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SEC Update 2009

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With a sense of urgency for a sharper focus on investor protection in light of the egregious conduct of the recent past, the SEC under Chairman Schapiro's guidance is heeding the call to action. The agency's message to corporate America is to expect greater oversight in conjunction with vigorous and swift enforcement. In many ways we are seeing a more aggressive agency with zero tolerance for corporate misconduct.

Within six months time a slew of initiatives have been laid out from enhancing disclosures and filling regulatory gaps to streamlining enforcement procedures and bolstering internal training. In its efforts to eliminate obstacles preventing swift enforcement, Chairman Schapiro has already terminated a "penalty pilot" program requiring majority Commission approval before negotiating penalties against public company defendants and implemented a change to provide more rapid approval of formal orders of investigation. The impact of these ramped up efforts is evident from the increased number of filings based on comparisons from last year:

| | <u>2009</u> | <u>2008</u> |
|--|-------------|-------------|
| Emergency Temporary Restraining Orders | 42 | 16 |
| Investigations | 439 | 395 |
| Issuance of Formal Orders | 224 | 93 |

Although the playing field is wide, over the past six months the SEC has advanced the ball far toward achieving its goal of rebuilding investor confidence and market integrity. An important part of the plan is to strengthen shareholders' rights. To that end, proposals have been set forth to afford shareholders under certain conditions the right to nominate company directors, improve proxy disclosures pertaining to compensation beyond executive officers as well as provide expanded information about qualifications of directors, executive officers and nominees.

Additionally, to keep apace with the rapid advances in technology, the SEC is presently working to improve its ability to process and pursue the thousands of tips received annually. By developing a system to centralize information it will give the agency the ability to track, analyze and more effectively identify leads for potential enforcement actions. Even though there is much work to be done to restore investor faith, in a short span of time inroads are being made to pave that path. Mindful of the challenges ahead, by adapting its processes in response to changing times and learning from the past, we have crossed the threshold into a new era of enforcement.