



CORPORATE GOVERNANCE ALERT

SEC PROPOSES RULES FOR COMMENT IMPLEMENTING ELECTRONIC FILING OF SECTION 16 INSIDER OWNERSHIP REPORTS

On December 18, 2002, the Securities and Exchange Commission (SEC) proposed rules for comment that, if adopted, will implement Section 403 of the Sarbanes-Oxley Act of 2002 (the Act) requiring (i) the mandatory electronic filing of beneficial ownership reports on Form 3 and changes in beneficial ownership reports on Forms 4 and 5 on the SEC's Electronic Data Gathering, Analysis and Retrieval System (EDGAR) filed by all corporate insiders (i.e., officers, directors and greater-than-10 percent owners) pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended (Exchange Act), and (ii) Web site posting of such reports by issuers with corporate Web sites.



MANDATORY ELECTRONIC FILING OF FORMS 3, 4 AND 5

Currently, most insiders file their Forms 3, 4 and 5 in paper format. However, Section 403 of the Act amended Section 16(a) to require that all Forms 3, 4 and 5 be filed electronically not later than July 30, 2003.

In its release proposing and soliciting comment to the proposed rules, the SEC indicated that certain modifications are currently being made to EDGAR that are intended to create a "user-friendly" electronic filing system, which would allow corporate insiders to access the site to pull up a blank template of a Form 3, 4 or 5; complete the form while on the site (and attach additional pages, forms or exhibits); print a copy of the completed report; and then file the report before logging off. The SEC believes that this user-friendly system will help corporate insiders comply with the two-day accelerated reporting deadlines for Form 4 also imposed by Section 403 of the Act. The SEC stated that it has not yet resolved all technical issues in creating this electronic filing platform. The SEC indicated that it hopes to have a test system in place by Spring 2003. In order to file a required form on



EDGAR, insiders will need to either have or acquire EDGAR access codes, which can be obtained by filing a Form ID with the SEC.

WEB SITE POSTING/LINKING

Issuers that maintain a corporate Web site are required under the proposed rules to post on that site all Forms 3, 4 and 5 filed with respect to their equity securities by the end of the business day after filing. As proposed, issuers may satisfy this requirement either by posting the forms directly on their Web site or by providing a free link to the SEC's EDGAR site or through the use of some other third-party service, as long as the service provides convenient and free access to the forms.

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Our lawyers are monitoring these corporate reforms and will keep you apprised of any developments that arise from the requirements imposed under the Act and from regulatory activity of the SEC. For a summary of other key provisions of the Act, as well as Corporate Governance Alerts that provide detailed analyses of certain other key provisions of the new law, please visit our Web site at <http://www.akingump.com/publication.cfm>.

CONTACT INFORMATION

If you have any questions or would like to learn more about this topic, please contact the partner who normally represents you, or:

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