

SEC ISSUES STATEMENT REGARDING ITS PLAN TO PROPOSE CHANGES TO CORPORATE DISCLOSURE RULES

On February 13, 2002, the Securities and Exchange Commission (the "SEC") issued a release announcing that it intends to propose changes to corporate disclosure rules as the first in a series of reform proposals designed to improve financial reporting and disclosure requirements, accounting standard setting, regulation of the auditing process and corporate governance. To this end, the SEC plans to propose rules that will:

- Provide accelerated reporting by companies of transactions by company insiders in company securities, including transactions with the company;
- Accelerate filing by companies of their quarterly and annual reports;
- Expand the list of significant events requiring disclosure on existing Form 8-K;
- Require public companies to post their reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on their web sites at the same time that they are filed with the SEC; and
- Require disclosure of critical accounting policies in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in annual reports.

1. Proposed Amendments for Insider Reporting

(a) The Exchange Act currently requires executive officers, directors and beneficial owners of 10% of a company's stock to disclose trading activity by the tenth day of the month following the month in which the trades occur. The SEC plans to dramatically accelerate the time requirement currently imposed on corporate insiders providing such disclosure.

(b) The SEC also plans to propose that companies disclose on a current basis significant transactions in the company's stock by their executive officers and directors.

(c) The SEC intends to propose a rule requiring companies to electronically file with the SEC information that they receive from insiders in connection with insider transactions.

(d) The Exchange Act currently allows officers and directors that sell stock back to their company to delay reporting until 45 days after the end of the fiscal year in which the transaction took place. The SEC intends propose a reform that would eliminate this reporting delay by requiring a company to report on a current basis any transactions involving securities of the company entered into with any of its executive officers or directors.

2. Proposed Amendments for Exchange Act Reporting

(a) The SEC intends to propose that public companies file their annual reports on Form 10-K within 60 days (rather than 90 days) after the end of their fiscal year, and their quarterly reports on Form 10-Q within 30 days (rather than 45 days) after the end of their first three fiscal quarters.

(b) The SEC plans to expand the types of events requiring disclosure on Form 8-K. The list of events that are being considered for inclusion in these reports includes, among other things, (i) changes in rating agency decisions; (ii) obligations that are not currently disclosed; and (iii) lock-out periods affecting employee stock-ownership plans. The SEC also intends to propose that companies file reports on Form 8-K no later than the second business day, and in some instances, by the opening of business on the day after, the occurrence of the event.

(c) The SEC plans to propose reforms requiring public companies to make their Exchange Act reports available on their web sites, if available, at the same time as they are filed.

3. Disclosure about Critical Accounting Policies

The SEC intends to propose amendments to its rules governing MD&A which would require disclosure relating to critical accounting policies. The SEC has previously described such policies as those that are both most important to the portrayal of a company's financial condition and results, and require management's most difficult, subjective or complex judgments. The SEC's proposal may require public companies to include in their MD&A full explanations of their critical accounting policies, the judgments and uncertainties affecting the application of those policies and the likelihood that materially different amounts would be reported under different conditions or using different assumptions.

The SEC will issue proposing releases and solicit public comment relating to the aforementioned matters with the intent to adopt new disclosure rules as quickly as possible.

If you wish to obtain additional information regarding the SEC's statement, please contact the corporate partner with whom you regularly work.

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