

THE CORPORATE GOVERNANCE ALLIANCE DIGEST

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www.corporategovernancealliance.com

Published by: Eleanor Bloxham and John M. Nash, advisors in value creation and corporate governance. Ms. Bloxham is Founder and President of The Value Alliance. Mr. Nash is Founder and President Emeritus of the National Association of Corporate Directors.

A listing of abbreviations is available at the end of the digest.

This edition of the DIGEST has 5 major sections:

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- II. COMPENSATION TRENDS & ISSUES
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- IV. SHAREHOLDER, EMPLOYEE, AND CUSTOMER RELATIONS
- V. OTHER REGULATORY AND LEGAL UPDATES

I. BOARDS: NOMINATIONS, SUCCESSION, COMPOSITION, CONFLICTS

TIAA-CREF is in discussions with 50 companies for board independence issues – and notes: "Every one of those

companies has an executive compensation problem." TIAA-CREF is focusing on executive pay as it is a "window in the world of the company's governance policies, and lets you see how they deal with other sensitive issues." (NYT 3/7, The Corporate Board Mar-Apr)

It is expected that 100s of no votes will be made against audit committee candidates this year related to their approval of non audit work for auditing firms. At HP, CalPERs voted against ratifying E& Y and withheld its votes for H-P directors. It has similar plans at Genentech and Eli Lilly. In all 3 cases, other director conflicts were noted as well. (WSJ 3/11, 3/31, CFO 4/9)

25% of US, 60% of Canadian, and nearly 95% of British companies have one person lead management and another run the board of directors, There are 50 shareholder resolutions this year related to doing that. (WP 3/14)

The board of BofA funds must step down as a result of regulators investigations. In 2002, the fund trustees approved the establishment of a 2% penalty to be levied on investors who redeem fund shares within 90 days of purchase. However, the board was also told bank officials planned to make an exemption in the redemption-fee rule for an unidentified market timer. It is believed the board didn't question the exemption and approved the redemption fee knowing it wouldn't apply to all shareholders (NYT, USA, WP, WSJ 3/16)

Sovereign Asset Mngt which owns nearly 15% of SK Corp, South Korea's oil refiner, called for the resignation of the chair Chey Tae-won, who has returned to the company after 7 months in jail related to his accounting fraud conviction. (FT 3/16)

As part of the governance changes at MCI, Nicholas Katzenbach, former US attorney general, was named MCI's non-executive chair. The president of MCI resigned and Michael Capellas took on the title CEO and President. (FT 3/18)

IL along with pension funds in CT, NY and CA. among others, plan to withhold votes for re-election from Safeway CEO Burd, director Tauscher (who heads the compensation committee and served as chief executive of MainStreet USA Corp., venture that got investment money from Safeway, and was compensated for consulting in 2000) and director MacDonnell (a retired partner of KKR who serves on the compensation and audit committees; 4 of 9 directors have KKR ties: KKR conducted a leveraged buyout of the company in 1986). CalPERs cited shareholder losses of \$20 b, Safeway board ignoring a majority shareholder vote in 2003 to expense stock options; MacDonnell and Tauscher sit on the audit committee, which allowed the external auditor (D & T) to perform non-audit work. Calpers will also vote against ratifying D&T as the auditor. (WSJ 3/25, FT 4/5, WP 4/7, CFO 4/9)

Major mutual fund companies are the biggest shareholders of Freddie Mac, including Capital Research and Management Company, investment adviser to the American Funds Group, Putnam Investment Management and Fidelity Management and Research. There are no plans to withhold votes from directors. (NYT 3/28)

Glass, Lewis recommended that investors withhold votes for 3 directors of PeopleSoft citing the company's executive compensation and an unusual customer-rebate program aimed at fending off a hostile bid from Oracle Corp. 5% withheld. (WSJ 3/31)

30% of VailResorts shareholders withheld votes for the chair and other board nominees in January. (WSJ 3/31)

Sherman, CEO of Private Capital Management, which owns nearly 10% of CB Bancshare's stock, plans to withhold his votes in frustration over the bank's failure to actively engage in merger talks with Central Pacific Financial. (WSJ 3/31)

The board of Eurotunnel will be replaced after 63% of shareholders voted in favor of a new slate. (NYT 4/7, USA 4/8)

Franklin Raines of Fannie Mae will become either chair or CEO but not both under new corporate governance guidelines mandated by OFHEO for 2007. OFHEO has proposed guidelines for both Fannie and Freddie that would separate the CEO and chair duties, impose 10-year limits on company directors, an age limit of 72, a rotation of audit partners every five years a requirement that boards "remain informed of the companies' growth plans and resources to manage risks", and if Fannie or Freddie were required to restate accounting results because of "material non-compliance . . . as a result of misconduct", a mandate that the CEO and CFO would have to reimburse the enterprise any compensation tied to those results (FT, NYT, WSJ 4/8)

ISS recommended Coke investors withhold support from audit committee member Warren Buffett because he is an affiliated director with subsidiaries of Berkshire, such as International Dairy Queen Inc. and FlightSafety International Inc., doing business with Coke. The Coke board has been faulted for lack of succession plans. (WSJ 4/9)

ISS recommended that shareholders withhold support for Linda Koch Lorimer, a director since 1993, who is the only Sprint director up for election -- because of Sprint Chair and CEO Gary Forsee's high compensation and the process of nominating board members "appears to be less than independent and partly driven by CEO connections." (WSJ 4/9)

II. COMPENSATION TRENDS AND ISSUES

Of 57 companies that have reported, CEOs base rose 8.3%, bonuses 13% and the median value of stock options 53%. (NYT 3/7)

An Aon study of 181 companies with at least \$1 billion in revenue found that the median and average restricted stock awards for CEOs were up 97% and 40% to \$891k/ \$2.3 m respectively; the median and average long-term incentive plan payout was up 53%/63% to \$732k/\$1.9 m respectively. Some companies still do not disclose the performance basis for their awards: Dow, Black and Decker. Others do: Verizon. (WP 4/7)

More than 30% of companies reported personal use of planes by at least one senior executive in 2002, up from 10% in 1993. A new NYU study of 237 large companies shows that companies shares drop 2% on such disclosure and those companies underperform their market benchmarks by more than 4%. (NYT 4/11)

In BW's Executive Pay Scoreboard CEOs saw their average salary, bonus, and long-term compensation increase 9.1% last year, to \$8.1m. Some CEOs had big paychecks as they cashed in options that were about to expire last year. Example: United Technology's George David, made \$70.5m last year. Reuben Mark at Colgate made \$141m based on options designed to pay off only if Colgate stock increased 80%. (BW 4/19)

The SEC is looking into whether some companies (primarily in the high tech sector) have been granting stock options to executives just before releasing positive information that boosts stock price, having the effect of understating executives' compensation when the options or other stock-based compensation are eventually disclosed to shareholders. (WSJ 3/30)

SPECIFIC PAY PACKAGES

The SEC and Shell's audit committee are probing the extent to which Shell tied bonuses awarded to executives to the booking of oil and natural-gas reserves by the company (which some say ranged from almost nothing to 15% of some bonuses last year). (WSJ 3/11)

MBNA's board said that its compensation committee will reduce total compensation of the top 9 executives by 22% from 2003 to 2004, pending achievement of certain financial goals, bringing the reduction in their compensation to 44% from 2002 to 2004. The top 6 executives received a total of \$150m in 2002. The board responding to the corporate governance environment challenged the former CEO Charles Cawley's suggestions on executive pay. He has retired. Since then, the board and new CEO Bruce Hammond have cancelled an annual million dollar executive retreat, and sold jets, buildings, boats and artwork worth over \$140 m. The reductions, however, had little impact on the former CEO's pay package. The board, approved a \$45m pay package for him in 2003 (\$7.5 m cash vs \$6 m in 2002; \$27.3 m in restricted stock vs \$20 m in 2002', and 1.5 m options (vs 3 m) with an estimated value of \$10.2 m. (NYT 3/7, 3/16)

In 2003, Edward Whitacre, Chair and CEO, of SBC received almost double his 2002 pay: \$19.5m (vs. \$10.1 m) in salary, bonus, long-term incentive pay, restricted stock and other compensation. SBC's stock was down 4% in 2003 and 4,000 SBC employees lost their jobs. (NYT 3/7)

Facing criminal charges for his role in approving a €5m bonus for Klaus Esser, Josef Ackermann, CEO of Deutsche Bank, received a remuneration package worth more than €11m (\$13.7m) last year, a rise of about 60%, the largest reported by a German CEO is likely to risk shareholder and public anger. (FT 3/8)

James Miller, former head of U.S. Foodservice, a division of Ahold, is suing the company for \$10m, saying the company threatened to terminate a package of benefits, including medical coverage for his ex-wife and access to the company airplane. Miller says he had nothing to do with the accounting problems at US Foodservice and agreed to resign only after obtaining assurances that, despite the scandal, the company would provide the severance benefits outlined in his contract. (WP 3/8)

Ken Langone believes the pay package to Richard Grasso was justified: Grasso was running "the fountainhead of capitalism in America." What Langone finds disturbing is that when the issue of the pay package grew, a majority of the exchange's 24 directors called for Grasso's resignation, despite the objections of Langone and 6 other directors. "I was very disappointed by the lack of courage and character that I saw on the board," he said. "Weren't they all leaders?" In 2001, Mr. Grasso was paid \$31 million, almost 2x the figure generated by the benchmark median pay of other Wall Street executives. The biggest concern for NYSE directors may be that while "business judgment shields a director from liability when he can prove that he exercised due care in making a decision," it may not protect when a formula that is established is not used. (NYT 3/14)

In 2003, John Tyson, chair and CEO of Tyson received \$20.9 m in compensation and 1.2 m stock options (vs. \$7.6 m and 200k options in 2002). Tyson's stock rose 18% and 650 employees were fired; 6,000 will be laid off. (NYT 3/7) The SEC is conducting a formal investigation of disclosures concerning perks provided to company officers, including CEO, John Tyson and Don Tyson, the former chair. Tyson family members make millions leasing office space, aircraft and farms to the company. According to the most recent proxy, Don Tyson sold \$6.5 m of chickens to Tyson Foods in fiscal 2003. John Tyson sold \$1.6 m of chickens to the company in fiscal 2003, but the company has since banned this type of transaction with its executives. (FT, NYT, WSJ 3/30)

Juniper's two member compensation committee venture capitalists Vinod Khosla and William Stensrud have instituted a requirement for CEO Scott Kriens and other executives to get a bonus: make an acquisition. Analysts and shareholder advocates warn such provisions could cause ill-considered acquisitions. (WSJ 4/6)

AIG's compensation committee will consider one or more performance measures when setting Maurice Greenberg's pay: return on equity; net income and increases in net income over

prior years; earnings and book value per share; stock price performance; combined loss and expense ratio; and expansion of geographic and product markets. Mr Greenberg was paid \$1m in salary and \$6.5m in bonuses in 2003. (FT 4/6)

III. AUDIT COMMITTEE ALERTS

60% of CFOs think corporate governance reforms have gone too far. (FT 3/8)

Fair representation? "Finance departments in companies with a calendar year-end often spend the 2 months between Halloween and New Year's Eve frantically ducking check requests, dumping inventory, and chasing collections. The goal: a pretty cash-flow picture on December 31...such window dressing can be misleading." One way to boost cash flow is to decrease net working capital. A CFO magazine review of sales adjusted quarterly working-capital numbers, by London-based REL Consultancy Group, shows across 20 industries, net working capital (NWC) drops dramatically in the last quarter of the fiscal year, only to go back up once the annual report has gone to press: 3rd to 4th qtr of 2000, NWC decreased an avg of 6.7% and then increased 7.9% in the 1st qtr of 2001, a 4.8% reduction at the end of 2001 was offset by a 6.6% first-quarter 2002 increase, decreasing by 4.8% at the end of 2002, and rising 5.2% in the first quarter of 2003. The patterns seem to be holding again this year. (CFO 3/8)

In a September 2003 survey conducted by CFO Research Services and funded by UPS Consulting, 68% of 247 top financial executives said their companies were not able to make major changes to their supply chains when such moves were needed and 38% said their corporations were sitting on "too much unmanaged supplier risk." Risk issue: according to insurance underwriters and brokers, the location of prominent U.S. companies abroad can incite violence and "If your company is associated with the U.S., your risk goes up significantly" Risk assessment may be difficult but should extend to the supplier's own foreign political risks. 4 vulnerabilities to look at: one supplier, geographic

diversification, custom designs, and tight timeframes. (CFO 3/11)

Do white collar crime prosecutions deter crime? Despite wanting to do the right thing, some executives also may not "want to be the chump" and may be influenced by their view of what others are doing. It may take a court case or media attention before the seriousness is understood. (NYT 3/14)

Fair representation? Corporate results may not really represent as rosy a financial condition as one might think. In 2003, currency translations contributed almost 2.25% of the 9% sales growth at S and P 500 companies. For some companies, it contributed to half of all sales growth. Lower tax rates also boosted earnings. Earnings would have been reduced by 8.6% at Boeing and 6.1% at Disney without the favorable foreign tax treatment. (NYT 3/14/)

FASB has proposed guidelines, open for comment, that would specify how companies record the reduction in future postretirement benefit costs they expect to receive under the Medicare bill, amortizing the effects of the change into earnings statements over the average working life of their employees. (WSJ 3/15)

Cutting retirees' future health-care benefits lets companies reduce a liability and generate an immediate accounting gain.. Some companies let it sit on the books like a cookie jar, from which a company takes a piece each year to help it meet its earnings targets. (WSJ 3/16)

The European Commission plans to recommend auditing proposals that mirror Sarbanes-Oxley including a registration requirement that includes non EU auditors of listed companies, establishing oversight boards in each EU member state and an EU-wide audit regulatory committee, requiring companies to set up an independent audit committee, and explain and dismissal of an auditor. (The EU has already agreed to require international accounting standards for listed companies and let countries choose between 2 options: rotation of the lead audit partner on an account every 5 years; or rotate the

whole audit firm every 7 years.) (FT, USA 3/15)

Beginning in 2005, about 7000 companies in the EU (all companies that trade publicly in the 15-nation bloc) must start using IASB international standards, as opposed to their current national rules. The mark to market rules for banks and insurers are still under review and the IASB will set up to working groups to study the rules disputed by the EU. HSBC, Europe's biggest bank, however has said it will adopt the standards for derivatives even if the EU rejects them. As part of ongoing convergence, IASB plans to adopt rules that eliminate pooling of interests accounting and eliminates goodwill amortization (and replaces it with an annual test that would lower it as required). The EU also will allow banks and investment firms in Europe to allow share trading, which is currently restricted in France, Italy, and Spain – and require increased disclosure by companies to make it easier for investors to invest outside their home country. (FT, WSJ 3/31)

FASB has proposed a plan to expense stock options. For public companies, options would be recognized as an expense on the date they are granted to employees, based on their estimated values at that time. Nonpublic companies would be required to treat option pay as an expense, but they would be allowed to adjust the amount on a quarterly basis until the options expire or are exercised. In addition under the new rules, to the extent that the tax-deductible amounts exceed the compensation cost that the company originally recognizes for accounting purposes at the options' grant date, the tax benefits would have to be recorded as cash flow from financing activities, rather than operating activities. Two valuation methods proposed include Black-Scholes and the binomial. Unlike Black-Scholes which uses a fixed term and may overstate the value of employee stock options, the binomial divides the time from the option's grant date to the expiration date into small increments, taking into account how changes in price over the term of the option would affect the employee's exercise practice during each interval and has the flexibility to adjust for factors as forfeiture restrictions. (CFO 3/31, NYT, WSJ 4/1)

From the IRS a new proposed form, known as Schedule M-3, would force corporate taxpayers with assets of more than \$10 m to disclose information about the difference between financial accounting and taxable income, and reconcile net income or loss in the income statement to taxable income. (CFO 4/8)

AUDITORS and AUDIT FEES

87% of 31 public companies in NC and SC have experienced a rise in their audit fees, according to the *Charlotte Business Journal*. The figure would be 93% if two companies with lower acquisition activity were excluded. The average increase: 23%. For one company, the increase was 127%. (CFO 3/25)

The proxies of 21 of the 30 Dow companies show audit fees were up 18% from a year earlier, fees for evaluation of internal controls were up 17% while total fees (including tax and consulting work) were down 11%. (WSJ 3/31)

The OCC charged Grant Thornton with failing to spot fraud at Keystone, a West Virginia bank that collapsed in 1999. (FT 3/8)

A 3-judge panel of the U.S. First Circuit Court of Appeals unanimously upheld Judge Saris's December ruling that KPMG-Belgium stop its suit of plaintiffs in Belgium and turn over audit documents from its audits of Lernout related to a securities fraud dispute in which KPMG-Belgium is accused of knowing about accounting fraud at Lernout when they approved its financial statements.. KPMG-US has already turned over documents but can't compel KPMG-Belgium to do so as each firm acts independently in this regard. (WSJ 3/15)

A federal district judge threw out a lawsuit by a former client who accused KPMG of fraudulently selling him an unsafe income-tax shelter. The plaintiff plans to go to state court. (WSJ 3/15)

Because it must pass judgment on a questionable tax shelter it devised, Massachusetts and 13 other US states say KPMG can't be independent and have asked a bankruptcy court to

disqualify KPMG from being WorldCom's independent auditor. (FT 3/18)

In the Mannesmann trial, KPMG was questioned related to evidence that it had serious concerns about the bonus awards. KPMG said their primary main concern had been the proposal by Joachim Funk that he should himself have received a bonus, and the subsequent failure of non-executive directors to observe proper processes in approving the bonuses (FT 3/18)

ACCOUNTING AND CONTROL ISSUES

French prosecutors are formally investigating the activities of the head of Deutsche Bank's equity business and Vivendi's treasurer and assistant treasurer to determine whether Vivendi exceeded the 10% limit in its stock repurchases, which created financial difficulties for the firm (FT 3/30)

Former director Dennis Coyle testified that 3 weeks before the disclosure of off-balance-sheet debt triggered an accounting scandal at Adelphia, the company's board held a 5 day meeting in Cancun, Mexico that included directors' spouses and free recreation. Questions have been raised about the timing of the disclosures and who knew what when. (WSJ 3/11)

In the securities fraud trial of 4 former Qwest executives, a customer testified that he felt pressured to order equipment earlier than it was needed. The 4 executives are accused of pressuring the client to meet their revenue target for the second quarter of 2001 "because other transactions weren't expected to close by the quarter's end". (WSJ 3/11)

John Stewart, the new CEO at NAB, praised whistleblowers who reported questionable activities that led investigators to discover about \$260m in potential foreign-currency-options losses. The losses, hidden by traders, were motivated by a desire to meet profit targets and gain bonus payouts. Not only was NAB's risk management system generally inadequate, operational cycles for checks allowed traders to cover their tracks. (WSJ 3/15)

Self-insurance liabilities can in fact be a critical accounting policy. Goodyear will restate financial results for 1999 through 2003, reducing \$16m from operating earnings shareholders' equity by \$23 m as of Sept. 30, because of an understatement in workers' compensation-claims accruals at a single U.S. plant. (WSJ 3/15)

Netlease, a US listed Chinese company, said the SEC will likely pursue a lawsuit against it for past revenue accounting issues. (FT 3/16)

BofA and several former executives are likely to be charged by Italian prosecutors with market rigging related to Parmalat. (FT 3/18)

57% of HP's shareholders voted in favor of a proposal for the firm to expense its stock options. If it had over the past 3 years, its combined profits would appear to be \$212m, rather than the \$2,500m it actually reported. Massachusetts employees' state pension fund, has been working on the stock option expensing issue – and was successful in 26 companies last year. (FT 3/18)

The SEC has pressed civil charges and a federal grand jury has indicted former McKeeseon CFO Hawkins for backdating a \$20m software sale by one month to meet a quarterly earnings target. (NYT, WSJ 3/31)

The SEC is formally investigating Aimco's restatement of net rental income. Aimco's total net rental income for Jul-Sept 2003 had been \$265.2 m, not \$267.2 m, and the average rent per unit was \$702 a month, not \$707. (WSJ 3/31)

While Nortel's audit committee completes "an independent review" associated with the delay of its annual report and the timing of certain sales and costs, it placed its CFO and controller on paid leave. (FT, NYT 3/15) The SEC opened up a formal investigation into Nortel's accounting. Under examination are "certain accruals and provisions". (FT, WSJ 4/6)

Fannie Mae's accounting came under fire for two reasons: one, the use of derivatives to smooth losses due to

prepays when mortgage rates drop and two, the potential that its manufactured housing securities are more impaired than currently reflected. (WSJ 4/6)

The former CFO of CA and two other high ranking financial executives have pleaded guilty to federal criminal charges saying accounting fraud was pervasive at the company as it tried to make quarterly earnings numbers, keeping the books open after the end of a quarter, allowing extra revenue to be booked if it looked as if the company would fall short of projections. The SEC said the company booked sales contract revenue in the wrong quarters (more than \$1 b in revenue from 95 contracts in the fiscal year ended March 31, 2000). (WSJ 4/8)

Shell has reassigned Frank Coopman -- the chief financial officer of Shell's "upstream" businesses since 2002 – which were almost solely responsible for booking Shell's reserves. Simon Henry head of group investor relations will replace him. (FT, WSJ 4/8)

Related to the General Mill's U.S. retail division, the SEC is focusing on "loading" — the use of discounts or other promotional programs to encourage retailers and wholesalers to increase their purchases of products. how well the company disclosed its practice of loading at the end of fiscal quarters to help meet internal sales targets, the impact of loading on current and future results of operations, and a misstatement of its policy on product returns. (CFO 4/8)

While the Sarbanes-Oxley Act required employers to provide an anonymous hot line for employees to raise concerns without fear of retaliation, the person on the other end of the phone is often an employee of the firm. When approached by a third party with information about wrongdoing, senior execs of BNP Paribas failed to promise to shield employees who came forward. The bank is now under investigation by prosecutors. \$4m is unaccounted for in the bank's asset workout group. (NYT 4/6)

IV. CUSTOMER, EMPLOYEE, AND SHAREHOLDER RELATIONS

CUSTOMERS

Elliot Spitzer has served notice on RBC following a report by FT that the bank deliberately held onto client overpayments. Two examples: the funds of Demirbank and Franklin Templeton. It is believed other banks have engaged in this practice holding onto perhaps hundreds of millions of dollars. It is unclear what the UK's FSA which has been studying the matter since last year intends to do. (FT 3/26)

EMPLOYEES

Proposals are making their way through Congress to extend retraining aid to displaced service industry workers as well as those in manufacturing. The Information Technology Industry Council which includes IBM and Microsoft support the proposals. (WSJ 3/11)

SHAREHOLDERS

State pension funds own 8% of the US stock market. (FT 3/8),

The AIMR is seeking comment on a set of nonbonding "best practices" guidelines proposed by AIMR and NIRI and designed to improve the integrity of stock research. (WSJ 3/11)

To show its seriousness about mutual-fund ethics, MFS has stopped paying brokers in "soft dollars" (brokerage commissions used to pay for research and other services). MFS wants an execution only price and will demand brokerage firms break out research and distribution costs from the commissions they charge. (NYT,WSJ 3/15)

Six pension plans including CASTRS and CT requesting a meeting with the full board of Disney. (WSJ 3/23)

The SEC and the NYSE announced a \$241.8 m agreement with 5 specialist firms that trade stocks on the NYSE floor to settle allegations that the firms made profits for themselves at the expense of investors. 2 of the firms removed 11 employees from trading on the floor based on their potential involvement, and individual employees

CALPers and CII said it signaled a need for separation of the regulatory and business functions of the exchange. (FT, NYT, USA, WP, WSJ 3/31)

SOX requires companies to publish their policies on directors' attendance at annual meetings. Morgan Stanley, Dana and Johnson Controls have adopted policies requiring attendance. In addition, many companies are holding meetings closer to home. One exception? Schlumberger who has no policy on director attendance and plans to hold its meeting in the Netherlands Antilles. (WSJ 3/31)

Canadian investors are unhappy with the multiple voting structures that persist at some of Canada's biggest public companies, allowing families to maintain control even though they own a relatively small part of the equity. Also there is a rising frustration among pension funds and other institutions required to invest the bulk of their assets in Canadian companies at the lack of liquidity and diversity in the Canadian market. (NYT 3/31)

Nearly 90% of listed Hungarian companies report relevant corporate social responsibility information in their annual reports or on their websites according to a recent survey. http://www.ewmi.hu/capitalmarkets_research.php

V. OTHER REGULATORY AND LEGAL UPDATES

Changes in disclosure take effect August 23 requiring a report to the SEC 4 days after an important event. (DJ -- see sec.gov)

Current cases show long prison terms are possible for accounting actions that in the '90s led to (if at all) little more than minor civil charges from the SEC. "In that way, corporate fraud is a bit like drunken driving and domestic violence, which a generation ago were rarely prosecuted or viewed as a serious crime. Today, both are, and both can lead to long prison sentences." (NYT 3/8)

The SEC is conducting more frequent exams of fund companies and their advisors, top 20 every 2 years, every 4

years for most the rest. In addition, the SEC is conducting small, targeted probes of the industry. (WSJ 3/11)

The SEC fined Bank of America \$10m for taking 2 years to produce documents related to an investigation of a recordkeeping issue. (USA, WSJ 3/11)

The US Chamber of Commerce threatened to sue the SEC if it adopts a proxy-access proposal. SEC commissioner Roel Campos said "if they feel there is an issue" with the SEC's authority, they have the right to sue", but "I feel we're on solid ground, and I hope they are not using this as a delay tactic." (WSJ 3/11)

More than \$1.65b is the total to date which the fund-industry has agreed to pay to settle allegations of improper trading. In the largest financial settlement to date with all the money to be distributed to the mutual funds and their shareholders harmed as a result of market timing, BofA will pay \$375m (\$250m disgorgement, \$125m in penalties) and Fleet agreed to pay \$140m (\$70m disgorgement; \$70m in civil penalties). Both agreed to reduce fees to customers by \$80m over the next 5 years (total: \$160m). BofA will also divest itself of a trade-clearing subsidiary that made its computer systems available to third parties for short-term fund trades. (FT, NYT, USA, WP, WSJ 3/16)

ABBREVIATIONS:

AIMR – Association for Investment Management and Research
BofA – Bank of America
BW – Business Week
CA - Computer Associates
CalPERS - California Public Employee's Retirement System
CalSTRS - California State Teachers' Retirement System
CII – Council for Institutional Investors
CSFB - Credit Suisse First Boston
DJ – Dow Jones
DOL – Department of Labor
E&Y – Ernst & Young
FASB – Financial Accounting Standards Board
FSA – Financial Services Authority
FT – Financial Times
GAO - General Accounting Office

ICI - Investment Company Institute
IRS – Internal Revenue Service
KKR - Kohlberg Kravis Roberts & Co.
NACD – National Association of Corporate Directors
NASD - National Association of Securities Dealers
NYTimes – The New York Times
OFHEO - Office of Federal Housing Enterprise Oversight
RBC – Royal Bank of Canada
USA – USA Today
WP – The Washington Post
WSJ – The Wall Street Journal