Corporate & Financial Weekly Digest

Posted at 1:11 PM on January 21, 2011 by Robert L. Kohl

SEC Schedules Open Meeting to Discuss Say-on-Pay Proposed Rules and Changes to Accredited Investor Definition

Co-authored by Palash Pandya

On January 25, the Securities and Exchange Commission will hold an open meeting to discuss, among other matters, whether to adopt rules to implement Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (adding Section 14A to the Securities Exchange Act of 1934), which requires shareholder advisory votes (1) to approve the compensation of executives, a so-called "say-on-pay" vote and (2) as to the frequency of shareholder say-on-pay votes. Also required are expanded, tabular format disclosure of executive compensation in connection with mergers or similar transactions (golden parachutes) and a related separate advisory vote on golden parachutes in merger proxy statements. These requirements are effective for annual or special shareholder meetings occurring on or after January 21. The SEC had proposed rules under Section 14A on October 18, 2010.

The SEC will also consider whether to propose rule amendments that would implement Section 413(a) of the Dodd-Frank Act regarding the definition of "accredited investor" for private placement purposes. Section 413(a) of the Dodd-Frank Act excludes the value of a person's primary residence from the calculation of net worth when determining an "accredited investor" under Rules 215 and 501(a)(5) of the Securities Act of 1933. On July 23, 2010, the SEC's Division of Corporation Finance issued Compliance and Disclosure Interpretation (C&DI) 179.01 (as well as C&DI 255.47, which is identical), which confirmed that the exclusion was effective upon enactment of the Dodd-Frank Act and that the SEC would amend its rules to conform them to the adjusted net worth standard in the Dodd-Frank Act.

Read more.

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC