

Market News

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A monthly review of IR developments for our clients and friends. . .

XBRL, like most things, easier the second time around

Executing the XBRL mandate to tag financials is hard the first time, but makes subsequent reporting easier, according to a survey of more than 200 public company executives. The survey by XBRL U.S. and the American Institute of Certified Public Accountants found that most said XBRL prep took more than 120 hours the first time, but 64 percent said it took less than 40 hours the second time. Most said it was “significantly easier” to prepare and submit the XBRL documents the second time; another 27 percent said it was “somewhat easier.” Most have outsourced at least part of the process. The 500 largest U.S. public companies must file their 2009 results tagged in XBRL. The next 1,200 large filers must start complying after June 15, 2010. All others will follow suit next year.

SEC posts final rule on TARP say-on-pay

The final rule for say-on-pay for TARP recipients requires them to permit a shareholder vote on executive compensation, as long as they have TARP money. The SEC’s new Rule 14a-20 makes it clear that the vote is required only on a proxy solicited for an election of directors. TARP recipients aren’t required to file a preliminary proxy statement. Smaller reporting companies won’t be required to provide a Compensation Discussion & Analysis to comply with the rule.

Dark pools behind the drive pushing for sub-penny trades

The major U.S. stock exchanges are pressing regulators to allow for quotes as small as a tenth of a cent. Their motive is to attract back-room electronic traders who have left exchange platforms for private “dark pools.” Dark pools are trades facilitated off-exchange, usually consisting of institutional orders, and not available to the general public. They offer finer increments than an exchange market maker can currently execute. Permitting price quotes in sub-penny increments will allow for a more efficient market, recovering some of the exchange liquidity lost to dark pools and help tighten the price spread for institutional and retail investors. Rosenblatt Securities estimated that the 16 largest dark pool platforms accounted for 9.7 percent of all U.S. stock volume in November 2009.

SEC commissioners vote to release guidelines on climate-change-related disclosures

The Securities Exchange Commission voted last week to publish an interpretative release that will give companies tips on issues to be considered when putting together climate-change-related disclosures. With most companies currently working on their 10-K filings, the agency hopes this will be enough of a nudge to have them include climate-change disclosure in this year’s filing. Only 17 percent of public companies made any reference to climate-change or greenhouse-gas emissions in their 10-K filing in 2009, according to a review by law firm McGuire Woods. The interpretive release should be available on the SEC’s website soon. Investors hope the SEC takes the next step by requiring companies to explain the process by which they determine the materiality of the climate-change risks.

Mass. election could hasten SOX 404(b) for small businesses

The election of Sen. Scott Brown, R-Mass., might accelerate Section 404(b)'s effect on small filers. The SEC gave non-accelerated filers final warning that compliance with Section 404(b) must start with annual reports filed for fiscal years ending on or after June 15, 2010. The House of Representatives exempted non-accelerated filers from the rule when it passed its financial regulatory overhaul bill in December. Sen. Brown's election has made passage of similar Senate legislation much less likely.

Mixed signals on social networking and IR?

NASDAQ launched an iPhone application that tracks content from StockTwits, featuring messages by traders and investors about stocks and other securities. It is planning to expand this service to other NASDAQ Internet properties including NASDAQ.com, which attracts 500,000 monthly visitors, according to Quantcast, a marketing survey and data company. Some may think this is a wake-up call to IROs to get involved in social media. But according to one newsletter, *Smartbrief for CFOs*, 48 percent of top financial officers of public companies don't see the relevance of social media for their investor relations efforts; only 19 percent view it as an important investor relations tool.

Verizon: No more one-time items

Verizon Communications says it will no longer adjust its earnings to exclude one-time items. Verizon's CFO John Killian said the step was consistent with larger companies focusing more on GAAP. AT&T and Sprint Nextel each made the switch last year. Verizon said it would still provide information on one-time events that would help with historical comparisons. William Powers, an analyst at Robert W. Baird & Co., noted that other large companies are moving in this direction.

Goldman Sachs to clients: Here's our ideas; we used the good ones first

Goldman Sachs sent an e-mail message to its trading-desk clients (since leaked to the press) advising that while Goldman will continue to send them tips, all the good ideas they might develop were probably used first by Goldman traders themselves. "We may trade, and may have existing positions, based on trading ideas before we have discussed those trading ideas with you," Thomas Mazarakis, head of Goldman's Fundamental Strategies Group, wrote. "We may continue to act on trading ideas, and may trade out of any position, based on trading ideas, at any time after we have discussed them with you. We will also discuss trading ideas with other clients, both before and after we have discussed them with you." In short: You want good ideas? Better come up with them yourself.

Koss VP Embezzled \$31 Million

Sujata Sachdeva, the former VP-Finance for Koss Corp. in Milwaukee, Wis., is alleged to have engaged in a one-woman embezzlement scheme so big that the company is restating financial statements back to 2004. Sachdeva allegedly used her position at Koss to embezzle more than \$31 million, mainly to purchase personal items including clothing, furs, purses, shoes, jewelry, automobiles, china, statues, and other household furnishings. She also paid for personal travel for herself and others, renovations and improvements to her home, and for personal services for her and her family. The scheme was detected after American Express noticed large wire transfers originating from a Koss bank account were used to pay her bills—which totaled more than \$4.5 million between January 1, 2008 and December 19, 2009. Grant Thornton was auditor for the headphone maker, which was exempt from Section 404 internal control obligations as a non-accelerated filer.



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