

B. Revisions to PRA Reporting and Cost Burden Estimates

Table 1 below illustrates the incremental annual compliance burden of the collection of information in hours and in cost for proxy and information statements under the Exchange Act and Investment Company Act. The burden

was calculated by multiplying the estimated number of responses by the estimated average number of hours each entity spends completing the form. We have based our estimated number of annual responses on the actual number of filers during the 2002 fiscal year. We estimate that 75% of the burden of preparation is carried by the company

internally and that 25% of the burden of preparation is carried by outside professionals retained by the company at an average cost of \$300 per hour. The portion of the burden carried by outside professionals is reflected as a cost, while the portion of the burden carried by the company internally is reflected in hours.

TABLE 1.—CALCULATION OF INCREMENTAL PRA BURDEN ESTIMATES

	Annual responses	Incremental hours/form	Incremental burden	75 percent company	25 percent professional	\$300 Prof. cost
	(A)	(B)	(C) = (A) × (B)	(D) = (C) × 0.75	(E) = (C) × 0.25	(F) = (E) × \$300
SCH 14A	7,188	3.00	21,564.00	16,173	5,391.00	\$1,617,300.00
SCH 14C	446	3.00	1,338.00	1,004	334.50	\$100,350.00
Rule 20a-1	1,058	3.00	3,174.00	2,381	793.50	\$238,050.00
Total	8,692	19,557	\$1,955,700.00

C. Solicitation of Comment

Pursuant to 44 U.S.C. 3506(c)(2)(B), we solicit comments to: (i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (ii) evaluate the accuracy of our estimate of the burden of the proposed collection of information; (iii) determine whether there are ways to enhance the quality, utility and clarity of the information to be collected; and (iv) evaluate whether there are ways to minimize the burden of the collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.

Persons submitting comments on the collection of information requirements should direct the comments to the Office of Management and Budget, Attention: Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Washington, DC 20503, and should send a copy to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609, with reference to File No. S7-14-03. Requests for materials submitted to OMB by the Commission with regard to these collections of information should be in writing, refer to File No. S7-14-03, and be submitted to the Securities and Exchange Commission, Records Management, Office of Filings and Information Services, 450 Fifth Street, NW., Washington, DC 20549. OMB is

required to make a decision concerning the collection of information between 30 and 60 days after publication of this release. Consequently, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication.

IV. Cost-Benefit Analysis

A. Background

On April 14, 2003, the Commission directed the Division of Corporation Finance to formulate possible changes in the proxy rules and regulations regarding procedures for the election of directors⁶² and on May 1, 2003, the Commission solicited public views on that undertaking.⁶³ Submissions from the public on this matter identified two particular areas of concern: the process for nominating candidates for election as directors and the ability of security holders to communicate effectively with the board of directors. After considering all of the comments on this matter, the Commission is proposing to expand disclosure in company proxy statements regarding the nominating committees of boards of directors and communications between security holders and directors.

Currently, companies must state whether or not they have a nominating committee and, if so, must identify the members of the nominating committee, state the number of committee meetings held, and briefly describe the functions performed by such committees.⁶⁴ In addition, if a company has a nominating or similar committee, it must state whether the committee considers nominees recommended by security holders and, if so, must describe how

security holders may submit recommended nominees.⁶⁵ However, having reviewed the existing proxy rules and submissions from public commenters, we believe reforms may be necessary to improve the current disclosure regime. The proposed disclosures are designed to build upon existing disclosure requirements to elicit a more detailed discussion of the policies and procedures of the nominating committee as well as the means by which security holders can communicate with the board of directors.

The intent of the proposed disclosure requirements is to enhance transparency of the policies of boards of directors, with the goal of providing security holders a better understanding of the functions and activities of the boards of the companies in which they invest. For example, the proposal relating to nominating committees would require disclosure about the source of director candidates and the level of scrutiny applied to each candidate. The proposal relating to security holder communications with directors seeks to strengthen the association among security holders and directors. For example, the proposed disclosure would inform security holders of the manner in which to send communications to the board. Moreover, the proposals aim to enable investors to better evaluate a company's responsiveness to security holder issues and inquiries by illuminating the degree of director involvement with security holder concerns.

The Commission has considered a variety of reforms to achieve its

election of directors or other specified matters. See Exchange Act Rule 14a-6 [17 CFR 240.14a-6].

⁶² See Press Release No. 2003-46 (April 14, 2003).

⁶³ See Release No. 34-47778 (May 1, 2003) [68 FR 24530].

⁶⁴ See Paragraph (d)(1) of Item 7 of Exchange Act Schedule 14A.

⁶⁵ See *id.* at Paragraph (d)(2).