

use the annual report to shareholders that the SEC requires most companies to send their shareholders every year. These annual reports are required to contain financial statements, including notes to the financial statements, as well as other information about the company.

The SEC is proposing changes to its rules that would affect annual reports and other disclosure documents, such as prospectuses, containing financial statements that the SEC requires to be sent to investors. Some people have suggested that the information now required is too long and complex, and could discourage investors from examining the financial information they receive. Streamlining this information could highlight what is most important to investors. In addition, companies and their shareholders might be able to save substantial printing, mailing and other costs if the information were streamlined.

The proposed changes to the SEC rules would allow companies to include "abbreviated financial statements" in their annual reports and other documents sent to investors. Abbreviated financial statements would be the same as the financial statements now required, except that most of the notes could be omitted. The complete financial statements, with all of the notes, would still be filed with the SEC, and companies would have to send this information to investors promptly if they requested it.

The SEC also is asking questions about other approaches to streamlining the information given to investors. For example, should it allow companies to give their shareholders a "summary annual report" that includes financial information that is more condensed than abbreviated financial statements? Should it totally rescind the requirement that companies send their shareholders an annual report, and leave it up to the companies to decide when and what to communicate to shareholders?

The SEC would like information about how investors use the financial information they receive, and whether the proposed rule changes would be helpful to them. Since many people now have computers, the SEC would like to hear whether investors prefer to receive information about companies in which they invest in electronic format or in paper.

In addition, the SEC is proposing changes to its rules that would streamline disclosures about executive and director compensation in companies' annual proxy statements. Some of the information now required could be put into the company's Form 10-K report instead of the proxy statement. The Form 10-K is required to be filed with the SEC and provided to shareholders by the company upon request. The proposed rules also would require some of the director compensation information to be put in tabular form.

Here is a series of questions. We urge you to respond, whether you answer one question or all, or just have general comments. Feel free to use this form or write a separate letter marked "File No. S7-13-95."

Please mail your comments to the SEC so they arrive no later than October 10, 1995. Directions for sending your comments to the

SEC are provided at the end of this document. The SEC will make your comments and other comments received by the SEC available to the public. In addition to receiving written comments, the SEC intends to hold focus groups composed of investors to assess investors' views as to the usefulness of sample abbreviated financial statements, as compared with full financial statements.

1. Do you read notes to the financial statements?

Yes ____ No ____

Do you find notes to the financial statements useful in making financial decisions?

Yes ____ No ____

Please add any comments you like about why the notes are or are not useful.

2. The SEC proposes to allow companies to send investors "abbreviated financial statements" that are the same as full financial statements except for limiting the number of notes. Notes would be limited to those covering the following matters:

1. Basis of presentation of the abbreviated financial statements.
2. Accounting policies.
3. Changes in accounting principle.
4. Restatements and reclassifications.
5. Changes in accounting estimate.
6. Business combinations.
7. Discontinued operations.
8. Circumstances identified in explanatory language added to the independent accountant's standard report.
9. Loss contingencies.
10. Events of default under credit agreements.
11. Related party transactions.
12. Bankruptcies and quasi-reorganizations.
13. Subsequent events.

All other financial statement notes would be available from the company on request and would be on file with the SEC. Are there some notes you would always want to see that are not set forth above?

Yes ____ No ____

If yes, please identify which notes you would want to see.

Are there notes listed above that you feel could be omitted?

Yes ____ No ____

If yes, please identify which notes could be omitted.

3. What information is the most useful in the annual report to shareholders—financial statements or other information?

Financial statements most useful ____

Other information most useful ____

If you think it is other information, please describe the type of other information that you find the most useful.

4. Would you like to receive shorter documents, with less financial information, if you could still get the more detailed information by asking the company for it?

Yes ____ No ____

Please explain:

5. Should the SEC continue to require that companies send shareholders annual reports?

Yes ____ No ____

If the SEC does continue to require annual reports, should it continue to tell companies what information should go into those reports, instead of leaving it up to the company?

Yes ____ No ____

Please explain:

6. Financial statements are also in many prospectuses. Do you examine the financial statements in prospectuses?

Yes ____ No ____

Would you be more likely to read the financial statements in a prospectus if they were shorter, with fewer notes?

Yes ____ No ____

Please explain:

7. Do you have easy access to a computer with a modem?

Yes ____ No ____

If yes, do you use the computer to get information about companies in which you are a shareholder or are considering investing?

Yes ____ No ____

Would you like to continue to get financial and other information from companies in paper even if you can get it electronically?

Yes ____ No ____

Please explain or comment. If you do use the computer to get information about