Speech by SEC Staff:
Corporation Finance in 2007 — An Interim Report

by

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Thank you. I am very happy to be here today. It is a real pleasure to meet with you again, particularly in a beautiful location like San Francisco. It's certainly a substantial improvement from that cold, rainy day we shared last March in DC.

Before I speak any further, I want to be sure to provide the so-called "standard disclaimer" and remind you that as a matter of policy the Securities and Exchange Commission disclaims responsibility for the private statements of any SEC employee. The views I'm going to express today are solely my own and do not necessarily reflect the views of the Commission or of any members of its staff other than myself.

This past February in Dallas I made some remarks about the Division's activities, titled "The Promise of Transparency − Corporation Finance in 2007" in which I took a look forward into 2007.[1] I talked about the importance of transparency for regulators and described 11 items on which we are focusing in Corporation Finance for 2007. Now that six months have passed (five months since we spoke in March), in the continued interest of transparency, I thought it would be useful to talk about what we have done, and how far we have come, in Corporation Finance since last February. It's been an active period − we have recommended to the Commission, and it has approved and published, 16 rulemaking releases − final rules, proposed rules and even a concept release and an interpretive release. We also have commenced several significant follow-on projects related to completed rulemakings. I, and others on the staff, have spoken informally, and in small pieces, about developments in the 2007 agenda in other forums, but I thought I would try to bring the pieces together for you this morning in what I view as a mid-

year update. I will spend most of my time today on the 11 items I identified in February, some of which were more developed than others at that point, but I also will be adding a couple of additional items to our agenda as well, at least for next year. But as you listen today, please don't forget my disclaimer – I'm speaking only for myself and not for the Commission or the Division or any of my colleagues on the staff. And, please remember that any of my forward looking statements, particularly where they suggest timing, are just that – forward looking statements entitled to the appropriate safe harbor. So here goes, the 11 items in order from February.

1. Foreign Deregistration

We finished this one, and it's a good example of a Commission initiative undertaken to address the challenges to our securities regulatory scheme posed by the increased globalization of securities markets. On March 21, the Commission approved new final rules that significantly changed the requirements regarding when and how foreign private issuers can exit the Exchange Act reporting system.[2] Unlike the older rules that required a foreign private issuer to have fewer than 300 U.S. holders before it could deregister, new Exchange Act Rule 12h-6 permits a qualifying foreign private issuer to deregister a class of equity securities if the U.S. average daily trading volume of the subject class of securities has been no greater than five percent of the average daily trading volume of that class of securities on a worldwide basis for a recent 12-month period. This trading volume-based approach was first proposed by the Commission when it re-proposed the foreign deregistration rules last December.[3]

While the foreign deregistration rulemaking should make it easier for a foreign private issuer to terminate its registration and reporting obligations when there is relatively little U.S. market interest in its securities, the adopted rules contain provisions that should serve to protect investors. As one example, an equity securities issuer must wait 12 months before filing a Form 15F relying on the trading volume standard if the issuer has delisted its class of equity securities from a U.S. exchange or terminated a sponsored ADR facility and, at the time of delisting or termination, its U.S. ADTV exceeded five percent of its worldwide ADTV for the preceding 12 months. This provision is intended to deter an equity securities issuer from dismantling its U.S. trading facilities in order to drive down U.S. trading volume when the U.S. market is still relatively active.

A goal had been to get this new rule effective prior to June 30 to enable calendar year filers who desired to withdraw from U.S. registration prior to first being subject to filing SOX Section 404 reports in Form 20-Fs due on June 30 to do so. The June 4 effective date met this goal and, as anticipated, there was a small rush of filings in June. Thus far, we have received over 60 Form 15Fs, which corresponds to just under six percent of foreign registrants as of December 31, 2006.[4] Over half of these Form 15F filers are from EU countries, with the United Kingdom providing the most. This is not surprising since the greatest call for reform in the deregistration area came from European companies. The relatively small percentage of foreign registrants

that have thus far chosen to deregister under the new exit regime is testament, I hope, to the multi-pronged approach the Commission has undertaken to address the needs of foreign registrants in the wake of globalization. In addition to offering this ability to exit U.S. registration, the Commission has this year spearheaded substantial improvements in the application of SOX Section 404, as well as proposed elimination by foreign private issuers of the requirement to reconcile financial statements prepared using IFRS, both of which I will discuss.

2. Management Guidance

Since May 2006, when the Commission and the Public Company Accounting Oversight Board each announced plans to improve implementation of Section 404 of the Sarbanes-Oxley Act, the Commission and the PCAOB have been working diligently to achieve their shared goal of improving the efficiency and effectiveness of Section 404's implementation − for all issuers, including foreign private issuers and domestic public companies of all sizes.[5] When I described the Commission's plans in this area earlier in the year, I noted my belief that both management guidance and a replacement for Audit Standard No. 2 would play an important role in improving the implementation of Section 404, and I hoped that both would be available for year-end 2007 reports. I am very happy to report that, after a great deal of effort, we have made good on this goal.

As you all know, Section 404 requires that companies provide two reports on their internal control over financial reporting: one based on their own assessment of those controls and another from their independent auditors, attesting to management's assessment. On May 23 of this year, the Commission voted to adopt for the first time guidance to management on performing their required assessment.[6] Under this guidance, assessing the effectiveness of internal controls is all about the consideration of risk and materiality. The guidance allows companies to focus their efforts on those areas that management has identified as posing the greatest risks that material misstatements in the financial statements will not be prevented or detected on a timely basis. This approach is a risk-based top-down approach, rather than one that would require identification of every conceivable control regardless of its effect on the financial statements. The guidance was also designed to be scalable, in order to improve its utility for smaller public companies.

Although we do not have time this morning to go into detail on the guidance, I did think it was useful to note that the guidance framework can be viewed as consisting of three phases. Phase 1 involves identifying financial reporting risks that could result in a material misstatement to the financial statements and the controls that adequately address those risks. Phase 2 involves evaluating the operating effectiveness of the controls identified in Phase 1 and determining the evidence needed to support the assessment, using evaluation procedures tailored to the risk assessment. And Phase 3 involves reporting on the effectiveness of internal control over financial reporting, including any material weaknesses identified during the evaluation process.

The guidance also provides some discussion of documentation considerations.

When the Commission adopted the final interpretive guidance, it also adopted amendments to the rules implementing Section 404.[7] These amendments established that, while there are many different ways to conduct an evaluation of the effectiveness of internal control over financial reporting, an evaluation conducted in accordance with the interpretive guidance will satisfy the rules. But remember, companies desiring to follow appropriate procedures worked out by them in years prior to issuance of the guidance are free to continue to do so provided such procedures result in satisfying the requirements of the Commission's implementing rules (adopted in 2003). Using the guidance is optional, although I believe in many, many cases it will result in evaluations that are both more efficient and more effective.

The Commission also adopted amendments to the provisions of Regulation S-X pertaining to the auditor's attestation report on internal control over financial reporting to clarify that, going forward, the auditor will be required to express only one opinion directly on the effectiveness of internal control over financial reporting in its audit report, rather than providing two separate opinions − one on effectiveness and another on management's assessment.

In addition, the Commission for the first time defined the terms "material weakness" and "significant deficiency"[8] in its rules, rather than relying on audit literature. I believe this was quite appropriate, particularly since we use those terms in SOX Section 302 certifications as well. Let me give you the two definitions, both of which are improvements over the prior auditing literature (and I should note that the PCAOB has conformed to the SEC definitions).

> Material weakness is "a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."
>
> Significant deficiency is "[a] deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the registrant's financial reporting."

On July 25 the Commission also approved the PCAOB's Auditing Standard No. 5.[9] Auditing Standard No. 5 replaces PCAOB Auditing Standard No. 2, An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements. Auditing Standard No. 5 provides the new professional standard and related performance guidance for independent auditors to attest to, and report on, management's assessment of the effectiveness of internal control over financial reporting under SOX Section 404(b). I believe that you will find that the new standard is much improved in a number of ways. Chief among these is that Auditing Standard No. 5 is far

less prescriptive than its earlier incarnation. It also enables the auditor to scale the audit to fit the size and complexity of any company, directs auditors to focus on what matters most by eliminating unnecessary procedures from the audit, and includes a principles-based approach to determining when and to what extent the auditor can use the work of others. It's also shorter and easier to read and understand. We at the SEC are encouraged that going forward audits conducted under Audit Standard No. 5 are likely to be both better focused at identifying material weaknesses and at the same time less costly.

Although, as you can see, we have achieved quite a bit in this area over the past six months, looking forward, we have a few items left to address. After all, putting new rules in place is only the beginning of the job – making sure they are implemented remains. We and the PCAOB will be paying attention. The PCAOB is establishing a number of programs related to implementation, including providing guidance and education for auditors of smaller public companies. A couple of projects are on our plate as well. We are busy working on a concise, easy-to-read guide for smaller public companies as they undertake complying with the management assessment requirement for the first time this year. Also, our Office of Economic Analysis will be looking at the impact of our new guidance and of Auditing Standard No. 5.

Some have asked whether non-accelerated filers can expect further extensions from us for compliance with Section 404. The short answer is that nothing is planned, and calendar year non-accelerated filers should be busily preparing for their first management assessment at the end of this year, hopefully utilizing and benefiting from our new management guidance. Our rules on implementation timing for non-accelerated filers, finalized last December, provide that their first management evaluations are required for years ending on or after December 15, 2007, which means assessments need to be included in 2008 filings.[10] The first audits of internal control over financial reporting are not required until the following year (for years ending on or after December 15, 2008) – which means audit reports would first be required in 2009 filings.

3. E-Proxy

With the final rules that the Commission adopted in June,[11] we have substantially completed the rulemakings to implement e-proxy. There were two rounds of rulemaking.

As of July 1, the voluntary e-proxy model (adopted last January) is in effect, with several companies already opting to follow that model.[12] We have heard from a few of these companies, and encourage anyone else using the model to share their experiences with us. As many of you know, under the voluntary model, an issuer or other soliciting person may fulfill its obligation to furnish proxy materials through a "notice and access" model. If a company or other soliciting person elects to follow this model, it must post its proxy materials on the internet (other than on the Commission's EDGAR site) and send shareholders a notice of the proxy materials' electronic availability.

Shareholders may always opt out and receive their copies in paper form just by asking. That request only needs to be made once.

The revisions that were adopted in June, when fully implemented, will require that proxy materials be available on the Internet for the shareholders of all public companies (and that those companies and other soliciting persons follow the e-proxy rules for all proxy solicitations not related to a business combination transaction). Shareholders can still opt out and exercise their choice to receive materials in paper form.

The revised model will go into effect for large accelerated filers, other then registered investment companies, on January 1, 2008. It will go into effect for all other soliciting parties, that is, issuers that are not large accelerated filers, registered investment companies, and soliciting shareholders, on January 1, 2009.

The revised model creates two options under which a soliciting party can furnish proxy materials to shareholders – (1) the notice only option and (2) the full set delivery option. The notice only option is identical to the current voluntary model, and involves sending a Notice, posting proxy materials on the Internet and responding to paper requests. The full set delivery option permits a soliciting party to continue to furnish proxy materials to shareholders in paper. Since the soliciting party will already have provided paper copies of the materials to shareholders, it would not have to respond to requests for paper copies. This option just adds two requirements to the "traditional" way of sending proxy materials – (1) include a separate Notice (or just include the Notice information in the proxy materials) and (2) post the proxy materials on the Internet. So, in effect, the revised model doesn't significantly change the options that soliciting parties had under the voluntary model.

As with the voluntary model, a soliciting party may also "slice and dice" its shareholder base. That is, it can use the notice only option for some of its shareholders, and the full set delivery option for other shareholders. Several ideas that we have heard for slicing and dicing have included separating shareholders based on the size of their ownership position, or based on past voting behavior – for example, sending full paper copies under the full set delivery option to shareholders who submitted paper ballots in the past, and sending Notices under the notice only option to the rest.

Again, although we have completed the major portions of this rulemaking project, we are eager to hear your experiences with both the voluntary model and the revised model. We will continue to monitor your experiences with the model, including the slicing and dicing, so that we can make any changes necessary to maximize the benefits of e-proxy while minimizing the effects of any "glitches" or other problems that may arise.

4. Executive Compensation Disclosure

Another area where we've seen great progress in the last six months is with

regard to the Division's biggest project from last year − executive compensation disclosure. This historic rulemaking − the first revisions in this critically important area since 1993 − was unanimously adopted by the Commission in July of last year.[13] We have now largely completed a proxy season under the new rules and it is time to look back and evaluate where we are.

A major part of this look-back is the Division's targeted review project. As you all know, the disclosure operations side of Corporation Finance regularly reviews 1934 Act filings. As part of the review function, they have been reviewing the new executive compensation disclosures in several hundred proxies that have come in this past season. Shelley Parratt, our Deputy Director, is running this review so, as you can no doubt imagine, it is a very organized project. In setting up the project, we initially selected the universe of companies that we would be looking at, with an emphasis on larger companies. We set up review protocols and trained the operations staff on what we are looking for. We are reviewing the entire package of disclosure.

We are now well into the process and plan to issue comments shortly. We have waited to actually send out any comment letters in order to circle back to make the comments as consistent as we can. After reviewing the first couple of hundred disclosures, we have found that we are learning as we go, so we have definitely made some revisions to our first drafts of the comment letters. As you receive the letters, you'll see that we are initially asking a lot of questions − you know the drill. We expect that there will be a give and take of comment letters and company responses. Please understand that we appreciate that these are new disclosures and that most companies are acting in good faith to comply. Hopefully most comments will be futures comments, but you should remember that, even though proxies are out and meetings have been held, executive compensation information is incorporated into Form 10-Ks, so amendments are a possibility.

We are also looking ahead to the second phase of the targeted review project, in which we report on what we have seen in the course of our reviews. This report is intended to provide guidance to those companies that were not reviewed − which is the vast majority of companies. Unlike the Fortune 500 report a few years back, which was an after-the-fact project, we have been collecting information as we go through the filing reviews. Accordingly, we should be in a position to get some guidance out to you sometime this fall, although I'm going to have to be a little vague on timing. I keep telling Shelley that it needs to be out in time for my fall appearances at executive compensation conferences, and she keeps telling me that she doesn't run her review program around my speaking engagements. I guess the safest answer on this is that we are planning to get it out in time for the next proxy season.

I will give you a very brief preview of what we've been looking for and what we're seeing. As to what we are looking for - we are looking for *analysis*, particularly on the different components of compensation and on change of control and termination payments. We also are looking at performance

targets. Is the description adequate? We're seeing a lot of really vague disclosure in this area about "individual performance goals and targets" without further discussion. Also, if targets were withheld under the confidential treatment standards, what is the justification? This would be the obvious place for further disclosure if there isn't support for withholding the targets. If the targets were properly withheld, is the alternative disclosure about the difficulty of achieving them adequate? We also will be issuing a lot of comments seeking clearer disclosure where benchmarking is used and seeking clarification on who makes compensation decisions, including the CEO's and others' roles in the decisionmaking process.

In addition, going forward, let me make a comment on further rulemaking. We are continuing to gather information. The review project is a major part of our efforts and we hope that our report will offer useful guidance. We are continuing to post interpretations on the Corporation Finance website. We posted interpretations early this year. Last week we added new interpretations.[14] We will continue this process as we head into the next proxy season. I can't tell at this point whether we will need some rule change cleanups or not. But what I can say is that we are not working on any rulemaking currently – the timing just doesn't work for next proxy season. We would need to propose and adopt rules by December, so modifying the rules is a project for next summer, if needed.

5. Proxy Access

Back in February, when I discussed the issue of shareholders' ability to place director nominees in company proxy materials, I referred to the issue as the "elephant in the room" – and it certainly has fulfilled its billing in this regard. Since that speech, the Commission held three roundtables on the proxy process,[15] all in the month of May, which is a Commission record as far as I can tell. The roundtables focused on the role of the Commission in administering Section 14(a), the relationship between the federal proxy rules and state corporation law, proxy voting mechanics, and the evolution of both binding and non-binding shareholder proposals within the framework of the federal proxy rules.

Following the marathon of roundtables, and after careful consideration of the input of panelists at the roundtables and commenters, the Commission voted at the end of July to publish for comment two different proposals addressing shareholder director nominations.[16]

Under the first of these, Exchange Act Rule 14a-8 would be amended to require companies to include in their proxy materials shareholder proposals for bylaw amendments that would establish procedures for nominating candidates to the board of directors. Proponents would have complete freedom to structure the procedure, so long as the procedure complied with applicable state law and the company's charter and bylaws. A critical prerequisite to submitting such a proposal would be that other shareholders receive disclosure regarding the shareholder proponent and the shareholder

proponent's relationship and prior interactions with the company. To accomplish this objective, Schedule 13G would be amended to require new disclosures of relevant information and, to submit a binding bylaw proposal, shareholders would be required to qualify as Schedule 13G-filers and have filed a new or amended Schedule 13G including this information. As such, a shareholder proponent (or group of shareholder proponents) would be required to hold more than five percent of the company's securities entitled to be voted and to be eligible to file as a passive investor on Schedule 13G. Schedule 14A also would be amended to require companies to provide corresponding disclosure regarding prior relationships and interactions with shareholder proponents.

A nominating shareholder under an adopted bylaw would be required to provide to the company, for inclusion in the company proxy materials, the same disclosures as would be required of a shareholder proponent of a binding bylaw proposal, as well as all of the same disclosures that would be applicable in a traditional proxy contest.

Finally, the proposal would revise the proxy rules to promote greater online interaction among shareholders by removing obstacles in the current rules to the use of electronic shareholder forums. In this regard, the proposal would clarify that a company or a shareholder who maintains an electronic shareholder forum is not liable for statements by any other participant in the forum. The proposed amendments also would revise the proxy rules to clarify that participation in an electronic shareholder forum that may constitute a solicitation would be generally exempt from the proxy rules.

In the second release, the Commission proposed amendments to the text of Rule 14a-8(i)(8) regarding proposals that relate to an election. These amendments would address the Second Circuit's decision in AFSCME v. AIG[17] by clarifying the operation of the exclusion in Rule 14a-8(i)(8) in a manner that is consistent with the agency's prior interpretation of that exclusion. Under that interpretation, companies may exclude proposals that would result in an immediate election contest or would set up a process for shareholders to conduct an election contest in the future by requiring the company to include shareholders' director nominees in the company's proxy materials for subsequent meetings.

The releases were published in the Federal Register on August 3, and the comment period will run for 60 days – until October 2. As I'm sure you all can imagine, we are eager to receive comment on the releases, and we will consider that comment carefully. As to timing of further action, the Chairman has stated clearly, most recently in testimony before the Senate Banking, Housing, and Urban Affairs Committee on July 31, that "there will be a rule in place this fall, this coming proxy season so that people will know how to conform their conduct to the law and to the rules of the SEC."[18] Based on this, I am anticipating that the staff of the Division will have a very busy fall.

In addition to the rulemaking efforts described above, the staff also is considering the other valuable discussion that took place at the roundtables.

Topics included New York Stock Exchange Rule 452, empty voting, over-voting, and shareholder communications. Although we are aware of the issues in each of these areas, I can't really say when we will be in a position to address them formally. I guess I would just ask that you stay tuned with regard to these and know that we are thinking about them. For further information about these, or any of the topics covered at the roundtables, I direct you to the Spotlight section of the SEC website, which includes a Spotlight on the roundtables.[19]

Finally, before leaving the area of proxy matters, I would like to give you a brief Rule 14a-8 report for the last proxy season. Our Rule 14a-8 taskforce, which was ably led by Tamara Brightwell and Ted Yu, received and responded to 356 no-action letter requests (compared to 370 for the same period last year). We use a September 30 year-end, so the current season is not over yet, but 356 is close to where I imagine we will end up. The most popular types of proposals overall appear to have been majority vote and "say on pay" proposals.[20]

In addition, we saw three AFSCME-type proposals. Hewlett-Packard submitted a no-action request concerning a proposal submitted by AFSCME, to which the staff answered saying that we took "no view" on the company's position that it could exclude the proposal.[21] The company included the proposal in its materials and, though the proposal did not pass, it did receive 43% of the vote. Another proposal was submitted to Reliant Energy and, though we initially received a no-action request, the proposal ultimately was withdrawn. We also received a no-action request concerning a third proposal, which was submitted to UnitedHealth Group, but that request also was withdrawn after the company decided to include the proposal in its proxy materials. The proposal received over 40% of the vote.

6. International Financial Reporting Standards

This is an area where we have made incredible strides since last February, when I described International Financial Reporting Standards, or IFRS, as "a big one." On March 6, the Commission hosted a day-long roundtable on IFRS, which focused particularly on acceptance of IFRS in foreign issuer filings with the SEC without a U.S. GAAP reconciliation.[22] The discussion consisted of three panels, broadly representing constituencies such as issuers, intermediaries, auditors and investors, and their legal counsel, who gave views, almost unanimously, that the time has come for the Commission to consider such acceptance.[23]

And that day has now come to pass. On June 20, the Commission voted to publish for comment a proposing release under which foreign private issuers that prepare financial statements in their SEC filings using IFRS, as published by the International Accounting Standards Board, would not be required to include a U.S. GAAP reconciliation.[24] If you're not familiar with IFRS, I commend this release to you, because it contains a good general discussion

of the Commission's and the staff's work with IFRS over the years, as well as a discussion of the reconciliation requirement and the Commission's considerations with respect to eliminating that requirement. Like all proposing releases, the release also contains the nuts and bolts of rule text changes that would implement the change.

A couple of matters to note on the release: first, the proposal relates solely to IFRS as published by the IASB, the international accounting standard setter in London. While different jurisdictions may have their own versions of IFRS, our acceptance of IFRS would be for the English language version of IFRS as published by the IASB. The second item to note is that the release asks a number of questions, not only with respect to the nuts and bolts but also with respect to the broader issue of whether the various conditions are right to accept IFRS as published by the IASB without a reconciliation − the process of convergence of IFRS and U.S. GAAP, whether IFRS is being faithfully and consistently applied, and various matters relating to the IASB are three important areas of inquiry. The comment period on the proposal closes on September 24, and I encourage all interested parties to provide us with your views.

Continuing with IFRS, as we have been talking about for over a year, in 2006 we saw a marked increase in the number of foreign issuers that used IFRS, either as published by the IASB or a jurisdictional variant, in their SEC filings. This was brought about mainly by jurisdictions such as the EU and Australia moving to or mandating the use of IFRS. In our filing reviews of issuers using IFRS, we issued our traditional comment letters to these first-time adopters. In this review effort, we were not seeking to interpret IFRS but, as we do with U.S. GAAP, we were seeking to help assure that issuers were fulfilling their responsibility in appropriately applying the accounting and reporting principles used.

At the same time that the Commission issued its proposing release, the staff published a short report on various observations on its review of IFRS financial statements of over 100 foreign issuers.[25] These observations are just that − various matters that the staff observed in its review. The report does not come to conclusions about the use of IFRS. In connection with those observations, we also posted on the website links to our review correspondence with first-time adopters.[26] So you don't have to search issuer-by-issuer for our IFRS comments, they are all right there. In this regard, of course, you have to remember that there will be at least a 45-day lag between the staff's completion of its review of a company and the release of the letters.

Last, but hardly least, in the area of IFRS is a concept release with respect to the possible use of IFRS by U.S. companies in their SEC filings, which was approved by the Commission on July 25.[27] Although this idea has not been developed as much as the use of IFRS by foreign private issuers, we have heard questions, such as at the roundtable in March, about whether if foreign private issuers are permitted to use IFRS in their SEC filings without a U.S. GAAP reconciliation, then perhaps shouldn't U.S. companies likewise have

this same option? Like all concept releases, this release asks broad questions about the extent and nature of the public's interest in allowing U.S. issuers to prepare financial statements in accordance with IFRS as published IASB. The comment period ends on November 13. Please give us your thoughts. This is one to keep your eye on. In particular, you may wish to watch the Spotlight on International Financial Reporting Standards "Roadmap" on the SEC's website for future developments.[28]

7. Interactive Data

As you all are no doubt very aware, a chief priority of Chairman Cox is maximizing the benefits of technology for investors, including through the use of interactive data. As I reported in February, eXtensible Business Reporting Language, or XBRL, is the primary technology environment that the Commission has focused on. In addition to developing and promoting a pilot program for voluntary filers using XBRL, we also have held a series of roundtables on the topic.[29] The most recent of these roundtables took place on March 19, and included a demonstration of how interactive data can be used to create better disclosure documents, as well as reports from some of our voluntary filers in the pilot program describing their initial efforts at tagging financial data. I was pleased to hear from these panelists that the process was not as costly or difficult as some might have imagined, and that it became easier as companies got further into it.[30]

Last December the SEC included on its website a prototype of an XBRL tool that allows investors to not only view XBRL data, but also graphics and issuer comparisons.[31] We currently are working on a second prototype that we hope to release in early fall that will feature enhanced graphics and an easy search function for individual investors. Like the first prototype, it will be available at no cost on our website. In addition, we are in the final planning stages of a new website that will show how XBRL can make it easier for investors to view and analyze executive compensation information. This "Executive Compensation Disclosure Viewer" will be accessible via a link on the SEC website. We are very excited about this new tool, and anticipate that it should be in investors' hands this year.

The Commission also has devoted resources to the development of expanded and more comprehensive U.S. GAAP taxonomies, which are dictionaries of accounting elements and their XBRL tags, which we expect can be used across all industry and business sectors to tag complete sets of financial statements. We believe these expanded taxonomies will be available for public testing and comment in the fall. In the meantime, existing, more basic taxonomies are being used today by participants in our voluntary filing program. There is still an opportunity for other companies to become acquainted with and begin using interactive data by joining in that program. We already have over three dozen companies, representing just under $2 trillion in market value, that are voluntarily submitting their reports with interactive data, and we would certainly welcome additional volunteers. The role that these volunteers have played, and continue to play, highlights the

invaluable contribution of the public sector in developing and putting into investors' hands the tool of XBRL.

The Division has been a key player in the Commission's work with XBRL and, looking forward, we are prepared for any rulemaking for XBRL implementation if that becomes appropriate. Right now, XBRL is being used strictly on a voluntary basis by filers in the pilot program. Today, these voluntary filers must also file in the traditional way. A next step could be to allow a company's voluntary XBRL filings to serve as its required 1934 Act filings. I cannot predict whether or when we may move in the direction of mandating use. However, I can say that I know that interactive data continues to be a key priority of the Chairman and of mine, and I hope that you will be seeing a lot more progress in this area in the near future. As Chairman Cox mentioned in his recent testimony before the Senate Banking, Housing and Urban Affairs Committee, 2008 will be the "no-go or go year" for the project.[32] As I've noted with regard to other topics today, I would suggest watching the Commission's Spotlight on this topic for future developments.[33]

8. PIPEs

A topic that I will touch on only briefly, but that was the topic of a good bit of discussion earlier in the year, is disclosure in so-called "private investment, public equity" or PIPEs offerings and whether the registered resale offering is, in substance, a primary offering by the issuer. This topic drew a lot of attention principally because of the staff's concerns with convertible securities where the securities are convertible into a large number of shares of common stock relative to the issuer's outstanding shares held by non-affiliates and where there is insufficient disclosure about the market impact and cost of these transactions. In these transactions, we are worried not only about disclosure − we also are concerned about the shelf registration system being used in circumstances not intended to be covered by those rules. Early in the year, our disclosure operations staff undertook a screening process to identify potential problematic transactions and since then has been seeking enhanced disclosure where appropriate.

The staff's response to these transactions initially drew attention due to the mistaken view that we were reconsidering our approach to PIPE transactions. I think that people now understand that the staff's view of PIPE transactions has not changed, but that we simply are addressing the situation where convertible note transactions are structured in an abusive manner. Despite our need to ensure that issuers properly register these transactions in a manner that provides the appropriate level of disclosure to the market, the staff is very much aware that PIPE transactions can be an important option for issuers that are not eligible to conduct primary offerings on Form S-3 or F-3 and often have few alternative means of private financing.

A new development on this front is our recent rulemaking efforts with regard smaller companies. This summer, the Commission published for comment a

rule proposal that would amend the eligibility requirements of Form S-3 (and Form F-3) to allow smaller issuers to conduct primary securities offerings on these forms without regard to the size of their public float or the rating of debt they are offering.[34] To do so, they would have to satisfy the other eligibility conditions of Form S-3 and not sell more than the equivalent of 20% of their public float in primary offerings on these forms over any 12-calendar months period.

In discussing its reasons for the proposal, the Commission noted that using Form S-3 would give issuers more control over the timing of their offerings, and thus enable these companies to take advantage of desirable market conditions. This, in turn, would allow these companies to raise capital on more favorable terms (such as pricing) and thus provide a "significant financing alternative to other widely available methods, such as private placements with shares usually priced at discounted values based in part on their relative illiquidity." Here, the Commission was specifically speaking to PIPEs. We will wait to hear what commenters say, but I think that the rule proposal could go a long way in giving smaller issuers some alternatives to PIPEs financing. I think we also may see some similar results from the proposals to shorten the holding periods associated with the use of Rule 144.[35]

9. Restatements and Item 4.02 of Form 8-K

As many of you know, Item 4.02 of Form 8-K currently requires that a company file a report within four business days of the triggering event of a decision that its past financial statements should no longer be relied upon. The rule does not specifically mention restatements and some may disagree about how to analyze the issue of relying on past financial statements that are about to be restated. Despite a staff FAQ on point,[36] some issuers continue to place that disclosure in a periodic report rather than filing a Form 8-K specifically to disclose a determination that investors should no longer rely upon past financial statements.

As part of an update to its prior restatement study, the Government Accountability Office looked into the phenomenon of so-called "stealth restatements" last year and issued a recommendation that the Division improve the consistency and transparency of information provided to investors in this area.[37] As I mentioned in February, more transparency could come by clarifying that a Form 8-K must be filed − rather than just including that disclosure in a periodic report − any time a determination is made that the public should not rely on previously filed financial statements; or, alternatively, transparency might be promoted by a rule that required the filing of a Form 8-K any time a company has determined to restate its financial statements.

We are still working through the issues on this one and, though I cannot report as much direct progress on this topic as on the other topics we've covered today, I can tell you that it is still on the agenda and I am hopeful

that we will be in a position to make a recommendation to the Commission.

10. Small Business Capital Raising and Private Offering Proposals

This endeavor was just a gleam in our eye last February when I laid out the Division's plans for 2007. Six months and six proposing releases later, I think I can fairly say that we've made a great deal of progress.

In May the Commission voted to publish for comment a package of six rule proposals impacting small business capital raising and private offerings. Though it took a little time, we've now published them all – 623 pages in all, dribbled out over the early summer months. I guess this means that we've made good on my February hint that you would be getting some summer reading from us, in the Division's proud tradition of Securities Offering Reform in the summer of 2005 and Executive Compensation Disclosure in the summer of 2006. Our suggestion box is open for the summer of 2008.

I will only briefly describe the proposals, so as not to ruin your beach reading. The first proposal, *Smaller Reporting Company Regulatory Relief and Simplification*,[38] would most importantly, expand eligibility for the Commission's scaled disclosure and reporting requirements for smaller companies by making the scaled requirements available to all companies with up to $75 million in public float, and also simplify the disclosure and reporting requirements for smaller companies, including by integrating current Regulation S-B disclosure requirements for smaller companies into the disclosure requirements of Regulation S-K.

Our second proposal, Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3,[39] would revise the eligibility requirements of those forms to allow companies that do not meet the current public float requirements of the forms to nevertheless register primary offerings of their securities, subject to a restriction on the amount of securities those companies may sell pursuant to the expanded eligibility standard in any one-year period. This proposal, as alluded to in my discussion of PIPEs transactions, is intended to allow eligible smaller public companies to benefit from the greater flexibility and efficiency in accessing the public securities markets afforded by Form S-3 and Form F-3.

Release three, with the perhaps dry, but very descriptive title — *Exemption of Compensatory Employee Stock Options from Registration under Section 12 (g) of the Securities Exchange Act of 1934*[40] — would provide an exemption for private non-reporting issuers from Exchange Act Section 12(g) registration for compensatory employee stock options issued under employee stock option plans. It also would provide an exemption from Section 12(g) registration for compensatory employee stock options issued by issuers that have registered under Section 12 of the Exchange Act the class of securities underlying the compensatory stock options.

Releases four and five both address Regulation D. In *Revisions of Limited*

Offering Exemptions in Regulation D[41] the Commission proposed a new exemption from the Securities Act registration provisions for offers and sales of securities to "large accredited investors," with respect to which the issuer could engage in limited advertising. The proposals also address the standards for qualifying as "accredited" investors under Regulation D, shorten the timing required by the integration safe harbor in Regulation D, and apply uniform disqualification provisions to all offerings seeking to rely on Regulation D. We also have taken the opportunity to provide some guidance regarding integration of concurrent public and private offerings.

In *Electronic Filing and Simplification of Form D*,[42] the Commission proposes to mandate the electronic filing of the information required by Form D, revise and update the Form D information requirements, and simplify and restructure Form D.

Finally, in our sixth proposal – *Revisions to Rule 144 and Rule 145 to Shorten Holding Period for Affiliates and Non-Affiliates*,[43] the Commission proposed amendments to Rule 144 that would shorten the holding period for restricted securities of reporting companies to six months and reintroduce "tolling" where the security holder is engaged in certain hedging transactions. The proposal also would substantially simplify compliance by allowing resale of restricted securities by non-affiliates of reporting companies after satisfying a six-month holding period (up to 12 months if there is hedging) and by non-affiliates of non-reporting companies after satisfying a 12-month holding period — with no additional requirements. With regard to Rule 145, the proposal would eliminate the presumptive underwriter provision except with regard to transactions involving blank check or shell companies and revise the resale provisions of Rule 145(d).

The comment period on each of these proposals generally will run for 60 days after publication in the Federal Register. Since they've come out gradually, you will have staggered due dates on each of these.

Finally, for those of you who listened to (or, more likely, read) my remarks carefully in February, you will recall that there was mention of "also examining how our rules apply to so-called 'voluntary filers' and whether further rulemaking or guidance in this area might be advisable." You didn't hear wrong – we are still examining this area so I'm still hopeful that you will see a seventh release in the coming months. No promises however.

11. Corporation Finance Website and More Interpretations

In February, I announced that the Division had initiated a project to redesign and reinvigorate the Corporation Finance web pages within the Commission's www.sec.gov website. When we were together in March, we gave you a live demonstration, as you recall. The initial stage consisted of adopting a new organizational structure that makes our web page more "intuitively navigable." For example, the website now lays out all of our staff guidance and interpretations along subject matter lines, which should make it easier

for public companies, their counsel and accountants, investors and others to quickly and easily see and find that guidance. More importantly, I am delighted to report that we have made significant progress in updating our guidance. If you visit the site, you will notice that we have posted updated guidance and interpretations on Items 201, 402, 403, 404, and 407 of Regulation S-K; Rule 144 under the Securities Act; Exchange Act Section 16 and its related rules and Forms; and the Trust Indenture Act of 1939.[44] To give you a sense of the magnitude of this project, these consist of 371 interpretations that span over 103 pages. And the progress is continuing. Just last week, we posted additional and revised interpretations on Items 402 and 404 of Regulation S-K, and we intend to publish Form 8-K interpretations in the near future, followed by interpretations on the remainder of Regulation S-K. I encourage you to visit the "What's New in the Division of Corporation Finance" page on our website to check for the latest events, developments and updates concerning the Division.[45] We will continue our efforts on this front in the hopes of ensuring that the Division's web pages serve as a useful resource to you and the investing public.

So that's an update on the 11 things I discussed in February. The Division is proud of the progress we've made, but there still is much to do. We're moving the ball forward on most of the fronts, and we are even adding a few things to our agenda as we go.

12. Oil and Gas

As some of you may know, an oil and gas company with exploration activities must provide disclosure about its reserves in its filings with us. It presents this information as unaudited information in the notes to its financial statements. The company capitalizes certain costs relating to the acquisition, exploration and development of oil and gas properties and presents them as assets in its balance sheet. The company provides other information regarding drilling and production operations elsewhere in its filings with us.

Reserves are often the most important asset of an oil and gas company and may be categorized as proved, probable or possible. Under our current rules, an oil and gas company is prohibited from disclosing any reserves other than proved reserves in a filing made with us because of concerns that other categories of reserves are too speculative and too uncertain of realization and, therefore, may be confusing to investors. Companies may, and generally do, include information regarding other categories of reserves in press releases and other reports and communications.

In order to classify reserves as proved, a company must be reasonably certain, based upon geological and engineering data, that it can economically recover them. Inherent in our application of the concept of reasonable certainty is the implication that, as more data becomes available, a company is more likely to revise its proved reserves upward than downward.

Under our current rules, a company determines its proved reserves based upon the results of production or flow testing from actual wells and appraisal

drilling. Several groups have encouraged us to allow companies to rely on new technologies in evaluating their reserves and identifying proved reserves.

We have not concluded that these technologies have been demonstrated to be routinely reliable for the attribution of proved reserves, although we did allow use of such technologies in calculating proved reserves in the Gulf of Mexico following a special project we undertook. Allowing use of such technologies would likely produce increased levels of proved reserves, but might decrease the reliability of the estimate.

The Division is in the process of bringing on board a Professional Engineering Fellow (an academic who will serve the academic year with us) to assist us in evaluating our current disclosure requirements. We also will, with the assistance of the Engineering Fellow, evaluate new technologies companies may use to evaluate current, and identify new, reserves. Based upon that evaluation, we will determine what recommendation we will make to the Commission, if any, about revisions to our current disclosure requirements.

13. Advisory Committee on Improvements to Financial Reporting

Another new item that I'd like to bring to your attention is the work of the Advisory Committee on Improvements to Financial Reporting, which was established in June by the Commission.[46] The Committee is comprised of 17 members and five official observers, and is chaired by Robert Pozen, Chairman of MFS Investment Management.

The Committee was formed to study the causes of financial reporting complexity and recommend to the Commission how to make financial reports clearer and more beneficial to investors, reduce the costs and unnecessary burden for preparers, and better utilize advances in technology to enhance all aspects of financial reporting. It will address specific topics such as the setting of financial accounting and reporting standards, the process of regulating compliance with accounting and reporting standards, and other factors that drive unnecessary complexity and reduce transparency to investors. The Committee also will evaluate the costs and benefits of current accounting and reporting standards, and the effects of the growing use of international accounting standards. We have set up a Spotlight on the SEC website where you can find more information about the Committee and its work.[47]

The Committee held its first public meeting on August 2, at the SEC headquarters in Washington, D.C. The purpose of the meeting was for the Committee to introduce itself and begin the discussion of the issues that it will be examining and upon which it will be making recommendations. These recommendations, which are due in August 2008, are likely to involve suggested Commission rulemaking. I think that it is possible though, that we may get a sense of some of the Committee's potential recommendations before that time, in the form of interim recommendations. This is an important project, and I am looking forward to seeing what the Committee finds over the next year.

14. Mutual recognition

One last area I'd like to mention is an important Commission initiative that could have a profound impact on the U.S. market − mutual recognition. On June 12, the Commission held a roundtable discussion[48] that examined how investors and other market participants may be impacted by a selective mutual recognition regulatory regime, under which foreign markets or foreign brokers or both may be permitted to operate in the United States without registering with the Commission. This initiative raises important issues with respect to corporate disclosure, accounting, and governance, and perhaps even Exchange Act registration, relating to the securities of foreign companies that may be made available to U.S. investors under differing types of mutual recognition regimes.

In closing, I hope that I've given you some insight into where the Division of Corporation Finance has been focusing its energies over the past six months, and where we see ourselves going in the latter half of the year. As you all know, I feel very strongly that transparency is key not only for those we regulate, but also, and just as importantly, for us at the SEC.

Thank you for inviting me to speak with you today.

Endnotes

[1] "The Promise of Transparency − Corporation Finance in 2007," John W. White, Director, Division of Corporation Finance, U.S. Securities and Exchange Commission, February 23, 2007, available at http://www.sec.gov/news/speech/2007/spch022307jww.htm.

[2] SEC Release No. 34-55540, "Termination of a Foreign Private Issuer's Registration of a Class of Securities under Section 12(g) and Duty to File Reports under Section 13(a) or 15(d) of the Securities Exchange Act of 1934," March 27, 2007, available at http://www.sec.gov/rules/final/2007/34-55540.pdf.

[3] SEC Release No. 34-55005, "Termination of a Foreign Private Issuer's Registration of a Class of Securities under Section 12(g) and Duty to File Reports under Section 13(a) or 15(d) of the Securities Exchange Act of 1934," December 22, 2006, available at http://www.sec.gov/rules/proposed/2006/34-55005.pdf.

[4] This number does not include Form 15F filings by companies that have previously filed Form 15s and withdrawn from registration.

[5] *See* SEC Press Release 2006-75, "SEC Announces Next Steps for Sarbanes-Oxley Implementation," May 17, 2006, available at http://www.sec.gov/news/press/2006/2006-75.htm; PCAOB Press Release, "Board Announces Four-Point Plan to Improve Implementation of Internal Control Reporting Requirements," May 17, 2006, available at http://www.pcaob.com/News_and_Events/News/2006/05-17.aspx. *See also*, SEC Spotlight on: Internal Control Reporting Provisions, available at http://www.sec.gov/spotlight/soxcomp.htm.

[6] SEC Release No. 33-8810, "Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting Under Section 13(a) or 15 (d) of the Securities Exchange Act of 1934," June 20, 2007, available at http://www.sec.gov/rules/interp/2007/33-8810.pdf.

[7] SEC Release No. 33-8809, "Amendments to Rules Regarding Management's Report on Internal Control Over Financial Reporting," June 20, 2007, available at http://www.sec.gov/rules/final/2007/33-8809.pdf.

[8] SEC Release No. 33-8811, "Definition of a Significant Deficiency," June 20, 2007, available at http://www.sec.gov/rules/proposed/2007/33-8811.pdf; SEC Release No. 33-8829, "Definition of the Term Significant Deficiency," August 3, 2007, available at http://www.sec.gov/rules/final/2007/33-8829.pdf.

[9] SEC Release No. 34-56152, "Public Company Accounting Oversight Board; Order Approving Proposed Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements, a Related Independence Rule, and Conforming Amendments," July 27, 2007, available at http://www.sec.gov/rules/pcaob/2007/34-56152.pdf.

[10] *See* SEC Release No. 33-8760, "Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies," December 15, 2006, available at http://www.sec.gov/rules/final/2006/33-8760.pdf.

[11] SEC Release No. 34-56135, "Shareholder Choice Regarding Proxy Materials," July 26, 2007, available at http://www.sec.gov/rules/final/2007/34-56135.pdf.

[12] *See* SEC Release No. 34-55146, "Internet Availability of Proxy Materials," January 22, 2007, available at http://www.sec.gov/rules/final/2007/34-55146.pdf.

[13] SEC Release No. 33-8732A, "Executive Compensation and Related Person

Disclosure (conforming amendments)," August 29, 2006, available at http://www.sec.gov/rules/final/2006/33-8732a.pdf.

[14] *See* Division of Corporation Finance Compliance and Disclosure Interpretations, available at http://www.sec.gov/divisions/corpfin/cfguidance.shtml#regs-k403.

[15] *See* SEC Press Release 2007-71, "SEC Announces Roundtable Discussions Regarding Proxy Process," April 24, 2007, available at http://www.sec.gov/news/press/2007/2007-71.htm; SEC Press Release 2007-86, "SEC Announces Agenda and Panelists for Federal Proxy Rules and State Corporation Law Roundtable," May 4, 2007, available at http://www.sec.gov/news/press/2007/2007-86.htm; SEC Press Release 2007-99, "SEC Announces Agendas and Panelists for Final Roundtables on the Proxy Process," May 23, 2007, available at http://www.sec.gov/news/press/2007/2007-99.htm. *See also*, SEC Spotlight on: Roundtable Discussions Regarding the Proxy Process, available at http://www.sec.gov/spotlight/proxyprocess.htm, for archived webcasts, unofficial roundtable transcripts, and other materials.

[16] SEC Release No. 34-56160, "Shareholder Proposals," July 27, 2007, available at http://www.sec.gov/rules/proposed/2007/34-56160.pdf; SEC Release No. 34-56161, "Shareholder Proposals Relating to the Election of Directors," July 27, 2007, available at http://www.sec.gov/rules/proposed/2007/34-56161.pdf.

[17] *American Federation of State, County & Municipal Employees, Employees Pension Plan v. American International Group, Inc.*, 462 F.3d 121 (2d Cir. 2006).

[18] *The State of the Securities Markets*, Hearing before the *U.S. Senate Committee on Banking, Housing, and Urban Affairs*, July 31, 2007. Archived webcast and prepared statements available at http://banking.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=274.

[19] *See* SEC Spotlight on: Roundtable Discussions Regarding the Proxy Process, available at http://www.sec.gov/spotlight/proxyprocess.htm.

[20] *See* Institutional Shareholder Services "Knowledge Center - 2007 Proxy Season Watchlist," available at http://www.issproxy.com/knowledge_center/proxy_season_watchlist/index.html.

[21] Hewlett-Packard Company (January 22, 2007), available at http://www.sec.gov/divisions/corpfin/cf-noaction/2007/hp012207-14a-8.htm.

[22] *See* SEC Press Release 2007-19, "SEC Staff Roundtable on International Financial Reporting Standards 'Roadmap' Set for March 6," February 13, 2007, available at http://www.sec.gov/news/press/2007/2007-19.htm; SEC Press Release 2007-30, "SEC Staff Announce Panelists for March 6th Roundtable on International Financial Reporting Standards 'Roadmap,'" March 2, 2007, available at http://www.sec.gov/news/press/2007/2007-30.htm. *See also*, SEC Spotlight on: International Financial Reporting Standards "Roadmap," available at http://www.sec.gov/spotlight/ifrsroadmap.htm for the archived webcast, unofficial roundtable transcript, and other materials.

[23] *See* Unofficial Transcript of International Financial Reporting Standards "Roadmap" Roundtable, March 6, 2007, available at http://www.sec.gov/spotlight/ifrsroadmap/ifrsroadmap-transcript.txt.

[24] SEC Release No. 33-8818, "Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP," July 2, 2007, available at http://www.sec.gov/rules/proposed/2007/33-8818.pdf.

[25] "Staff Observations in the Review of IFRS Financial Statements," July 2, 2007, available at http://www.sec.gov/divisions/corpfin/ifrs_staffobservations.htm.

[26] "Staff Comments on Annual Reports Containing Financial Statements Prepared for the First Time on the Basis of International Financial Reporting Standards," available at http://www.sec.gov/divisions/corpfin/ifrs_reviews.htm.

[27] SEC Release No. 33-8831, "Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards," August 7, 2007, available at http://www.sec.gov/rules/concept/2007/33-8831.pdf.

[28] *See* SEC Spotlight on: International Financial Reporting Standards "Roadmap," available at http://www.sec.gov/spotlight/ifrsroadmap.htm.

[29] *See* SEC Press Release 2006-34, "Commission Announces Roundtable Series on Giving Investors and Analysts Better Financial Data via Internet," March 9, 2006, available at http://www.sec.gov/news/press/2006-34.htm. *See also*, SEC Spotlight on: Interactive Data and XBRL Initiatives, available at http://www.sec.gov/spotlight/xbrl.htm, for archived webcasts, unofficial roundtable transcripts, and other materials.

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[31] Interactive Financial Report Viewer, available at http://www.sec.gov/spotlight/xbrl/xbrlwebapp.htm.

[32] *The State of the Securities Markets*, Hearing before the *U.S. Senate Committee on Banking, Housing, and Urban Affairs,* July 31, 2007. Archived webcast and prepared statements available at http://banking.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=274.

[33] *See* SEC Spotlight on: Tagged Data and XBRL Initiatives, available at http://www.sec.gov/spotlight/xbrl.htm.

[34] *See* SEC Release No. 33-8812, "Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3," June 20, 2007, available at http://www.sec.gov/rules/proposed/2007/33-8812.pdf.

[35] *See* SEC Release No. 33-8813, "Revisions to Rule 144 and Rule 145 to Shorten Holding Period for Affiliates and Non-Affiliates," June 22, 2007, available at http://www.sec.gov/rules/proposed/2007/33-8813.pdf.

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[42] SEC Release No. 33-8814, "Electronic Filing and Simplification of Form D," June 29, 2007, available at http://www.sec.gov/rules/proposed/2007/33-8814.pdf.

[43] SEC Release No. 33-8813, "Revisions to Rule 144 and Rule 145 to Shorten Holding Period for Affiliates and Non-Affiliates," June 22, 2007, available at http://www.sec.gov/rules/proposed/2007/33-8813.pdf.

[44] *See* Division of Corporation Finance Compliance and Disclosure Interpretations, available at http://www.sec.gov/divisions/corpfin/cfguidance.shtml.

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[46] *See* SEC Press Release 2007-123, "SEC Establishes Advisory Committee to Make U.S. Financial Reporting System More User-Friendly for Investors," June 27, 2007, available at http://www.sec.gov/news/press/2007/2007-123.htm; SEC Press Release 2007-154, "SEC Chairman Cox Announces Members of Advisory Committee on Improvements to Financial Reporting," July 31, 2007, available at http://www.sec.gov/news/press/2007/2007-154.htm.

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