

NYSE, NASDAQ and AMEX Publish Proposed Corporate Governance Rules

NYSE, NASDAQ and AMEX (the "SROs") have each recently published proposed corporate governance rules for consideration by the SEC. Although the proposed rules may be further revised before they are approved by the SEC, the process that the SROs followed to produce the most recent proposals suggests that they are close to being in final form. Companies whose securities are listed on NYSE, NASDAQ or AMEX may well want to begin considering what effect the rules, if adopted as proposed, would have on the conduct of their business. To facilitate such analyses, we provide the accompanying chart comparing the major provisions of the rules proposed by the SROs prior to the publication of this Update.

Anticipated Compliance Dates

After the SEC approves the rules (whether as proposed or subsequently revised), the rules will be published in the Federal Register and a public comment period will follow. Each of the SRO's have proposed delayed implementation for the various proposals as discussed below:

Audit Committee Rules

According to SEC rules, listed companies (other than foreign private issuers and small business issuers) must be in compliance with the new SRO rules relating to audit committees (*i.e.*, independence, complaint procedures, responsibilities relating to audit firms authority to engage advisers and funding) by the earlier of their first annual meeting of shareholders held after January 15, 2004, or October 31, 2004. Foreign private issuers and small business issuers must be in compliance with the rules relating to audit committees by July 31, 2005.

Director and Committee Member Qualifications

- **NYSE** -- Companies listed with the NYSE prior to the effective date of the rules would not be required to comply with the new rules until 18-months after publication of the SEC approval of the rules in the Federal Register. Furthermore, if a company has a classified board and a change would be required for a director who would not normally stand for election during such 18 month period, the company would have an additional year, or a total of 30 months after publication to effect the change in that director position. (The same periods are proposed to apply to audit, nominating and compensation committee members, however the SEC rules applicable to audit committees should supercede the NYSE proposal.)
- **NASDAQ** – Companies would be required to comply with the independence and composition rules (including rules relating to approval of executive compensation and director nominations) by the company's first annual meeting occurring after January 1, 2004.
- **AMEX** – Companies listed with AMEX prior to the effective date of the rules would not be required to comply with the independence qualifications and composition rules until 24 months following SEC approval of the rules, except that companies that have a staggered board and a change is required with respect to a director whose term does not expire during such 24 month period would have a total of 36 months to fully comply.

Other Rules

The SROs believe that the other proposals can be more quickly implemented. Accordingly, all of the SROs' proposals anticipate that the remaining standards would become effective six months after SEC approval.

Organization of Comparison Chart

The accompanying chart covers the following topics:

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In organizing the material in the accompanying chart, we have attempted to align similar provisions of each of the SROs to facilitate comparison of their different standards. We also note by using an "*" where similar provisions already exist under present rules. We use italics in the chart to designate comments that are not part of the rule proposals or the SROs' commentaries.

The information and statements contained in this Update should not be construed as legal advice or legal opinion on any specific facts or circumstances. The contents are intended for general information purposes only, and you are urged to consult with an attorney regarding your own circumstances and any specific legal questions you may have.

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COMPARISON CHART: NYSE, NASDAQ AND AMEX RULE PROPOSALS

APPLICABILITY

NYSE	NASDAQ	AMEX
<p>➤ Proposed rules apply in full to all companies listing <i>common equity securities</i>, <i>except</i>:</p> <ul style="list-style-type: none"> • <i>Controlled companies</i> – If more than 50% of voting power held by an individual, group or another company, proposed rules requiring (i) a majority of independent directors, (ii) a compensation committee, and (iii) a nominating/corporate governance committee will not apply. • <i>Limited partnership and companies in bankruptcy</i> – Proposed rules requiring (i) a majority of independent directors, (ii) a compensation committee, and (iii) a nominating/corporate governance committee will not apply. • <i>Closed end funds</i> – Exempt from all proposed rules <i>except</i> requirements relating to audit committees and notice of non-compliance to NYSE. 	<p>➤ Proposed rules apply in full to all companies listing securities, <i>except</i>:</p> <ul style="list-style-type: none"> • <i>Controlled companies</i> – If more than 50% of voting power is held by an individual, group or another company, proposed rules requiring (i) a majority of independent directors, (ii) executive sessions of independent directors, and (iii) approval of compensation and director nominations will not apply. • <i>Limited partnerships</i>. • No comparable provision. • <i>Foreign private issuers</i> – May be exempted 	<p>➤ Proposed rules apply in full to all companies listing securities <i>except</i>:</p> <ul style="list-style-type: none"> • <i>Controlled companies</i> – Same as NYSE. • <i>Limited partnerships and companies in bankruptcy</i> – Same as NYSE. Note that if a limited partnership is managed by a general partner rather than a board, the audit committee requirements applicable to the listed entity should be satisfied by the general partner. • <i>Closed end funds</i> – Exempt from all proposed rules <i>except</i> certain provisions relating to audit committees to the extent required by SEC Rule 10A-3 (<i>i.e.</i>, independence, complaint procedures, responsibilities relating to audit firms, authority to engage advisers and funding).

APPLICABILITY (cont'd)

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> • <i>Foreign private issuers</i> - May follow home country practice in lieu of the provisions of the proposed rules, <i>except</i> must comply with certain provisions relating to audit committees, notice of non-compliance to NYSE, and disclosure of different practices followed by domestic companies under NYSE listing standards. • <i>Other entities</i> – Proposed rules will not apply to passive business organizations in form of trusts or to derivatives and special purpose securities. ➤ Proposed rules do not generally apply to companies listing <i>only preferred or debt securities</i>, <i>except</i> compliance is required with certain provisions relating to audit committees and notice of non-compliance to NYSE. 	<p>from the applicability of the proposed rules, <i>except to the extent</i> that such exemptions would be contrary to the federal securities laws. A company that receives such an exemption must disclose in its annual report filed with the SEC each requirement from which it is exempted and describe the alternative practice, if any, of the company in lieu of these requirements.</p> <ul style="list-style-type: none"> • No comparable provision. ➤ No comparable provision. 	<ul style="list-style-type: none"> • <i>Foreign private issuers</i> – May be exempted from the applicability of the proposed rules regarding (i) election and composition of the board, (ii) issuance of quarterly earnings statement, (iii) shareholder approval requirements, and (iv) quorum requirements for shareholder meetings, <i>except to the extent that</i> such exemptions would be contrary to the federal securities laws. A company that receives such an exemption must disclose in its annual report distributed to shareholders or on its web site any significant ways in which its corporate governance practices differ from those required by AMEX standards. If the disclosure is only available on the web site, the annual report must so state and provide the web address. • <i>Other entities</i> – Same as NYSE. ➤ Proposed rules relating to independent directors apply to companies listing <i>only preferred or debt securities</i> only to the extent required by SEC Rule 10A-3.

PROPOSED COMPLIANCE DATES

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ <i>Audit Committee Rules</i> – As required by SEC Rule 10A-3, companies will be required to comply with certain rules applicable to audit committees (<i>i.e.</i>, independence, complaint procedures, responsibilities relating to audit firms, authority to engage advisers and funding) by the earlier of their first annual meeting of shareholders held after January 15, 2004 or October 31, 2004, <i>except that</i> foreign private issuers and companies that file reports under Sec. Reg. S-B ("Small Business Issuers") must be in compliance by July 31, 2005. ➤ <i>Director and Committee Member</i> – Companies listed with NYSE prior to the effective date of the rules will be required to comply with the independence qualifications and composition rules within 18 months after the SEC approves the rules, <i>except that</i> companies that have a staggered board and a change would be required for a director who would not normally stand for election during such 18 month period may have a total of 30 months to effect the change in that director position. (<i>Note that SEC rules require earlier compliance with independence qualification for audit committee members.</i>) ➤ <i>Other Rules</i> – Will become effective 6 months after SEC approval. 	<ul style="list-style-type: none"> ➤ <i>Audit Committee Rules</i> – Same as NYSE. ➤ <i>Director and Committee Member</i> – Companies would be required to comply with the independence and composition rules (including rules relating to approval of executive compensation and director nominations) by the company's first annual meeting occurring after January 1, 2004. ➤ <i>Other Rules</i> – Same as NYSE. 	<ul style="list-style-type: none"> ➤ <i>Audit Committee Rules</i> – Same as NYSE. ➤ <i>Director and Committee Member</i> – Companies listed with AMEX prior to the effective date of the rules will be required to comply with the independence qualifications and composition rules within 24 months following SEC approval of the rules, <i>except that</i> companies that have a staggered board and a change is required with respect to a director whose term does not expire during such 24 month period may have a total of 36 months to fully comply. ➤ <i>Other Rules</i> – Same as NYSE.

INCREASED INDEPENDENCE REQUIREMENTS

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require a majority of independent directors. ➤ Prohibit a director from being deemed independent if he (or an "immediate family member," as defined below) receives from the listed company direct compensation (other than compensation for board service or deferred compensation for prior service) in excess of \$100,000 per year. ➤ Prohibit a director from being deemed independent if he is an executive officer or employee, or if his immediate family member is an executive officer, of another company (A) that accounts for at least 2% or \$1 million, whichever is greater, of the listed company's consolidated gross revenues, or (B) for which the listed company accounts for at least 2% or \$1 million, whichever is greater, of such other company's consolidated gross revenues. ➤ Prohibit a director from being deemed 	<ul style="list-style-type: none"> ➤ Require a majority of independent directors. ➤ Prohibit a director from being deemed independent if he (or a "family member," as defined below) accepts from the company, its parent or any subsidiary of the company, any payments in excess of \$60,000 during the current fiscal year other than for (i) board service,* (ii) payments arising solely from investment in the company's securities, (iii) compensation paid to a family member who is an employee of the company, parent or subsidiary (but not if such person is an executive officer of the company, parent or subsidiary), (iv) benefits under a tax-qualified retirement plan,* or (v) non-discretionary compensation.* ➤ Prohibit a director from being deemed independent if the company makes payments to, or receives payments from, an entity (including a not-for-profit entity) of which the director is a partner, controlling shareholder or executive officer, and such payments (other than payments arising solely from investments in the company's securities) exceed the greater of \$200,000 or 5% of the recipient's gross revenues during the current fiscal year.* ➤ Prohibit a director from being deemed 	<ul style="list-style-type: none"> ➤ Require a majority of independent directors. ➤ Same as Nasdaq but for AMEX's reference to "immediate family member," as defined below, rather than Nasdaq's use of "family member." ➤ Same as Nasdaq. ➤ Same as Nasdaq but for reference to "immediate

INCREASED INDEPENDENCE REQUIREMENTS (cont'd)

NYSE	NASDAQ	AMEX
<p>independent if the director is an employee of the listed company.* <i>(Neither the proposed rules nor the NYSE commentary specifically address the employment of an immediate family member, however, it is likely that such a relationship would be deemed to be material and would prohibit a director from being deemed to be independent.)</i></p> <ul style="list-style-type: none"> ➤ Prohibit a director from being deemed independent if the director is employed,* or whose immediate family member is employed as an executive officer of another company, where any of the listed company's executives serve on that company's compensation committee. ➤ A director will not qualify as "independent" unless the Board affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). The company must disclose the basis for its determination that a relationship is not material. The Board may adopt and disclose categorical standards to assist it in determining director independence and may make a general disclosure if a director meets these standards. Any independence determination for a director who does not meet the standards must be specifically explained. 	<p>independent if the director is employed by the listed company, its parent or subsidiaries, or if any family member is an executive officer of the company, its parent or subsidiaries.*</p> <ul style="list-style-type: none"> ➤ Prohibit a director from being deemed independent if the director is employed as an executive officer of another entity where any of the executive officers of the listed company serve on such other entity's compensation committee.* ➤ A director will not qualify as "independent" if the person has a relationship which in the opinion of the company's board would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.* 	<p>family member" rather than Nasdaq's use of "family member."</p> <ul style="list-style-type: none"> ➤ Same as Nasdaq. ➤ A director will not qualify as "independent" unless the Board affirmatively determines that the director has no material relationship with the listed company that would interfere with the exercise of independent judgment. <i>(Proposed rule adds requirement for "affirmative determination" by board.)</i>

* Indicates existing rule.

INCREASED INDEPENDENCE REQUIREMENTS (cont'd)

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Prohibit a director from being deemed independent if the director was affiliated with, or employed by, a present or former internal or external auditor of the company. ➤ Apply a five-year "cooling off" period before a director can be deemed independent after: <ul style="list-style-type: none"> • The director received payments in excess of \$100,000 per year other than compensation for board service or deferred compensation for prior service. • The director was affiliated with, or employed by, a present or former internal or external auditor of the company. • The director was employed as an executive officer of another company where any of the listed company's present executives serve on that company's compensation committee. <i>(Formerly, a three-year "cooling-off" period.)*</i> • The director was an executive officer or employee of another company (a) that accounted for at least 2% or \$1 million, whichever is greater, of the listed company's consolidated gross revenues, or (b) for which the listed company accounted for at least 2% or \$1 million, whichever is greater, of such other company's consolidated gross revenues. • No comparable provision. <i>(A director who was previously employed by the company, its</i> 	<ul style="list-style-type: none"> ➤ Prohibit a director from being deemed independent if the director is a partner or employee of the company's outside auditor and worked on the company's audit during the past three years. ➤ Apply a three-year "cooling off" period before a director can be deemed independent after: <ul style="list-style-type: none"> • The director accepted payments in excess of \$60,000 (other than for board service) during a past fiscal year.* • The director was a partner or employee of the company's outside auditor and worked on the company's audit. • The director was employed as an executive officer of another entity where any of the executive officers of the listed company serve on such other entity's compensation committee.* • The director made payments to, or received payments from, an entity of which the director is a partner, controlling shareholder or executive officer, and such payments (other than payments arising solely from investments in the company's securities) exceed the greater of \$200,000 or 5% of the recipient's gross revenues during the fiscal year in which such payments are received.* • The director was employed by the company, its parent or subsidiary.* 	<ul style="list-style-type: none"> ➤ Same as Nasdaq. ➤ Same as Nasdaq but for AMEX's reference to "immediate family member" rather than Nasdaq's use of "family member."

INCREASED INDEPENDENCE REQUIREMENTS (cont'd)

NYSE	NASDAQ	AMEX
<p><i>parent or subsidiary is not automatically prevented from being deemed independent. However, such a relationship should be considered in the analysis of material relationships.)</i></p> <ul style="list-style-type: none"> • The director has an immediate family member in any of the foregoing categories. <p>➤ During the five years immediately following the effective date of the proposed rules, each five year "cooling off" period shall instead be the period since the effective date.</p> <p>➤ Require regularly scheduled executive sessions of <i>non-management</i> directors. If one director is chosen to preside at these meetings, that director's name must be disclosed. Alternatively, a listed company may disclose a procedure by which a presiding officer is selected for each executive session. Such disclosure is required so that interested parties may communicate directly and confidentially with the presiding director or with the non-management directors as a group.</p> <p>➤ "Immediate family member" includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and anyone (other than domestic employees) who shares such person's home.*</p>	<ul style="list-style-type: none"> • The director has a family member in any of the foregoing categories, <i>except that</i>, in the case of employment by the company, its parent or subsidiary, the three year "cooling off" period only applies if the director's family member who was so employed, was employed as an executive officer.* <p>➤ No comparable provision.</p> <p>➤ Require regularly scheduled meetings at which only independent directors are present.</p> <p>➤ "Family member" means any person who is a relative by blood,* marriage* or adoption or who has the same residence.*</p>	<p>➤ During the three years immediately following the effective date of the proposed rules, each three year "cooling off" period shall instead be the period since the effective date.</p> <p>➤ Require board meetings to be held at least quarterly and regularly scheduled meetings of independent directors as necessary to fulfill their responsibilities, including at least one annual meeting in executive session.</p> <p>➤ "Immediate family member" includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and</p>

INCREASED INDEPENDENCE REQUIREMENTS (cont'd)

NYSE	NASDAQ	AMEX
		anyone who resides in such person's home* or is financially dependent upon such person.

**INDEPENDENCE STANDARDS FOR
AUDIT COMMITTEE MEMBERS**

NYSE	NASDAQ	AMEX
<p>➤ Require all audit committee members to be independent pursuant to the proposed rules set forth above <u>and</u> the requirements of Rule 10A-3(b)(1) under the Exchange Act that prohibit audit committee members from:</p> <ul style="list-style-type: none"> • Being an affiliate of the listed company; and • Receiving any payment other than payment for board service, or receipt of fixed amounts under a retirement plan (including deferred compensation) for prior service. <p>No exceptions.</p> <p>➤ The NYSE commentary states that it does not</p>	<p>➤ Same as NYSE (<i>except</i> as discussed below).</p> <p><i>Exception:</i> One director who (i) is not independent pursuant to the proposed rules, (ii) meets the requirements of Rule 10A-3(b)(1) under the Exchange Act, (iii) does not own or control 20% or more of the company's voting securities (or such lower percentage as established by the SEC), and (iv) is not a current officer or employee of the company, or a family member of such an officer or employee, may be appointed to the audit committee under exceptional and limited circumstances. A member appointed under this exception may not serve longer than two years and may not chair the committee.</p> <p>➤ Provide that a shareholder owning or controlling</p>	<p>➤ Same as NYSE (<i>except</i> as discussed below).</p> <p><i>Exception:</i> One director who (i) is not independent pursuant to the proposed rules, (ii) meets the requirements of Rule 10A-3(b)(1) under the Exchange Act, and (iii) is not a current officer or employee of the company, or a family member of such an officer or employee, may be appointed to the audit committee under exceptional and limited circumstances. A member appointed under this exception may not serve longer than two years and may not chair the committee.</p> <p>➤ No comparable provision. (<i>The board should</i></p>

**INDEPENDENCE STANDARDS FOR
AUDIT COMMITTEE MEMBERS (cont'd)**

NYSE	NASDAQ	AMEX
<p>view ownership of even a significant amount of stock, by itself, as a bar to an independence finding. <i>(The board should consider, however, ownership of stock as it considers other potentially material relationships that may affect independence. Stock ownership by a director may result in the director being deemed to be an "affiliate" and not independent for that reason.)</i></p>	<p>20% or more of the listed company's voting securities (or such lower percentage as may be established by the SEC in rulemaking under Section 10A(m) of the Exchange Act) may not serve on the audit committee.</p>	<p><i>consider ownership of stock as it considers other potentially material relationships that may affect independence. Stock ownership by a director may result in the director being deemed to be an "affiliate" and not independent for that reason.)</i></p>

RESPONSIBILITIES OF AUDIT COMMITTEES

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require listed companies to have a minimum three person audit committee.* ➤ Require that the audit committee have a written charter* that addresses (i) the committee's purpose, (ii) duties and responsibilities, and (iii) an annual performance evaluation; each of (i) and (ii) as more particularly specified in the proposed rule. ➤ Require that the audit committee directly appoint, retain, compensate, evaluate and terminate the company's independent auditor. ➤ Require that the audit committee have sole authority to approve all fees and terms for audit and significant non-audit services to be provided by the independent auditor. ➤ Require that the audit committee obtain advice and assistance from outside legal, accounting or other advisors as the audit committee deems necessary to carry out its duties. ➤ Require that the audit committee receive funding, 	<ul style="list-style-type: none"> ➤ Require listed companies to have a minimum three person audit committee.* Eliminate exception from the audit committee requirements Small Business Issuers. ➤ Require that the audit committee have a written charter* that addresses (i) the scope of the committee's responsibilities;* (ii) responsibilities with respect to overseeing the independence of the outside auditor;* (iii) the committee's purpose of overseeing the accounting and financial reporting processes of the company and the audits of the financial statements of the company; and (iv) certain authority and responsibility as specified in the proposed rule. ➤ Require that the audit committee have the sole authority appoint, determine funding for, and oversee the outside auditors. ➤ Require that the audit committee approve, in advance, all audit services and permissible non-audit services by the company's auditor. ➤ Require that the audit committee have the authority to engage independent counsel and other advisors to the audit committee. ➤ Require that the audit committee have the 	<ul style="list-style-type: none"> ➤ Require listed companies to have an audit committee of at least three members, <i>except</i> that Small Business Issuers need only have a minimum two person audit committee. ➤ Require that the audit committee have a written charter that addresses (i) the scope of the committee's responsibilities; and (ii) the committee's responsibility for ensuring receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company and for taking or recommending that the full board take, action to oversee the independence of the outside auditor.* ➤ No comparable provision, however, this is required by Sarbanes-Oxley Act. ➤ No comparable provision, however, this is required by Sarbanes-Oxley Act. ➤ No comparable provision, however, this is required by Sarbanes-Oxley Act. ➤ No comparable provision, however, this is

RESPONSIBILITIES OF AUDIT COMMITTEES (cont'd)

NYSE	NASDAQ	AMEX
<p>as determined by the audit committee, for payment of compensation to outside legal, accounting or other advisors employed by the audit committee.</p> <ul style="list-style-type: none"> ➤ Require that the audit committee establish procedures for the receipt retention and treatment of complaints from the company's employees on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. <i>(Note that the Sarbanes-Oxley Act requires similar procedures for complaints received by the company from non-employees as well.)</i> ➤ Require that, at least annually, the audit committee obtain and review a report by the independent auditor describing the firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or investigations within the preceding five years with respect to one or more independent audits carried out by the firm. ➤ Require that the audit committee discuss the annual and quarterly financial statements with management and the independent auditor, including the company's MD&A disclosure. ➤ Require that the audit committee discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. 	<p>authority to determine funding for independent counsel and other advisors to the audit committee.</p> <ul style="list-style-type: none"> ➤ Require that the audit committee establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. ➤ No comparable provision. ➤ No comparable provision. ➤ No comparable provision. 	<p>required by Sarbanes-Oxley Act.</p> <ul style="list-style-type: none"> ➤ No comparable provision, however, this is required by Sarbanes-Oxley Act. ➤ No comparable provision. ➤ No comparable provision. ➤ No comparable provision.

RESPONSIBILITIES OF AUDIT COMMITTEES (cont'd)

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require that the audit committee discuss policies with respect to risk assessment and risk management. ➤ Require that the audit committee meet separately, periodically, with management, internal auditors, and independent auditors. ➤ Require that the audit committee review with the independent auditor any audit problems or difficulties and management's response. ➤ Require that the audit committee set clear hiring policies for employees or former employees of the independent auditors. ➤ Require that the audit committee report regularly to the board. ➤ Listed companies are expected to review and oversee related party transactions on an on-going basis. A company's audit committee or a comparable body could be considered as the forum for such review and oversight.* 	<ul style="list-style-type: none"> ➤ No comparable provision. ➤ Require that a company's audit committee or another independent body of the board of directors review and approve all related party transactions. 	<ul style="list-style-type: none"> ➤ No comparable provision. ➤ Related party transactions must be subject to review and oversight by a company's audit committee or a comparable body of the board.

FINANCIAL EXPERTISE OF AUDIT COMMITTEE MEMBERS

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require that all audit committee members be financially literate as such qualification is interpreted by the company's board in its business judgment, or must become financially literate within a reasonable period time after appointment to the audit committee.* ➤ Require that at least one member of the audit committee have accounting or related financial management expertise, as the company's board interprets such qualification in its business judgment.* 	<ul style="list-style-type: none"> ➤ Require that all audit committee members be able to read and understand fundamental financial statements at the time of their appointment, <i>rather than</i> "within a reasonable period of time" thereafter as presently provided. ➤ Require companies to have at least one member of the audit committee that has past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or the senior officer with financial oversight responsibilities.* 	<ul style="list-style-type: none"> ➤ Same as Nasdaq. ➤ Same as Nasdaq* with the additional qualification that the requisite financial sophistication may be met by a person who has been an active participant on one or more public company audit committees.

**STRENGTHENING THE ROLE OF
INDEPENDENT DIRECTORS IN
COMPENSATION AND NOMINATION DECISIONS**

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require that listed companies have a nominating/corporate governance committee with a written charter. The charter must address (i) the committee's purpose, (ii) goals and responsibilities and (iii) an annual performance evaluation of the committee; each of (I) and (ii) as more particularly specified in the proposed rule. ➤ Require that the nominating/corporate governance committee be composed entirely of independent directors. ➤ Require the nominating/corporate governance committee to identify individuals qualified to become board members and to select, or recommend that the board select, the director nominees. 	<ul style="list-style-type: none"> ➤ No comparable provision. ➤ If a company has a nominating committee, it may be composed of independent or non-independent directors, <i>provided that</i>, approval of all director nominees complies with the rules set forth below. ➤ Require approval of director nominations by (i) a nominating committee comprised solely of independent directors (subject to the exceptions set forth below) or (ii) a majority of the independent directors. <p style="margin-left: 40px;"><i>Exceptions:</i> If the nominating committee is comprised of at least three members, then one non-independent director may serve on the nominating committee:</p> <ul style="list-style-type: none"> • If the individual is an officer who owns or controls more than 20% of the company's securities, or • If the individual is not an officer or 	<ul style="list-style-type: none"> ➤ No comparable provision. ➤ Same as Nasdaq. ➤ Same as Nasdaq. <p style="margin-left: 40px;"><i>Exceptions:</i> Same as Nasdaq but for reference to "immediate family member" rather than Nasdaq's use of "family member."</p>

**STRENGTHENING THE ROLE OF
INDEPENDENT DIRECTORS IN
COMPENSATION AND NOMINATION DECISIONS (cont'd)**

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require that the nominating/corporate governance committee must develop and recommend to the board a set of corporate governance principles applicable to the listed company. ➤ Require that listed companies have a compensation committee with a written charter. The charter must address (i) the committee's purpose, (ii) duties and responsibilities and (iii) an annual performance evaluation of the committee; each of (i) and (ii) as more particularly specified in the proposed rule. ➤ Require that the compensation committee be composed entirely of independent directors. ➤ Require that the compensation committee review and approve the goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and have sole authority to determine the CEO's compensation. ➤ Require that the compensation committee make recommendations to the board with respect to non-CEO compensation. 	<p style="text-align: center;">employee or a family member of such person, pursuant to "exceptional and limited circumstances," in which case such service is limited to two years.</p> <ul style="list-style-type: none"> ➤ No comparable provision. ➤ No requirement to have a compensation committee. ➤ If a company has a compensation committee, it may be composed of independent or non-independent directors, <i>provided that</i>, approval of compensation complies with the rules set forth below. ➤ Require approval of CEO compensation either by (i) a compensation committee comprised solely of independent directors (subject to the exception set forth below) meeting in executive session or (ii) a majority of the independent directors meeting in executive session. ➤ Require approval of compensation of all other officers by (i) a compensation committee comprised solely of independent directors (subject to the exceptions set forth below) or (ii) a 	<ul style="list-style-type: none"> ➤ No comparable provision. ➤ Same as Nasdaq. ➤ Same as Nasdaq. ➤ Require approval of CEO compensation either by (i) a compensation committee comprised solely of independent directors (subject to the exception set forth below) or (ii) a majority of the independent directors. ➤ The CEO, in consultation with such compensation committee, or a majority of the independent directors, as applicable, shall recommend to the board for its approval the compensation for other

**STRENGTHENING THE ROLE OF
INDEPENDENT DIRECTORS IN
COMPENSATION AND NOMINATION DECISIONS (cont'd)**

NYSE	NASDAQ	AMEX
	<p>majority of the independent directors. In either case, the CEO may be present during deliberations, but may not vote.</p> <p><i>Exception:</i> If the compensation committee is comprised of at least three members, then one non-independent director may serve on the compensation committee if the director is not an officer or employee or a family member of such person, pursuant to "exceptional and limited circumstances," in which case such service is limited to two years.</p>	<p>officers.</p> <p><i>Exception</i> for approval of CEO compensation: Same as Nasdaq exception but for reference to "immediate family member" rather than Nasdaq's use of "family member."</p>

**ADOPTION AND DISCLOSURE OF
CORPORATE GOVERNANCE GUIDELINES**

NYSE	NASDAQ	AMEX
<p>➤ Require that listed companies adopt and disclose corporate governance guidelines to address:</p> <ul style="list-style-type: none"> • Director qualification standards; • Director responsibilities; • Director access to management and, if necessary and appropriate, independent advisors; • Director compensation; • Director orientation and continuing education; • Management succession; and • Annual performance evaluation of the board. 	<p>➤ No comparable provision.</p>	<p>➤ No comparable provision.</p>
<p>➤ Require that the company's web site include its corporate governance guidelines and the charters of its most important committees (including at least the audit compensation and nominating committees).</p>	<p>➤ No comparable provision.</p>	<p>➤ No comparable provision.</p>
<p>➤ Require that the company's annual report state that the foregoing information is available on its web site and in print form to any shareholder who requests it.</p>	<p>➤ No comparable provision.</p>	<p>➤ No comparable provision.</p>

CODES OF CONDUCT

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Require all companies to have a code of conduct and ethics for directors, officers and employees that addresses: <ul style="list-style-type: none"> • Conflicts of interest; • Corporate opportunities; • Confidentiality; • Fair dealing; • Protection and proper use of company assets; • Compliance with laws, rules and regulations (including insider trading laws); and • Encouraging the reporting of any illegal or unethical behavior. <i>(Note other requirements of the Sarbanes-Oxley Act and SEC rules described under "Nasdaq Proposals" would also be applicable to the extent they are not covered by the above list.)</i> ➤ Require that any waiver of the code for executive officers or directors be promptly disclosed to shareholders. ➤ Require that waivers of the code for directors, executives and officers may only be granted by the board or a board committee. ➤ Require the company to place its code of conduct 	<ul style="list-style-type: none"> ➤ Require all companies to have a code of conduct applicable to directors, officers and employees which must include those elements necessary to meet the "code of ethics" requirements, as defined by the Sarbanes-Oxley Act and SEC rules. In particular, this includes standards as are reasonably necessary to promote (i) honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in periodic reports filed with the SEC by the company and in other public communication, (iii) compliance with applicable laws, rules and regulations, (iv) prompt reporting of violations of the code, and (v) accountability for adherence to the code. ➤ Require disclosure of any waivers of the code for executive officers and directors in public filings. ➤ Require that waivers of the code for directors or executive officers may only be granted by the company's board of directors. ➤ Require the code of conduct to be publicly 	<ul style="list-style-type: none"> ➤ Same as Nasdaq. ➤ Proposals do not include requirement for disclosure of waivers of the code, however, such disclosure is required by SEC rules. ➤ No comparable provision. ➤ No comparable provision. <i>(Note: SEC rules</i>

CODES OF CONDUCT (cont'd)

NYSE	NASDAQ	AMEX
<p>on its web site, and require that the company state in its annual report that the code of conduct is available on its web site and in print form to any shareholder who requests it.</p>	<p>available. <i>(Note: SEC rules require either (i) the filing of the code as an exhibit to the 10-K, (ii) posting of the text of the code on the company's web site and disclosure in the company's annual report that the code is available on the internet, or (iii) state in its 10-K that a copy of the code of conduct is available without charge upon request.)</i></p>	<p><i>require either (i) the filing of the code as an exhibit to the 10-K, (ii) posting of the text of the code on the company's web site and disclosure in the company's annual report that the code is available on the internet, or (iii) state in its 10-K that a copy of the code of conduct is available without charge upon request.)</i></p>

APPROVAL BY SHAREHOLDERS OF ISSUANCE OF SHARES AND OPTIONS

NYSE	NASDAQ	AMEX
<p>➤ Expands requirement of shareholder approval for all equity-compensation plans to include any material revision to the terms of such a plan, <i>except</i>:</p> <ul style="list-style-type: none"> • Employment inducement awards.* • Any plan intended to meet the requirements of Section 401(a) or 423 of the Internal Revenue Code or any parallel nonqualified plans. <p>• Shares available under plans acquired in an</p>	<p>➤ Expands requirement of shareholder approval for the adoption of stock option or purchase plans to include approval of any material modification of such plans, and restates exceptions from approval requirements to include:</p> <ul style="list-style-type: none"> • Inducement grants to new employees or directors if such grants are (i) a material inducement to the individual's entering into employment with the company; and (ii) approved by the listed company's compensation committee or a majority of the company's independent directors. • Tax-qualified, non-discriminatory plans (<i>e.g.</i>, plans that met the requirements of Sections 401(a) or 403 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the listed company's independent compensation committee or a majority of the company's independent directors. <p>• Same as NYSE.</p>	<p>➤ Same as Nasdaq.</p> <ul style="list-style-type: none"> • Same as Nasdaq. • Same as Nasdaq. <p>• Same as NYSE.</p>

APPROVAL BY SHAREHOLDERS OF ISSUANCE OF SHARES AND OPTIONS (cont'd)

NYSE	NASDAQ	AMEX
<p>acquisition or merger may be used for post-transaction grants without further shareholder approval where (i) the party that is not the listed company following the transaction has shares available for grant under pre-existing plans that were previously approved by shareholders, (ii) the time during which such shares are available for grant is not extended beyond the period when they would otherwise have been available for grant, and (iii) such post-transaction grants are not made to persons who were made by the listed company and employed by the granting company at the time the merger or acquisition was consummated.</p> <ul style="list-style-type: none"> • Conversion, replacement or adjustment of outstanding options or other equity compensation awards in connection with an acquisition or merger. • For the purpose of this proposed rule, "equity-compensation plans" do not include any plan that is made available to shareholders, generally. • Expands range of plans requiring shareholder approval to include plans pursuant to which employees and consultants may acquire shares. <i>(Present requirement is applicable to plans pursuant to which only directors and officers may acquire shares.)</i> <p>➤ Require shareholder approval of the issuance of common stock (or securities convertible into or exercisable for common stock) to a director, officer or substantial securityholder of the</p>	<ul style="list-style-type: none"> • Inducement grants include grants of options or stock to new employees in connection with an acquisition or merger. • Warrants or rights issued generally to all securityholders of the company.* • Expands range of plans requiring shareholder approval to include plans pursuant to which employees and consultants may acquire shares. <i>(Present requirement is applicable to plans pursuant to which only directors and officers may acquire shares.)</i> <p>➤ Require shareholder approval of the sale, issuance or potential issuance of common stock (or securities convertible into or exercisable for</p>	<ul style="list-style-type: none"> • Same as NYSE. • Dividends, warrants or rights issued generally to all security holders of the company. • Expands range of plans requiring shareholder approval to include plans pursuant to which all employees and consultants may acquire shares. <i>(Present requirement is applicable to plans pursuant to which only directors, officers and key employees may acquire shares.)</i> <p>➤ Require shareholder approval of the sale, issuance or potential issuance of common stock (or securities convertible into or exercisable for common stock) to a director or officer of the</p>

APPROVAL BY SHAREHOLDERS OF ISSUANCE OF SHARES AND OPTIONS (cont'd)

NYSE	NASDAQ	AMEX
<p>company (a "Related Party"), a subsidiary, affiliate or other closely-related person of a Related Party or an entity in which a Related Party has a substantial or indirect interest, if the number of shares of common stock to be issued (or if the number of shares of common stock into which the securities may be convertible or exercisable) exceeds either 1% of the number of shares of common stock or 1% of the voting power outstanding before the issuance.* <i>(Exception exists in certain cases for issuance to a substantial securityholder.)</i></p>	<p>common stock) to a director or officer of the company for less than the market value of the stock, unless the total number of shares to be issued to all such directors and officers is less than 5% of the total shares issued in the transaction and less than 1% of the total shares outstanding before the issuance.</p>	<p>company for less than the greater of book or market value unless such sale would not result in the aggregate issuance of more than 5% of the outstanding common stock in any one year or more than 10% of the outstanding common stock in any five year period.</p>

GENERAL REQUIREMENTS

NYSE	NASDAQ	AMEX
<ul style="list-style-type: none"> ➤ Enable NYSE to issue a public reprimand letter to any listed company that violates a NYSE listing standard (although suspension of trading and delisting remain the ultimate penalties for companies that repeatedly and flagrantly violate NYSE listing standards). ➤ No comparable provision. ➤ No comparable provision. ➤ Permit NYSE to immediately suspend the trading of any security pending a delisting review if the NYSE determines that such immediate suspension is necessary or appropriate, in the public interest, for the protection of investors, or to promote just and equitable principles of trade.* ➤ Require annual CEO certification to NYSE that he or she is not aware of any violation by the 	<ul style="list-style-type: none"> ➤ Clarify that a material misrepresentation or omission by a company to Nasdaq may result in the company's delisting.* ➤ Require that a going concern qualification in an audit opinion be disclosed through the issuance of a press release. ➤ Define the term "change of control" for purposes of the notification and shareholder approval rules, to mean the acquisition or right to acquire 20% or more of a company's outstanding voting power on a post-transaction basis unless a larger interest is held by: <ul style="list-style-type: none"> • A shareholder (or an identified group of shareholders) that is unaffiliated with the investor, or • The company's directors and officers that are unaffiliated with the investor. ➤ Clarify the authority of Nasdaq to deny relisting to a company based upon a corporate governance violation that occurred while that company's appeal of the delisting was pending. ➤ No comparable provision. 	<ul style="list-style-type: none"> ➤ AMEX may issue a "Warning Letter" to a company with respect to a minor violation of AMEX's corporate governance or shareholder protection requirements (although suspension of trading and delisting remain the ultimate penalties for companies that are not in compliance with AMEX's listing policies and standards). ➤ Same as Nasdaq. ➤ No comparable provision. ➤ No comparable provision.

GENERAL REQUIREMENTS (cont'd)

NYSE	NASDAQ	AMEX
<p>company of NYSE corporate governance listing standards.</p> <ul style="list-style-type: none"> ➤ Require CEO to notify NYSE promptly after any executive officer becomes aware of any material non-compliance with any applicable provision of the NYSE corporate governance listing standards. ➤ Require each listed company to have an internal audit function. (This function may be outsourced to a firm other than the independent auditor.) 	<ul style="list-style-type: none"> ➤ No comparable provision, however, required by Rule 10A-3 of the Exchange Act. ➤ No comparable provision. 	<ul style="list-style-type: none"> ➤ No comparable provision, however, required by Rule 10A-3 of the Exchange Act. ➤ No comparable provision.