

FOIA Marker

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National Economic Council

Sumerlin, D. Marcus (Marc)

Stack:	Row:	Sect.:	Shelf:	Pos.:	FRC ID:	Location or Hollinger ID:	NARA Number:	OA Number:
W	30	24	8	3	5551	18486	721	803

Folder Title:

Banking : Corporate Governance [Folder 4] [1]

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Draft	Executive Order [] of July 9, 2002	2	07/08/2002	P5;
002	Report	President's Proposals - Legislative Summary	9	N.D.	P5;
003	Statement	Statement of Michael Chertoff, Assistant Attorney General...	9	07/10/2002	P5;
004	Report	Summary of Senate Action	2	07/10/2002	P5;
005	Email	Sen Ag on Feinstein - To: [Distribution List] - From: Robert McNally	2	07/08/2002	P5;

COLLECTION TITLE:

National Economic Council

SERIES:

Sumerlin, Marc

FOLDER TITLE:

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CLOSE HOLD

WHITE HOUSE STAFFING MEMORANDUM

Date: 7-8-02 10:45 am ACTION / CONCURRENCE / COMMENT DUE BY: ASAP

Subject: CORPORATE FRAUD [?]TAK FORCE EXECUTIVE ORDER

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HUBBARD	<input type="checkbox"/>	<input type="checkbox"/>
CARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HUGHES	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BARTLETT	<input type="checkbox"/>	<input type="checkbox"/>	IRASTORZA	<input type="checkbox"/>	<input type="checkbox"/>
BLAKEMAN	<input type="checkbox"/>	<input type="checkbox"/>	JOHNSON	<input type="checkbox"/>	<input type="checkbox"/>
BOLTEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINDSEY	<input type="checkbox"/>	<input type="checkbox"/>
BRIDGELAND	<input type="checkbox"/>	<input type="checkbox"/>	MARBURGER	<input type="checkbox"/>	<input type="checkbox"/>
CALIO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MIERS	<input type="checkbox"/>	<input type="checkbox"/>
CONNAUGHTON	<input type="checkbox"/>	<input type="checkbox"/>	RICE	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	RIDGE	<input type="checkbox"/>	<input type="checkbox"/>
FLEISCHER	<input type="checkbox"/>	<input type="checkbox"/>	ROVE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GERSON	<input type="checkbox"/>	<input type="checkbox"/>	SPELLINGS	<input type="checkbox"/>	<input type="checkbox"/>
GONZALES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CLERK	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HAGIN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HAWKINS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

PLEASE FORWARD COMMENTS DIRECTLY TO JENNIFER NEWSTEAD, X61984, FAX X65303, ASAP, WITH A COPY TO THE STAFF SECRETARY. THANK YOU.

OK / m/s

RESPONSE:

Harriet E. Miers
 Assistant to the President
 and Staff Secretary
 Ext. 62702

Withdrawal Marker

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5551

OA Num.:

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2014-0278-F

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Date	Open	High	Low	Close	Volume	Adj. Close*
1-Oct-93	-0.11	1.19	-0.71	1.19	135,500	11.90
30-Sep-93	-0.14	1.06	-0.14	1.06	104,800	10.60
29-Sep-93	0.40	1.00	0.40	1.00	36,400	10.00
28-Sep-93	0.40	1.00	0.40	1.00	43,400	10.00
27-Sep-93	1.00	1.00	0.40	1.00	32,800	10.00
24-Sep-93	1.00	1.00	0.40	1.00	24,500	10.00
23-Sep-93	0.94	1.54	0.94	0.94	32,300	9.40
22-Sep-93	0.40	1.00	0.40	1.00	12,700	10.00
21-Sep-93	1.54	1.54	0.94	0.94	47,800	9.40
20-Sep-93	0.94	1.54	0.94	0.94	25,500	9.40
17-Sep-93	0.40	1.00	0.40	1.00	20,200	10.00
16-Sep-93	0.94	1.54	0.94	0.94	33,100	9.40
15-Sep-93	1.54	1.54	0.94	0.94	45,200	9.40
14-Sep-93	1.00	1.00	0.40	1.00	54,400	10.00
13-Sep-93	2.14	2.14	0.94	0.94	62,800	9.40
10-Sep-93	1.00	1.60	1.00	1.00	39,100	10.00
9-Sep-93	1.00	1.00	1.00	1.00	15,500	10.00
8-Sep-93	1.00	1.60	1.00	1.00	42,200	10.00
7-Sep-93	1.00	1.60	1.00	1.00	72,200	10.00
3-Sep-93	1.00	1.00	1.00	1.00	10,300	10.00
2-Sep-93	1.06	1.06	-0.14	1.06	71,400	10.60
1-Sep-93	0.46	1.06	0.46	1.06	50,000	10.60
31-Aug-93	0.40	1.60	0.40	1.00	98,000	10.00
30-Aug-93	1.54	2.14	0.94	0.94	92,000	9.40
27-Aug-93	1.06	2.36	0.46	1.06	235,500	10.60
26-Aug-93	-1.44	2.96	-1.44	1.06	490,500	10.60
25-Aug-93	0.88	1.57	0.88	0.88	56,300	8.70
24-Aug-93	0.88	0.88	0.28	0.88	82,800	8.70
23-Aug-93	1.41	1.41	0.81	0.81	52,800	8.10
20-Aug-93	0.88	0.88	0.28	0.88	30,300	8.70

19-Aug-93	1.41	1.41	0.81	0.81	67,800	8.10
18-Aug-93	0.28	0.88	0.28	0.88	151,900	8.70
17-Aug-93	1.41	1.41	0.81	0.81	82,500	8.10
16-Aug-93	0.88	1.57	0.28	0.88	22,300	8.70
13-Aug-93	0.94	0.94	0.24	0.94	82,800	9.40
12-Aug-93	1.54	1.54	0.24	0.94	238,700	9.40
11-Aug-93	0.94	1.54	0.94	0.94	37,300	9.40
10-Aug-93	0.94	1.54	0.94	0.94	36,400	9.40
9-Aug-93	1.54	1.54	0.94	0.94	17,000	9.40
6-Aug-93	1.00	1.00	0.40	1.00	38,300	10.00
5-Aug-93	1.00	1.00	0.40	1.00	41,400	10.00
4-Aug-93	0.94	0.94	0.94	0.94	27,800	9.40
3-Aug-93	1.00	1.00	0.40	1.00	70,500	10.00
2-Aug-93	1.00	1.00	0.40	1.00	66,100	10.00

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*get, NAME

Stock Options

- The President believes that stock option plans should be approved by shareholders in advance. No longer should company executives be able to get their hands on stock grants that are approved solely by their companies' boards. Currently, "broad-based" stock options plans do not require shareholder approval.
- The President is pleased that rules recently promulgated by the SEC will significantly improve disclosure of stock options. Improved disclosure – which will be in effect when this year's annual reports come out – is critical to investors' understanding of the dilutive effect of stock options.
- As the President has noted, stock options represent potential claims against the existing shareholders of the company. If the options are exercised, the share count increases, and existing shareholders would have a smaller claim on the assets and income of the company. If options are expensed, as some have suggested, that would 'double count' the costs associated with the stock options.
- The President believes that the federal government should not be establishing detailed accounting rules. As the President called for in his Accountability Plan, the SEC's more direct oversight of FASB will ensure that accounting rules are more responsive to the needs of investors.

→ Tim Griffin

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If you get asked about the President's loans...

3 Key Points

- The President received a loan as part of an established and public compensation package, not a special arrangement for personal purposes.
- The President borrowed \$180,000 and fully disclosed it – unlike the hundreds of millions, and even billions in loans that others have secretly borrowed at the expense of shareholders.
- The President's loan was fully disclosed to shareholders in Harken's annual report. Other egregious loans to corporate officers have not been disclosed and have been hidden from shareholders.

What the President said in his corporate responsibility speech...

"Those who sit on corporate boards have responsibilities. I urge board members to check the quality of their company's financial statements; to ask tough questions about accounting methods; to demand that audit firms are not beholden to the CEO; and to make sure the compensation for senior executives squares with reality and common sense. And I challenge compensation committees to put an end to all company loans to corporate officers."

Publicly-reported examples of corporate loan abuses the President seeks to combat...

TYCO

- "Dennis Kozlowski, the former chairman of the troubled TYCO international conglomerate, used money from the company's executive stock purchase fund to buy his lavish Fifth Avenue apartment." (the apartment cost \$18 million) (Source: Newsday, June 6, 2002)
- "Kozlowski used a TYCO fund 'available for executives to exercise their stock options' to finance the purchase of \$13.2 million in paintings, 6 in all, including works by Monet and Renoir" (Source: Newsday, June 6, 2002)
- "TYCO also paid the water and sewer bills for Kozlowski's \$13 million house in the Sanctuary development of Boca Raton." (Source: Palm Beach Post, July 4, 2002)
- "Records show Kozlowski is the owner of three boats. TYCO's headquarters at One TYCO Park in Exeter, N.H., rather than one of Kozlowski's personal residences, is listed as the owner's address." (Source: Palm Beach Post, July 4, 2002)

Adelphia

- "The company, which estimated that it had also guaranteed \$3.1 billion in loans to Rigas-controlled companies, was founded by John Rigas and his brother in 1952, but has been publicly traded since 1986." (Source: Associated Press, 5/24/02)
- "For years the family of Adelphia Communications' founder, John Rigas, had almost unfettered access to company cash to fund its private business ventures. Many of the deals were never approved by the company's board of directors, the company said in a filing with the Securities and Exchange Commission." (Source: Associated Press, 5/24/02)
- "In recent years the family used the company's cash or its assets to help it buy and operate the Buffalo Sabres professional hockey team, expand its personal cable company holdings and acquire timber land and a chunk of a golf course near the company's headquarters." (Source: Associated Press, 5/24/02)
 - ☑ "Adelphia helped NFHLP, the Rigas company that owns the Buffalo Sabres, obtain \$150 million in loans to help it buy and operate the team. It is now investigating whether the transactions were properly approved by Adelphia's board and whether the company received fair value for payments it made on the company's behalf." (Source: Associated Press, 5/24/02)
 - ☑ "Adelphia made \$3.7 million in unsecured loans to ErgoArts and SongCatcher Films, two film production companies controlled by the family. It has spent \$13 million constructing a golf course near its corporate headquarters in Coudersport, partly on land owned by the Rigas family. It also spent \$26.5 million to buy timber rights in Potter County, Pa., on land owned by the Rigas family." (Source: Associated Press, 5/24/02)

WorldCom

- WorldCom Inc. said in a regulatory filing that it consolidated all loans to former president and chief executive Bernard Ebbers into a single **\$408.2 million promissory note**. (Source: Associated Press, 5/20/02)
- WorldCom Inc.'s board of directors failed shareholders when it loaned former Chief Executive Officer Bernard Ebbers more than \$400 million to buy Canadian timberland, the company's court-appointed monitor said. Richard Breeden, named last week by U.S. District Judge Jed Rakoff to make sure WorldCom doesn't pay executives too much or destroy documents, commented on the directors' actions yesterday at a roundtable discussion on corporate governance. Breeden, a former Securities and Exchange Commission chairman, said he'd just come from a WorldCom board meeting. "How do you explain the fact that the board thought that it was consistent with its fiduciary duties to lend the CEO \$400 million so that he could try and buy every tree in northern Canada?" Breeden asked. "It's a rather curious exercise of business judgment." (Source: July 11, 2002 Bloomberg)
- Ebbers, a native of Edmonton, Alberta, bought 164,000-acre Douglas Lake Ranch in British Columbia in 1998, for about \$60 million, Business Week magazine reported, citing brokers who worked on the transaction. His investment company bought 460,000 acres of timberland in the Southeast U.S. in 1999 from Kimberly-Clark Corp. for about \$400 million, Business Week said. (Source: July 11, 2002 Bloomberg)
- WorldCom's current CEO John Sidgmore testified that he now believes the board shouldn't have approved the loans to Ebbers. Sidgmore was vice chairman of the board in 2000, when the loans to Ebbers were approved. "If I had to vote for it again, I would not vote for it," Sidgmore told lawmakers. (Source: July 11, 2002 Bloomberg)

Important Facts on President Bush's Loans...

- Like many small, medium, and large companies, Harken Energy offered their corporate executives incentives to establish a long-term commitment with the company. President Bush's loan was totally appropriate, fully disclosed, and properly executed.
- Harken's plan allowed company executives to purchase restricted stock by borrowing money from the company. In return, the stock was restricted for eight years and used as collateral against the note.
- In 1986 and 1988, President Bush purchased 105,000 stock option grants by borrowing \$180,000 from the company. President Bush or other executives were not required to provide additional collateral to secure a loan. President Bush never exercised these grants.
- In September 1993, Harken converted their executive compensation package from a "loan for stock system" to more traditional stock option plan. In response, President Bush retired his outstanding \$180,000 loan by giving back the 105,000 options.
- Under the new plan, President Bush received 42,503 new stock options that were fully vested for ten years – unless a board member left the company, which limited it to two years. President Bush chose not to exercise his options when he left the board in October of 1993 and therefore made no money.

A New Ethic of Corporate Responsibility

July 9, 2002

Today, in New York, President Bush is calling for a new ethic of personal responsibility in America's business community. The President wants to expose and punish acts of corruption, move corporate accounting out of the shadows, and protect small investors and pension holders.

The President is unveiling tough new criminal penalties and enforcement provisions to punish those who refuse to play by the rules and threaten to undermine the integrity of our financial markets.

- The President will sign an Executive Order creating a Corporate Fraud Task Force to provide direction for investigations and prosecutions of criminal activity. The Task Force will provide oversight and enable improved inter-agency coordination of civil and criminal investigations.
- The President proposes doubling the maximum prison term for mail fraud and wire fraud to ten years.
- The President calls on the U.S. Sentencing Commission to enhance prison time for criminal fraud when committed by corporate officers and directors.
- The President proposes strengthening laws that criminalize document shredding and other forms of obstruction of justice.
- The President proposes new provisions to strengthen the ability of the Securities and Exchange Commission (SEC) to freeze improper payments to corporate executives while a company is under investigation.
- The President calls on public companies' compensation committees to prevent corporate officers from receiving loans from their companies.
- The President challenges CEOs to comply with the spirit of existing disclosure rules by explaining how their compensation packages are in the best interests of their companies' shareholders, and describing in plain English in their companies' annual reports every detail of their compensation packages.
- The President urges Congress to take immediate action to pass the \$20 million funding increase requested earlier this year so that the SEC can hire 100 new enforcement officers. The President also urges Congress to provide an additional \$100 million in FY 2003 to enable the SEC to hire more enforcement officers and provide them with state-of-the-art technology. The new funds – combined with the President's proposed FY 2003 budget – represent more than a 20 percent increase for the SEC in FY 2003.
- The President calls on the nation's stock markets to require that a majority of a company's directors be truly independent so that they have no material relationship with the company. The President also calls for all members of a company's audit committee, nominating committee, and compensation committee to be truly independent.
- The President calls on the nation's stock markets to require listed companies to receive shareholder approval for all stock option plans.

Enhanced Enforcement and Tougher Criminal Provisions

The vast majority of businessmen and women obey the laws and uphold the rules. However, those that refuse to play by the rules, and threaten to undermine the integrity of our financial markets in the process, deserve tough penalties. In March, the President called on the SEC to step up enforcement actions. Under the leadership of Chairman Harvey Pitt, the SEC has responded with speed and effectiveness. The Justice Department has also heeded the President's call for enhanced enforcement. Today, the President is calling for additional measures to ensure that our laws are vigorously enforced and that business leaders who violate the law receive the punishment they deserve.

Create New Corporate Fraud Task Force

President Bush will sign an Executive Order creating a new Corporate Fraud Task Force. The Task Force will be headed by the Deputy Attorney General, and will include the Assistant Attorney General for the Criminal Division, the Assistant Attorney General for the Tax Division, the Director of the FBI, and United States Attorneys from districts representing major financial centers. The Task Force will marshal the prosecutorial resources of the Justice Department to provide direction for the investigation and prosecution of significant cases of securities and accounting fraud, and related criminal activity.

The Task Force will enhance civil and criminal investigative efforts of the federal government by strengthening inter-agency coordination. In addition, the Task Force will provide the necessary information and expertise in order to enhance cooperation among federal, state and local authorities responsible for the prosecution of multi-jurisdictional cases involving corporate fraud. For these purposes, the Task Force will include representatives of the Treasury Department (including the Internal Revenue Service), the SEC, the Commodity Futures Trading Commission, the Federal Energy Regulatory Commission, and the Federal Communications Commission, as appropriate.

Increase Jail Time

Because the mail fraud and wire fraud statutes are often used in criminal cases involving corporate wrongdoing, President Bush proposes doubling the maximum prison term for these crimes from five years to ten years.

President Bush also calls on the Sentencing Commission to adopt quickly a new "aggravating factor" to provide stronger penalties for fraud when the crime is committed by a corporate officer or director. Because corporate leaders hold offices of high trust, they should face stiffer penalties when they breach their duties.

Enact Stronger Laws against Document Shredding

President Bush is proposing to strengthen laws that criminalize document shredding and other forms of obstruction of justice. Under current law, 18 U.S.C. § 1512 prohibits individuals from persuading others to engage in conduct designed to obstruct an official proceeding, even if the proceeding is not yet pending. However, 18 U.S.C. § 1503, which prohibits obstruction of justice even if the defendant acted alone, has been interpreted to apply only if the proceeding is pending and a subpoena has been issued for the evidence that was destroyed or altered. This new proposal

would allow the government to charge obstruction against individuals who acted alone, even if the tampering took place prior to the issuance of a grand jury subpoena.

Freeze Payments of Potential Wrongdoers

Corporate executives may attempt to enrich themselves while the company is subject to an SEC investigation, but before the SEC has gathered sufficient evidence to file formal charges. The President is proposing that the SEC – during an investigation – be authorized to seek an order in federal court freezing extraordinary payments (whether compensation or otherwise) to corporate executives. This order, which could last for 45 days, would require the payments to be escrowed, ensuring that corporate assets are not improperly taken for an executive's personal benefit. The order could be extended for another 45 days by the court upon a showing of good cause. If an executive is charged with violations of the federal securities laws prior to expiration of the court order, the escrow would continue until the conclusion of legal proceedings, with court approval.

Increase SEC Funding

Over three months ago, the Administration requested an additional \$20 million for the SEC to immediately hire 100 new enforcement officers. The President urges the Congress to take immediate action to pass the FY 2002 Supplemental Appropriations bill, which includes this funding, in an acceptable form so the SEC can immediately begin hiring. In addition, four months into the implementation of the President's call to action, Chairman Pitt has determined that the SEC could effectively use an additional \$100 million in FY 2003. The President supports this increase, which would boost the SEC's budget by more than 20 percent. Combined with the funding in the Supplemental, this proposal would increase the budget of the SEC by \$615 million over the next five years. The additional funds would enable the SEC to hire more enforcement officers, employ state-of-the-art technology, and provide merit-based raises.

Disgorge Ill-Gotten Gains

In March, the President called for the disgorgement of CEO bonuses and other incentive-based forms of compensation in cases involving accounting restatements resulting from misconduct. Since the President's call, the SEC has sought disgorgement in four cases, equal to the entire number sought in the previous fiscal year. For the first time, the SEC has also sought to disgorge improper gains from the exercise of stock options.

Bar Corporate Officers and Directors Who Engage in Serious Misconduct

In March, the President called on the SEC to ban CEOs and other officers who clearly abuse their power from serving in any corporate leadership position. Since the President's call, the SEC has sought to bar 30 directors and officers from continued service, bringing the total for the first eight months of the fiscal year to 54. This is 40 percent more than were sought in fiscal year 2000. Currently, these bars require court approval. The President is pleased that the House of Representatives passed legislation to give the SEC the administrative authority to bar directors and officers without court approval.

A Stronger, More Independent System of Accountability

The American system of corporate governance requires more than government enforcement; it demands a rigorous system of accountability where shareholders, board members, auditors, and corporate officers take special care to ensure that corporations are run honestly and effectively. President Bush supports a comprehensive set of reforms that will strengthen the governance system.

Make Directors Truly Independent

The board of directors is charged with protecting the interests of the shareholders, making it the most important watchdog of any corporation. At the request of the SEC, the New York Stock Exchange (NYSE) and the NASDAQ Stock Market have proposed, or are considering proposing, rules to require that truly independent members comprise a majority of a company's board. Under the NYSE proposal, an independent director could not have any other material relationship with the listed company.

The NYSE has also proposed that all members of audit committees, nominating committees, and compensation committees be independent. Independent compensation committees are the best way to ensure that executives are not able to set their own compensation packages.

The President calls on the nation's stock markets to implement these common-sense reforms as quickly as possible.

Make Auditors Independent

In March, the President called for a prohibition of any non-audit service provided by a company's external auditor, if that service compromises the integrity of the audit. The SEC is currently drafting rules that would ban all non-audit services, unless approved in advance by the independent audit committee of the board of directors. The President calls on the SEC to adopt these rules as soon as practicable.

Improve Oversight of the Accounting Profession

In March, the President called for a new, independent, private regulatory body to monitor, investigate, and enforce the ethics and competence of the accounting profession. On June 20, the SEC proposed an unprecedented and comprehensive new oversight board to regulate the accounting profession. This board will be:

- Fully authorized to oversee all auditors of the financial statements of SEC registrants;
- Funded involuntarily by those who benefit from public audits;
- Run predominantly by public board members not associated with the accounting profession;
- Operated under the close supervision of the SEC; and
- Separate from, and not under the control of, the American Institute of Certified Public Accountants.

The accounting oversight board will:

- Set and oversee the establishment of professional audit, quality control, and ethics standards;
- Direct reviews of companies' quality controls over their accounting and auditing practices;

- Discipline companies and individuals for violations; and
- Issue public reports of its activities.

To strengthen investor confidence, the President calls on the SEC to ensure that such a board is operational by the end of the year and compliant with any parameters mandated by legislation.

Strengthen CEO Responsibility for Financial Statements

In March, the President called for CEOs to vouch personally for the veracity, timeliness, and fairness of their companies' financial statements. On June 12, the SEC proposed a rule that would require CEOs and CFOs to personally certify that quarterly and annual reports include all the information of which they are aware that is important to a reasonable investor. On June 27, the SEC ordered the CEOs and CFOs of nearly one thousand of the largest corporations to re-certify personally their companies' financial results for 2001 and the first quarter of 2002. This action should help speed the discovery of any remaining accounting irregularities and bring any wrongdoing into the open.

Require Prompt Disclosure of Insider Transactions

In March, the President called for prompt disclosure of significant transactions involving officers' and directors' purchase and sale of company stock. On April 11, the SEC proposed rules requiring a company to report significant transactions by executive officers and directors within 2 business days, including transactions with the company and loans between the company and its officers and directors. Current law allows for reporting delays of a year or more.

Justify CEO Compensation

The SEC currently requires the annual disclosure of CEOs' compensation, but that information is often buried in proxy statements, and infrequently reviewed by shareholders. CEOs set an ethical tone through their compensation packages. The President challenges CEOs to comply with the spirit of existing SEC disclosure rules by including prominently in their companies' annual reports every detail of their compensation packages in plain English. The CEOs should explain how these compensation packages are in the best interests of their companies' shareholders.

Eliminate Company Loans

Some egregious acts occur when CEOs treat public companies as their personal banks. Loans of any type to corporate officers are rarely warranted. The President calls on compensation committees of public companies to end the practice of allowing corporate officers to secure loans from their companies.

Require Shareholder Approval of Stock Options

Stock options represent an important tool to align the incentives of management and other employees with the success of a company. When exercised, however, options dilute the ownership of the existing shareholders by providing more claims against the same income and assets. Accordingly, all stock options, as well as other forms of equity-based compensation, should be approved by the shareholders in advance. The President is pleased that the NYSE has made a similar recommendation, and calls on all stock markets to implement this reform promptly.

Better Protection for Investors

More than 80 million Americans own stock, and many of them are new shareholders in the market. Stock ownership allows employees to build wealth over the long term. President Bush is committed to encouraging an ownership-based society and giving new investors the protections they deserve.

Make Analysts Independent

Research analysts should be trustworthy advisors, not conflicted salesmen with hidden agendas. Today, tough new SEC-approved rules take effect that will ensure that analysts are independent. From now on, analysts:

- Will not be able to engage in a *quid pro quo* with their firms' investment bankers by aggressively marketing new offerings in exchange for compensation;
- Will not be able to report directly to investment bankers;
- Will not be allowed to comment on companies underwritten by their brokerage firm within 40 days of an initial public offering; and
- Must explain the meaning of their firms' stock ratings and demonstrate that these definitions are consistent with their plain-English understanding.

On September 9, additional SEC rules are expected to take effect that will force brokerage firms to:

- Disclose the percentage of all ratings assigned to the "buy," "hold," and "sell" categories; and
- Provide historical graphs of their ratings compared with actual stock price performance.

Make Disclosure of Information More Robust

In March, the President called on public companies to provide a true and fair picture of themselves, and warned that GAAP compliance did not prove sufficient disclosure. In April, the SEC took its first enforcement action against a company for inadequate disclosure, even though the company's financial statements arguably complied with GAAP. The SEC continues to be investigating companies for inadequate and misleading disclosure.

Require Prompt Disclosure of Critical Information

In March, the President urged the SEC to expand the list of significant events requiring prompt disclosure between reporting periods. On June 12, the SEC unveiled a proposal that will more than triple the number of items that corporations must disclose between periods. These new items include changes in credit ratings, departures of executives, gains or losses of material customers, and insider stock transactions.

Provide Better Access to Investment Advice and Information

In February, the President proposed allowing employers to make investment advice available to employees through qualified retirement plan administrators who act solely in the interests of plan participants. This proposal would give employers a practical opportunity to provide their employees with sound advice with respect to investing and diversification of their 401(k) accounts.

These accounts hold approximately \$2 trillion in assets, and the employees whose retirement security depends on these funds deserve better access to investment advice. The President also proposed a new requirement that employers must provide their employees with quarterly retirement benefit statements. The President is pleased that the House of Representatives already acted on this important legislation.

Provide Greater Freedom to Diversify

In February, the President proposed that all employees be allowed to sell company stock and diversify into other investment options after they have participated in their 401(k) plans for three years. While many companies already allow rapid diversification, others impose holding periods that can last for decades. Greater diversification will increase retirement security. The President is pleased that the House of Representatives passed a similar provision in April.

Require Greater Parity between Corporate Executives and Rank-and-File Employees

In February, the President proposed a prohibition on senior executives from selling stock when employees' pensions are in "blackout" periods. The President also proposed giving employees a 30-day notice period before any such blackout period begins. The President is pleased that the House of Representatives passed these provisions in April.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release
3, 2002

July

PRESS BRIEFING BY
ARI FLEISCHER

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release
3, 2002

July

PRESS BRIEFING BY
ARI FLEISCHER

James S. Brady Briefing Room

12:30 P.M. EDT

MR. FLEISCHER: Good afternoon. And happy day before Independence Day to you all. The President this morning had -- began his day with a CIA briefing, followed by a briefing by the FBI, and then had a meeting of the National Security Council. The President later this afternoon will participate in a ceremony where he will sign the Tribal Colleges and Universities Executive Order, focusing on providing assistance for education of Indian Americans.

And then later this afternoon, the President will make remarks at the Bicentennial of Lewis and Clark's voyage of discovery. And the President, of course, will spend tomorrow, July 4th, in Ripley, West Virginia, celebrating Independence Day with American citizens.

With that, I'm happy to take any questions. Helen.

Q Can you tell the American people what great threats, if there are any, will befall the United States on tomorrow, 4th of July? I mean, there seem to be such a beef-up, and I guess the Washington police are on the alert and so forth. What has caused this? Do you have anything concrete to tell us?

MR. FLEISCHER: Okay. The government does not have any specific information about any threats of a specific nature. But what we do have is a generalized sense of awareness that there are terrorists who desire to hit and

to strike the United States, particularly well-attended, populated events. Things such as the Super Bowl, such as the Olympics have brought together security measures before as precautions, because when Americans gather in large number it does present for terrorists tempting, possible opportunities from their point of view. And we always take precautions in this country. That's why I alluded to the Super Bowl and the Olympics as prime examples.

Tomorrow, July 4th, is the first July 4th celebration since the September 11th attack on our country. So as a precaution, the law enforcement community, the FBI, the federal government are joining together to take precautions around the country to help protect American citizens from any type of generalized threat that we may think is potential.

Q And at the same time, you're not discouraging any crowd gathering?

MR. FLEISCHER: No, the President of the United States would encourage the American people to gather, to celebrate, to enjoy America's independence. The law enforcement community of the United States will do the worrying. They will take care of the precautions. And that's true at the state, the local, and the federal level.

Jennifer?

Q On the issue of the President's stock sale, Harkin stock, we talked about this this morning, that the explanation is that it was a clerical mistake that the reporting was made very late. And during the campaign, Bush said that it had been misplaced. Are you saying that because of your explanation --

MR. FLEISCHER: I'm sorry, during which campaign?

Q His campaign, in 2000.

MR. FLEISCHER: Okay, go ahead.

Q Are you saying that the President was misspeaking at the time?

MR. FLEISCHER: Okay. Do you have a quote that you can read to me?

Q He said at the time that he believed that it had been filed and that the SEC must have lost it.

MR. FLEISCHER: Right, at the time. And I think that's a reference to what the President, or at that time George W. Bush, said back in 1990, 1991, or 1992.

This is one of the most widely reported stories of the '90s and then going into the campaign. It's been an issue in his campaigns that political opponents have raised against him, going back to 1994, in his first campaign ever for office. In this case, the President filed, as he was required to do, his form 144s, which is a notice of intent to sell. That was filed on the day it was supposed to be filed, on time, June 22nd, 1990. Additional forms, a Form 4, as it's called, was not filed at the time. The President thought it had been filed at the time, and indicated so publicly. What happened as a result was, it was a mixup with the attorneys dealing with the Form 4, and it was filed later. But it was, indeed, filed.

Q Can you be specific about where the mixup occurred? Was it with the President's attorneys or with the SEC's attorneys?

MR. FLEISCHER: The Form 4 is required to be filed by corporations. And so it was corporate attorneys.

Q The reason, of course, that this is now back in the news is because the President's point in his 10-point plan saying corporate leaders should be required to tell the public promptly when they buy or sell company stock for personal gain.

MR. FLEISCHER: Absolutely right.

Q And the SEC concluded that the reporting hadn't been according to the regulations, even though they decided not to prosecute.

MR. FLEISCHER: You're mixing up two issues involving filing and involving some other incident that the SEC took a look at and concluded there's nothing there. And in this case, the key issue is the public notification. The President believes very much that corporate officers should disclose their sales, which is what the President did. And that is available, you all have seen it. And that is the Form 144, with the President's signature on it, then George W. Bush's

signature on it, filed a notice of intent to sell, filed with the SEC on the date of that sale.

Q Ari?

MR. FLEISCHER: Elizabeth.

Q Can I just clarify then, so he said in 1990 that the SEC must have lost it, that's what he thought at the time. But since then he has said to you today that the attorneys, there was a mixup with the attorneys. When did he become aware --

MR. FLEISCHER: You've got two issues here. When somebody -- the Form 144 was, indeed, filed with the Securities and Exchange Commission --

Q What time would that be for the other form?

MR. FLEISCHER: But when you say the President said in 1990, what was the question he was asked?

Q What happened to the -- okay, but could you just help us here? I'm not trying to trip you up here, I'm just trying to get some information.

MR. FLEISCHER: But I just want you to be precise in the question. You say, when he said that in 1990 -- there are two forms involved. He --

Q Which was he referring to?

MR. FLEISCHER: Well, which -- what was the question about? When the question is vague, the answer applies to whatever forms the President was familiar with.

Q We're not interested in that first form that was filed on time. We're interested in the second form that wasn't filed on time.

MR. FLEISCHER: But they're both important. The form that was filed on time clearly shows the President made public his intent to sell, which took place that day. So if somebody says, did you make the SEC aware of your intent to sell, obviously, he signed the form, filled it out, sent it in on time. So I don't think anybody would be surprised if he says I filled out the form and sent it to the SEC.

Q Let's talk about the second form, when he said the SEC must have lost it -- he was referring to the second form in the early '90s, when he said that.

MR. FLEISCHER: That's not clear from the question or from in the articles that you're looking at. The President's aware of the form that he filled out. There is nothing in the question that you're looking at that would lead you to believe that that's a reference to the Form 4, as opposed to the Form 144.

Q Can we clarify which one we're talking about

MR. FLEISCHER: The point is -- the point is, the President, the President believed that all the form were filled out properly by the attorneys and filed with the SEC, because he knew that he filed his form with the SEC. And then, it turned out to be a mixup with the attorneys, where the Form 4s were not filed, and we were able to ascertain that this week.

Q But the Form 4 was filed 34 weeks late, right?

MR. FLEISCHER: The Form 4 was filed late.

Q Thirty-four weeks late, according to this SEC memorandum.

MR. FLEISCHER: And that's something that's been known for more than 10 years.

Q Right. But you're saying that he was not responsible for that late filing?

MR. FLEISCHER: That's a corporate form to be filled out.

Q So you're saying that it was the corporation

Q Can you walk us through this again. --

Q When he's --

Q Are you saying it was --

MR. FLEISCHER: Go ahead, Bill. Bill and then Kelly.

Q I just want to clarify. You're saying that it was the corporation, and not George W. Bush who was responsible for the late filing of Form 4?

MR. FLEISCHER: Form 4s are filled out by corporations, under the SEC rules.

Q But what's unclear is when the President said that he had filed the appropriate forms, the SEC must have misplaced them or something -- what was the President referring to? To both? Or to the one dated of the -- the notice of intent to sell?

MR. FLEISCHER: I don't think that's clear -- I don't think that's clear, Kelly.

Q Did you ask him?

Q Can we find that out? I mean, the President has obviously --

Q Can you ask the President?

MR. FLEISCHER: The President believed at the time that he had filled out all the paperwork that was required, and it was filed, and that the lawyers did as they were required to do. That was the President's understanding at the time. Whatever forms were required to be filled out, the President thought had been filled out. He knew, of course, the one that he had filled out because he signed it and it was submitted on the proper date. And if there were any other forms that were required to be filled out, the President was under the impression they had been. And then it was determined later that they had not been. And that's why the Form 4 were later filed.

Q When did the President discover that the Form 4 that was supposed to be filed -- that's an announcement of stock sale by the corporation. So when did he learn that this was not filed on time, that there was a mixup with the attorneys?

MR. FLEISCHER: I couldn't tell you when he learned that.

Q Well, you just said about something just this week. You said just a minute ago that he just learned this this week.

MR. FLEISCHER: That's involving the mixup by the attorneys -- that's when I first heard that information. That's why I shared it with you this morning.

Q But you don't know when he learned that this mistake had been made?

MR. FLEISCHER: Probably right before the form was filed.

Q Ari, Form 4 is a disclosure of an individual selling stock, not a corporation, correct?

MR. FLEISCHER: They both apply to individual sales of stock. One is filled out by the corporation; one is filled out by the individual.

Q But it's the individual selling stock that's being reported, not the corporation?

MR. FLEISCHER: Well, reported by the corporation, is what David asked.

Q But the individual is selling this stock?

MR. FLEISCHER: That's correct.

Q Whose legal responsibility is it to file a Form 4? Is it the individual selling the stock?

MR. FLEISCHER: I couldn't tell you. You'd have to check with somebody else. Don't know.

Q Ari, this weekend the Indian American community held a function for Connie Morella in Maryland. First she was very thankful to the President for the great job he's doing, especially on India and Pakistan. And the Indian Globe also did a survey on Indian Americans and they are supporting of the President as far as his job in the fight against terrorism. But the question is now that we are here at 4th of July celebrating in the coming day, Americans are still living in fear of terrorism. Not only from terrorism, but also now corporation or from the big companies cheatings and fraud and all that. So what message he have I think for the Americans that where should the small investors now -- what is their future for the future? And also the President said that before September 11th, 9/11 this year, he will bring to justice top al Qaeda leaders including Osama bin Laden. He has

any information where he is or how he is going to bring him --

MR. FLEISCHER: I'm trying to work the connection between the small investors and your follow-up question. Nothing has changed with Osama bin Laden in terms of any information that we have. We do not know whether he is alive or dead.

And in terms of small investors or any investors, the President has tremendous faith in our system, in the economy, in our free enterprise way of life. And the President believes in our country individuals are free to make those decisions. And that is one of the strengths of our system, that people can decide what to do with their money, where to invest it, and that's one of America's freedoms to choose.

Q Any 4th of July message from the President?

MR. FLEISCHER: The President's 4th of July message tomorrow is going to be focused on celebrating America's independence, celebrating America's national unity, focusing on the strengths that unite and bind us together as a nation, particularly in a time of war.

Q Back on the SEC filing, did the attorneys have a reason, did they give the President -- back then he wasn't the President -- did they give him reason for why there was a delay, since this is something they should do by rote? Did they have an excuse for him?

MR. FLEISCHER: Well, I think, again, this is something that -- this is now in its 11th or 12th year of being reported. This is something that you all have the paperwork on, you've looked at it yourselves extensively. As I say, it's been used as an issue by every political opponent in every campaign in which he's run. When he ran for President, your investigative reporters all looked into this and you have the documents. And I think that the best explanation is that the attorneys thought the form had been filed, which is what would lead then George W. Bush to say that he thought it had been filed and the SEC must have lost it. That was not the case.

Q Can I ask you something about the security measures of tomorrow, which are not only in this country? The State Department has issued warnings to all American citizens traveling abroad, again citing unspecified

charges. There seems to be big going on with unspecified charges. Is it because it's the 4th of July and you figure it's a good target?

MR. FLEISCHER: That's the biggest reason, yes. The 4th of July is a time of great gathering for the American people. There are large celebrations in cities, not only on the Mall in Washington, but across our country. And as I indicated, with the examples that the American people are very familiar with, such as the Super Bowl or the Olympics, large gatherings can become targets for terrorists.

And that's why when people go out to stadiums now, they see enhanced security. They're used to changes in procedures involving what they can bring in, what they cannot bring in, searches at the egresses or the entrances into these facilities. This has all changed since September 11th. This the first July 4th since September 11th, so it's proper and a wise precaution that additional security measures are put in step, put into place across the country.

Q And on a different subject which I think is important also -- the President of Argentina has just announced that he will hold elections six months earlier. The situation there is absolutely dire. A lot of people are asking themselves why is the U.S. government just standing by? And now the International Monetary Fund is going to wait until the new President gets elected. In the meanwhile, it's just contagious now. It's not just Argentina. Brazil is --

MR. FLEISCHER: The United States and neighbors in the region, as well as the contributing supporters of the International Monetary Fund, have been very supportive and helpful to Argentina, working with Argentina as Argentina focuses on a sustained recovery package. So there's been a lot of aid provided, as you know, directly to Argentina. That continues to be something the Treasury Department and the IMF have been working on very hard, to help Argentina find its way to reform.

Jim.

Q Yes, a couple of things. One, on the Form 4. You said you weren't sure whose legal responsibility it is to fill it out; the form is filled out by corporations. But I gather from your explanation that you're saying that the President believed that it was the

corporation's responsibility and not his own?

MR. FLEISCHER: It is a corporate responsibility to file the form. The question was legal liability, and I don't know the answer to that. But also in terms of legal liability, I think when you take a look at this, the SEC has been well aware of this, as you all have reported now, for more than a decade. The SEC has been well aware of this issue involving the Form 4, the filing of the forms and they've looked at all of this, and the SEC has concluded that this is not anything that's actionable.

Q Legal liability, not legal responsibility for filling it out in the first place is the --

MR. FLEISCHER: That is a separate question, that's correct.

Q Now, on the ICC today, can you give us some sense of what the state of play is at the U.N. and in New York, and what you believe is going to happen or at least where things are now?

MR. FLEISCHER: Meetings are continuing in New York to try to bring resolution to this issue. The United States is working very hard through the United Nations and through bilateral conversations to try to reach agreement to give our peacekeepers the immunities that we seek and that they deserve. Under Chapter VII of the U.N. Charter, the Security Council can provide protection for the ICC participants in U.N. authorized and U.N. approved peacekeeping operations. We've asked the Council to provide that protection by extending immunities that already exist for U.N. peacekeepers to America's personnel.

We're looking at that. We're also actively pursuing Article 98 agreements which, under the Rome statute, allow nations to agree not to turn over each -- other nationals to the ICC. There's a problem there, because once peacekeepers leave the jurisdiction covered by an Article 98 agreement, they're vulnerable to the ICC everywhere else in the world. And that's why we're seeking the full protection of our peacekeepers through the United Nations Security Council.

Q What is your understanding of why it is that the Security Council will not extend this immunity to American peacekeepers when, as I understand it, the

French do, in fact, have some immunity that they negotiated through the ICC?

MR. FLEISCHER: What the United States is seeking is the same type of protection for America's service personnel that has been provided to many other nations' personnel. And there is a mechanism that the United Nations Security Council can look at that would provide non-participatory nations the same protections that participatory nations enjoy under the ICC. Those same immunizations and protections are warranted for the Americans.

Q If I could ask you one other thing, the President has transferred some money to the Transportation Security Administration?

MR. FLEISCHER: That's correct.

Q Can you tell us what prompted that and to what extent you believe that the -- that Congress's delay in acting on this will affect the deadlines Congress imposed on airline security?

MR. FLEISCHER: This is another reason why it's so important for Congress to complete its unfinished business and to pass the emergency spending bill for this current fiscal year. This current fiscal year is almost over. When Congress returns, there's going to be just about two months left. If Congress cannot get this done in July, you have August and September, the only two months left, to fund this year's what's designated as emergency funding and make certain that the Transportation Security Administration and other vital agencies don't run out of money in this fiscal year before the year's even over, if it becomes necessary on occasion to make a transfer or a redirection of funding.

Q Can the President keep dipping into FEMA funds for TSA, or is he about at the end of his rope on this?

MR. FLEISCHER: I'd have to ask OMB for the precise dollar figures. I don't know off the top of my head, Jim.

Q Just a couple questions on the International Criminal Court. What was the authority that the Security Council has -- you read some chapter there -- to provide this immunity?

MR. FLEISCHER: Under Chapter VII of the U.N. Charter, the Security Council can provide protection from the ICC for participants in U.N.-authorized, U.N.-approved peacekeeping operations.

Q Even though the U.N. Charter obviously predates the International Criminal Court by 50 years, there's some power to do that?

MR. FLEISCHER: That's what the lawyers who write these things say.

Q Okay. Let me ask one more. What the President said yesterday was that he didn't want to see American soldiers or diplomats dragged into this court.

MR. FLEISCHER: That's correct.

Q Are we seeking immunities for American diplomats in the Security Council? Or is that part of peacekeeping --

MR. FLEISCHER: The Security Council is focused on the peacekeepers, but there is a broader concern about civilians who could similarly be targeted arbitrarily by the International Criminal Court for prosecution, even as a non-participating nation. Our concern applies, as we've said I think last week, to both military, peacekeeping elements in the military, as well as to civilians, which, of course, would include diplomats.

Q But doesn't that court recognize diplomatic immunity?

MR. FLEISCHER: This court can do pretty much what this court seeks to do in an extraterritorial manner that would put Americans at risk of being tried by a court that is not accountable to our laws.

Q And does not recognize diplomatic immunity?

MR. FLEISCHER: It is a risk with this court, Bill. The answer is not clear. They have the purview, under the way this has been written in Rome to prosecute people they deem to be war criminals.

Q And, Ari, this court is up and running as of right now.

MR. FLEISCHER: That's correct.

Q And so American soldiers and diplomats are possibly under its purview.

MR. FLEISCHER: That's correct.

Q Is the President prepared --

MR. FLEISCHER: This court came into effect on July 1st. And this court, the United Nations had been told repeatedly, months before this, about the American concerns, the longstanding American concerns. We regret that it has come to the point where the United States had to take the action it did, involving the veto for the peacekeepers. But that shows you our deep-seated commitment to the protection of our peacekeepers and the importance of these peacekeeping missions. They deserve these protections so their missions can go on.

Q It doesn't look like they're going to get them by midnight tonight. So is the President prepared, in accordance with that commitment, to withdraw American peacekeepers?

MR. FLEISCHER: Well, let me -- let's see what happens in New York today. They were meeting just before I came out here, and I anticipate there will be continued meetings today. So we will see.

Q Are you hopeful?

MR. FLEISCHER: The meetings are underway, Terry. I would not want to characterize them.

Q Can you clear up --

MR. FLEISCHER: Helen?

Q -- who would be withdrawn --

MR. FLEISCHER: Helen?

Q -- if they were withdrawn?

Q That's all right.

Q Can you clear up who would be withdrawn if the President did so? Would it be the smaller team of police trainers, which I think is in the area of 40 people, or the 3,500 or so U.S. troops in the Bosnia peacekeeping

force?

MR. FLEISCHER: Well, I want to make clear that we will not abandon Bosnia; that our military people in the field are well-prepared and equipped to do whatever we ask them to do. So the question then becomes, is this a U.N.-sponsored peacekeeping mission at that point? And that's why we're working hard with the U.N. to get an agreement, so that all can stay in the region to fulfill that mission. But we do have very clear, well-stated concerns about the ICC.

Q Who would be withdrawn if troops were withdrawn as a result of this action?

MR. FLEISCHER: I think what you would see in this case, as I said, is our peacekeepers -- our military people in the field are well-prepared and equipped to do what we ask them to do. So it's not necessarily a question of withdrawal, it's a question of mandate.

Connie?

Q Thank you, but you also called on Helen. Do you want to do Helen first?

MR. FLEISCHER: Helen yielded to Bill. (Laughter.)

Q All right. On Afghanistan --

Q I want another chance.

MR. FLEISCHER: I know you do. You'll get it.

Q I always want to yield to Helen. How involved is the White House in the Afghan investigation? Will the U.S. change its operations in Afghanistan? And what effect will this have on the war against terrorism?

MR. FLEISCHER: Well, I think this was discussed at great length at DOD this morning. And the Department of Defense is working with the Afghans on determination of the cause of the deaths. And we remain committed to fighting and winning a war in Afghanistan that is a war aimed at terrorists.

Q But is the White House concerned that this will have a negative effect on the war against terrorism?

MR. FLEISCHER: We are going to continue to work very closely with Afghan authorities to make sure that it does not.

Paula?

Q Last week, House Ways and Means issued an outline on how to handle the WTO-Foreign Service Corporation dispute, as well as some corporate inversion provisions. And I wondered if the White House has any comment on their approach to --

MR. FLEISCHER: Let me take that, Paula, because I don't have anything specific on the FSC legislation that was put before Ways and Means. I know this is something that the WTO ruled the United States had to change its rules on to comply with WTO authority. And the President indicated that we want to work with Congress to do that, to come into compliance with the WTO ruling on FSC. I have not studied the action Ways and Means took, but let me see if we can't get you something for that.

FSC

Dick?

Q Can you -- going back to the SEC matter again, can you tell us, to the best of your ability, to explain what was the screw-up on the Form 4s? What mistakes --

MR. FLEISCHER: There's really nothing I can add beyond what I said earlier. I've given you everything I know about it and have about it. I got asked that question and I gave you the explanation I have. We've done that one.

David.

Q When you're talking about -- the question is pretty straightforward, about which troops would be withdrawn from Bosnia if it came to that. And you're saying it may not be a question of withdrawal, but a question of their mandate. What do you mean by that?

MR. FLEISCHER: Well, as I said, we will not abandon Bosnia. Our military people in the field are well-prepared and equipped, and they will do whatever we ask them to do. What you have here is a case where the U.N. had three days from the veto to try and reach an agreement so that this can remain a U.N. mission.

Q Right. So we're supposed to read something between the lines here, right, that --

MR. FLEISCHER: Clearly, with a veto, this would not longer be --

Q -- we would pull out of the U.N. auspices but keep our unilateral forces there --

MR. FLEISCHER: It would no longer be a U.N. mission.

Q It would change to a NATO mission, you're suggesting?

MR. FLEISCHER: Well, there are ways to try to address this while honoring our security -- our commitments to Bosnia.

Q But that does not affect the police force, right? Isn't that your greatest concern? Because a NATO force does have some immunity under Dayton Accords, but the police force does not?

MR. FLEISCHER: Our concerns are for both forces, and we want to make sure that they're both addressed.

Q But the greatest exposure would be to the police, would it not, because they have no immunity under Dayton?

MR. FLEISCHER: You know, I don't know that I'm in a position to measure one group's exposure versus the other's. We think that they're both important.

Q Right. But you would not pull out the peacekeepers, but you might have to pull out the police, is that what you're saying?

MR. FLEISCHER: I would only say let's see what happens before the day is over to see if this can be addressed. And if any additional actions, David, were to be taken, we will keep you informed about any such things. That could include, if it did, withdrawal or change in mandate.

Q -- tell everybody else. (Laughter.)

MR. FLEISCHER: Hold on a second, let's see. Helen? We're back to Helen.

Q In the last day or so, a New York Times columnist indicated that the government was hot on the heels of a perpetrator of the anthrax attacks, and that there is some reason to -- there's been a laying-off of that. Do you have any clue as to what's happening in anthrax?

MR. FLEISCHER: No, the FBI is continuing its investigation of who may be responsible for the anthrax attacks that took place last fall. They've been pursuing every lead they can possibly find, but there is no new information to report.

Q This columnist seems to indicate that there was a very strong suspect.

MR. FLEISCHER: I've not heard that.

Kelly.

Q Ari, the FBI intelligence, the weekly intelligence bulletin went out today -- or went out yesterday, dated today. Can you tell us what it said to the state and local law enforcement, what message, the day before the 4th?

MR. FLEISCHER: Any communication that goes from the FBI to the field I would leave for the FBI to describe. But again, this gets back to what I was asked earlier in the briefing. There's a generalized sense of keeping people on their toes, making certain that there are additional personnel deployed throughout the country, changing procedures so that it's easier for security people to keep an eye on who may be entering a large facility, so that it's easier to have security precautions in place. And I think that's what you're going to see throughout the country at many of these sites.

As well, just in terms of actions here by the Homeland Security Council and others, the Homeland Security Council is going to be monitoring more than 2,000 events across the country where Americans are gathering to celebrate in large numbers the July 4th holiday. The Homeland Security Council maintains a coordination center, an emergency operations room where they maintain points of contact with officials at all 2,000 sites, where lines of communication can instantly be opened. They'll be in constant communication with

state homeland security directors and advisors. Combat air patrols will be flown over numerous American cities and random areas across the country. There will be enhanced local police and FBI presence across America tomorrow. And the FBI, of course, will be manning its emergency operations center, as well.

Q One follow, though. One thing I want to just check, you keep talking about the 4th, a lot of people gather. But it's more than that, though. Isn't the U.S. government picking up increased operational activity among terrorists that has sort of raised the level of concern, as well?

MR. FLEISCHER: I can't say "operational activity." Those are very specific words, "operational activity," which have a different meaning. We are, have been for a considerable period of time been picking up increased chatter in the system, and we do our best to try to interpret this chatter to see if there is anything that can be gleaned from it. And again, this is the first July 1st -- 4th -- let me say that again, a lot of dates in there. This is the first July 4th since September 11th, and so you will see across the country there are a lot of precautions put into place.

Q Ari, can I follow up? Why are you encouraging crowds to come into the Mall? I mean, the country is telling everybody --

MR. FLEISCHER: Because -- because this is July 4th and the American people should celebrate July 4th. The American people should gather. The American people should celebrate. And law enforcement will be on hand to do the worrying and do the watching.

Q If you have to evacuate thousands of people -- it's impossible.

MR. FLEISCHER: Because, Connie, we don't let the terrorists win by canceling America's holidays.

Q Ari, President Bush will deliver his speech on corporate malfeasance on Tuesday, right? He will speak Tuesday, July 9th?

MR. FLEISCHER: Correct.

Q Are there any other events the President is preparing on this subject? Which seems to be really

driving the media today and -- not only today, but I mean investors, everybody is --

MR. FLEISCHER: I would just suggest, tune in to the President's remarks. The President feels very strongly about the importance of promoting and focusing on corporate accountability, corporate responsibility. The President frequently talks about the responsibility era, and that applies to all in our society, including America's corporations. And so you will hear the President make some remarks about that and any other additional activities by the administration we'll keep you filled in on.

Q Ari, just on the July 4th security policy, one, is it fair to describe the security precautions that are being taken tomorrow in their totality as unprecedented for the United States? And, secondly, you haven't been emphasizing very much something that the President used to emphasize, which is the idea of vigilance by the public, by individual citizens, in the sort of leave it up to -- let the law enforcement guys worry about it. Are you trying to suggest --

MR. FLEISCHER: No, it's just tomorrow there will be such a pronounced, visible increase in the law enforcement community around the country whose job is to worry and to look ahead and to put in place protections. The American people still should be vigilant. We are still on code yellow, and that is something the American people have become aware of. And I think the American people generally have that sense of how to enjoy themselves, how to celebrate, while at the same time being vigilant. I anticipate both will happen.

Q But would you call it unprecedented --

MR. FLEISCHER: I don't know, Arshad. I think that certainly anybody who went to the Super Bowl, they know what unprecedented security is like. Certainly anybody who attended the Olympics in Utah knows what unprecedented security is like. So people who are going to go to different events will see various levels of security, depending on the size of the event, depending on the reactions of local law enforcement, et cetera. So you'll see a variety of reactions across the country.

Terry.

Q Why is the President golfing in 95 degree heat?

(Laughter.)

MR. FLEISCHER: The President is golfing today in 95 degree heat because he heard he gets to take a press pool with him. (Laughter.) And I'm not sure if there will be any indoor facilities at Andrews Air Force Base, but we'll do our best to get lemonade, unspiked, to the reporters who will be covering the President's golfing.

Q Can we read into the fact that he did the same thing last year before the 4th, getting ready to play golf with dear old Dad? (Laughter.)

MR. FLEISCHER: I think you should read into that that the President loves reporters at all times, no matter what the temperature.

Q Is this the last briefing for the week?

MR. FLEISCHER: This is the last briefing for the week. This is the last briefing before we celebrate America's independence. I will spend the weekend with you, of course, as we travel. I look forward to doing that. I always look forward to spending my weekends with the press corps.

Q Are you going to Kennebunkport?

MR. FLEISCHER: Yes, I'll be traveling with the President this weekend.

Q One more on the 4th, please. You talked about security precautions, the inclusion of some combat planes over certain sites and an extensive communications network. What about first responders? Specifically, some of the strategic teams? Like, for instance, the EPA has people that they deploy to forward positions. The nuclear regulatory folks have teams that they deploy to forward positions. Are those moves also?

MR. FLEISCHER: You may want to talk to the Homeland Security Council to get specifics on any agencies that I did not mention. They keep a little closer tabs on that than I do.

Thank you. Happy July 4th.

END

1:00 P.M. EDT

President's 10-Point Plan: March 7	The Business Roundtable: May 14	Nasdaq: April 12, June 5	NYSE: June 6
Each investor should have prompt access to critical information. (#2)	Ensure prompt disclosure of significant developments.	Ultimate goal of shareholder communication should be to furnish information that is honest, intelligible, meaningful, timely and broadly disseminated and gives realistic financial picture.	
Each investor should have quarterly access to the information needed to judge a firm's financial performance, condition, and risks. (#1)			Asking the SEC to improve management's discussion and analysis disclosure on critical accounting alternatives and assumptions.
			Calling on the SEC to require companies to report complete GAAP-based financial information before any reference to "pro forma" or "adjusted" financial information.
An independent regulatory board should ensure that the accounting profession is held to the highest ethical standards. (#8)			Establishing a new private-sector organization, funded separately from the accounting industry itself, to monitor and govern public accountants.
CEOs should personally vouch for the veracity, timeliness, and fairness of their companies' public disclosures, including their financial statements. (#3)	The CEO is responsible for providing stockholders and others with information that the CEO believes is important to understanding the corporation's business. Of course, the CEO necessarily relies on the expert advice of others on technical questions and legal requirements.	Senior management is responsible for the integrity of the corporation's financial reporting system.	Each listed-company's CEO must certify annually that the company has established and complied with procedures for verifying the accuracy and completeness of information provided to investors and that he or she has no reasonable cause to believe that the information is not accurate and complete. The CEO must further certify that he or she has reviewed with the board those procedures and the company's compliance with them.
			CEO must also certify annually that they are not aware of any company violations of NYSE rules.
CEOs or other officers who clearly abuse their power should lose their right to serve in any corporate leadership positions. (#5)			Giving the SEC the authority to permanently bar officers and directors from holding office again after violating their duties to shareholders.

President's 10-Point Plan: March 7	The Business Roundtable: May 14	Nasdaq: April 12, June 5	NYSE: June 6
Corporate leaders should be required to tell the public promptly whenever they buy or sell company stock for personal gain. (#6)	Ensure prompt disclosure of significant developments.		Requiring the prompt disclosure of insider transactions.
Investors should have complete confidence in the independence and integrity of companies' auditors. (#7)	It is the responsibility of the independent accounting firm to ensure that it is in fact independent, is without conflicts of interest, employs highly competent staff, and carries out its work in accordance with GAAP.		Prohibiting relationships between auditors and their clients that would affect the fairness and objectivity of audits.
The authors of accounting standards must be responsive to the needs of investors. (#9)			Calling for the SEC to exercise more active oversight of the FASB to improve the quality of GAAP and the speed of FASB actions.
		Strengthening continuing education for directors.	The NYSE urges every listed company to establish an orientation program for new board members.
			In conjunction with leading authorities in corporate governance, the NYSE will develop a Directors Institute to assist directors in their responsibilities.
	Ensure that a substantial majority of the board of directors comprises independent directors both in fact and appearance.	A majority of independent directors on corporate boards.	Independent directors must comprise a majority of board.
		Independent directors – the definition will be extended to prohibit any payments, other than for board service, including political contributions in excess of \$60k; also includes receipt of payments by a family member and payments to a charity where director is an executive officer.	For a director to be deemed “independent,” the board must affirmatively determine the director has <u>no material relationship</u> with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).
	Require that only independent directors may sit on the board committees that oversee the three functions central to effective governance— audit, corporate governance and compensation.	Compensation committees composed solely of independent directors.	Listed companies must have an audit committee, a nominating committee and a compensation committee, each comprised solely of independent directors. Chair of the audit committee must have accounting or financial management experience.



President's 10-Point Plan: March 7	The Business Roundtable: May 14	Nasdaq: April 12, June 5	NYSE: June 6
Firms' accounting systems should be compared with best practices, not simply against minimum standards. (#10)	Require the audit committee to recommend the selection and tenure of the outside auditor and consider what policies should be adopted by the company with respect to changing the outside auditor, rotating the audit engagement team personnel or limiting the hiring of such personnel.	Expanding the scope of audit committee authority.	Director's fees must be sole compensation an audit committee member receives from the listed company; further, an audit cmte. member associated with a major shareholder (one owning 20% or more of the listed company's equity) may not vote in audit company proceedings.
	It is also the responsibility of the independent accounting firm to inform the board, through the audit committee, of any concerns the auditor may have about the appropriateness or quality of significant accounting treatments, business transactions that affect the fair presentation of the corp's financial condition and results of operations, and weaknesses in internal control systems. The auditor should do so in a forthright manner and on a timely basis, whether or not management has communicated to the board or the audit committee on these matters.		The chair of the audit committee must have accounting or financial management experience.
			Audit committee must have sole responsibility for hiring and firing the company's auditors, and for filing any significant non-audit work by the auditors.
			Non-management directors must meet without management in regular executive sessions.
	A corporation should have a code of conduct with effective reporting and enforcement mechanisms.	Increasing the use of corporate codes of conduct and compliance methods to support them.	Listed companies must adopt and publish corporate governance guidelines. Listed companies must adopt a code of business conduct and ethics, and must promptly disclose any waivers of the code for directors or executive officers.
	Create and publish corporate governance principles so that everyone from employees to potential investors understand the rules under which the company is operating.	Mandate non-U.S. companies to disclose if they have received waivers of corporate governance standards through a new SEC disclosure requirement.	

President's 10-Point Plan: March 7	The Business Roundtable: May 14	Nasdaq: April 12, June 5	NYSE: June 6
	The audit committee should consider whether to adopt a policy requiring a cooling-off period. Under audit committee supervision, some corporations have implemented "revolving door" policies covering the hiring of auditor personnel. For example, these policies may impose "cooling off" periods prohibiting employment by the corporation in senior financial management positions of members of the audit engagement team for some period of time after their work as auditors for the corporation.	A cooling-off period should be required during which former auditors would be precluded from serving on corporate audit committees.	Independence also requires a five-year "cooling-off" period for former employees of the listed company, or of its independent auditor; for former employees on any company whose compensation committee includes an officer of the listed company; and for immediate family members of the above.
	Require stockholder approval of stock options and restricted stock plans in which directors or executive officers participate.	Shareholder approval for all stock option plans in which officers and directors participate.	Shareholders must be given the opportunity to vote on <u>all equity-based</u> compensation plans. Brokers may only vote customer shares on proposals for such plans pursuant to customer instructions. *
		A material misrepresentation or omission by an issuer to Nasdaq may result in the company being delisted.	Upon finding a violation of an Exchange rule, the NYSE may issue a public reprimand letter to any listed company and ultimately suspend or de-list an offending company.
CEOs or other officers should not be allowed to profit from erroneous financial statements. (#4)	Establish a management compensation structure that directly links the interests of management to the long-term interests of stockholders, which includes a mix of long- and short-term incentives.	A company's audit committee or a comparable body of the board of directors must review and approve all related-party transactions.	Calling for Congress to establish a public/private panel to study the concentration of employee 401(k) holdings in company stock.
	Provide employees with a way to alert management and board to potential misconduct without fear of retribution.	A going concern qualification must be brought to the attention of investors and potential investors through a press release.	Calling for the SEC to evaluate the impact of Regulation FD on earnings guidance and to consider reforms.
		The Nasdaq rule on disclosure of material information rule will be harmonized with SEC Reg FD to facilitate disclosure by issuers.	Asking Congress to allocate additional resources to the SEC to increase the agency's monitoring and enforcement activities.
			Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from NYSE rules.