catching on.

According to a new study by compensation specialist Equilar, the number of executives who executed 10b5-1 transactions rose 22 percent in 2005 from the previous year, and the number of companies using them increased by 21 percent.

During 2005, 434 executives at 138 companies chose to use a 10b5-1 plan, compared with 355 executives at 114 companies during 2004, according to Equilar. The growing popularity of the plans appears to be continuing. In the first quarter of 2006, 297 executives at 105 companies made 10b5-1 transactions.

Overall, from the beginning of 2004 to the end of this year's first quarter, 35.2 percent of S&P 500 companies had at least one executive sell shares under a 10b5-1 trading plan. At most companies where such plans are in effect, between one and five executives use them.

The industries that had the highest percentage of companies with at least one 10b5-1 transaction were health care (45.5 percent), information technology (41.5 percent), and industrials (38.6 percent). "This would appear to be partially explained by the volatility of share prices in the healthcare and information technology industries that can make insider sales particularly precarious," noted Equilar.

Only a few years ago, adoption of 10b5-1 plans was slow. At the time, observers theorized that executives didn't understand the plans, or feared they would be forced to sell stock at an unfavorable price.