Comments SEC-2015-0270-0001 File Number S7-01-15 due 4.20.2015

You state:

> *We propose to implement Section 14(j) by adding new paragraph (i) to Item 407 of Regulation S-K to require companies to disclose whether they permit employees and directors to hedge their company's securities.*

Comments:

Implement should not replace complete, understandable disclosure.

You state:

> *We believe that the disclosure called for by Section 14(j) is primarily corporate governance-related because it requires a company to provide in its proxy statement information giving shareholders insight into whether the company has policies affecting how the equity holdings and equity compensation of all of a company's employees and directors may or may not align with shareholders' interests.*

And

> *Because Section 14(j) calls for disclosure about employees and directors, we believe that this information raises broader issues with respect to the alignment of shareholders' interests with those of employees' and directors', and is more closely related to the Item 407 corporate governance disclosure requirements than to Item 402 of Regulation S-K, which focuses only on the compensation of named-executive officers and directors.*

And

> *We propose to amend Item 407 in this manner to keep disclosure requirements relating to corporate governance matters together in a single item in Regulation S-K.*

Comments:

We disagree. The public needs the disclosure. It is more than a paper report. It is the releasing of knowledge that can be readily available to the public. Public tax dollars bailed out companies without the public knowing who gained by the losses incurred. Relationships must be disclosed in a clear understandable manner.

You state:

The proposed amendments implement Section 14(j) in the following ways:

- *Include within the scope of the proposed disclosure requirement other transactions with economic consequences comparable to the financial instruments specified in Section 14(j);*
- ***specify that the equity securities for which disclosure is required are only equity securities of the company, any parent of the company, any subsidiary of the company or any subsidiary of any parent of the company that are registered under Section 12 of the Exchange Act****; (19)*
- *require the disclosure in any proxy statement on Schedule 14A or information statement on Schedule 14C (20) with respect to the election of directors because the information seems most relevant for shareholders voting or receiving information about the election of directors; and*
- *clarify that the term "employee" includes officers of the company.*

Comments:

Any related entity should be disclosed. This may not be publically-traded but may be part of a Public Private Partnership. Any form of the economic interest should be disclosed.

Employee should also include consultant(s).

You state:

> *We are of the view that there is a meaningful distinction between an index that includes a broad range of equity securities, one component of which is company equity securities, and a financial instrument, even one nominally based on a broad index, designed to or having the effect of hedging the economic exposure to company equity securities.*

Comments:

We disagree.

You ask:

> *Should the rule explicitly distinguish between instruments that provide exposure to a broad range of issuers or securities and those that are designed to hedge particular securities or have that effect?*

Comments:

All instruments should be included.

You ask:

> *Does our proposal to define the term "equity securities" as equity securities of the company or any of its parents, subsidiaries or subsidiaries of its parents that are registered under Exchange Act Section 12 appropriately capture the disclosure that shareholders would find useful?*
>
> *Should the Commission limit the term "equity securities" to only equity securities of the company?*

Comments:

No it does not *appropriately capture the disclosure that shareholders would find useful.*

Shareholders and/or public needs to have disclosure on publically-traded, privately-held companies or investment funds that may be involved. Economic Interest in hedging is the basis, not the registration, but the relationship.

You ask:

> *Should we define "parent" and "subsidiary" specifically for purposes of this disclosure requirement?*
>
> *The definition of "parent" of a person in the Exchange Act Rules is an affiliate controlling such person directly, or indirectly through one or more intermediaries. (38)*
> *Similarly, the Exchange Act Rules definition of "subsidiary" of a person is an affiliate controlled by such person directly, or indirectly through one or more intermediaries. (39)*
>
> *Will these definitions, in the context of hedging disclosure, present any implementation challenges in determining what needs to be disclosed?*
>
> *Should we consider an alternative term, or alternative definition of "parent" for this disclosure requirement, such as an affiliate that owns a majority of the voting securities in the company?*
>
> *Similarly, with respect to subsidiaries, should we consider an alternative term, or alternative definition of "subsidiary" for this disclosure requirement, such as a majority-owned subsidiary, wholly-owned subsidiary, consolidated subsidiary or significant subsidiary?*
>
> *In each case, please explain why, and what costs and benefits would result from the recommended change.*

Comments:

Reveal any type of relationship.

You ask:

> *Section 14(j) does not define the circumstances in which equity securities are "held, directly or indirectly" by an employee or director. Is the concept of "held, directly or indirectly" unclear, such that we should provide more certainty about what is meant by the phrase?*
>
> *If so, how should we clarify it?*
>
> *Section 14(j) also does not define who is a "designee," nor is this term otherwise defined in the rules under the Securities Act or the Exchange Act.*
>
> *One commenter has recommended that the Commission define the term "designee." (40)*
> *Should the proposed amendment include an instruction clarifying who is a "designee"? If so, please explain how this term should be defined, and the costs and benefits that would result.*

Comments:

This could include trusts or offshore accounts or some type of assignment. Please clarify all circumstances of *held, directly or indirectly.*

You ask:

> *One commenter has recommended that the Commission "should not only require disclosure of whether hedging is permitted, but should also require disclosure of any hedging that has occurred—both in promptly filed Form 4 filings and in the annual proxy statement." (42)*
>
> *Should the Commission require such disclosure in the final rule for those already subject to Form 4 reporting requirements?*

Comments:

Yes, definitely.

Your proposed rule limits disclosure. Hedge is an offset against loss in any form. Someone incurs that loss while the hedge allows another to offset that loss. It is that distorted relationship that needs disclosure as it is not an even playing field. You

cannot eliminate any entity or definition that does not fully disclosure that hedge relationship.

If the intent is to hide the details, then just revoke the Act. Why fool the public when they rely on the (regulatory) protections.

Joyce Dillard
[redacted]