Please Route To:  NASDAQ-Listed Companies

What You Need to Know:

• NASDAQ has modified the definition of "Independent Director" in its listing rules:
  o "Payment" changes to "compensation" in Rule 4200(a)(15)(B) (effective October 6, 2006).
  o The compensation threshold increases from $60,000 to $100,000 (effective March 13, 2007).
• NASDAQ has proposed to allow a company to satisfy the annual report distribution requirement by posting the report on its corporate website.
• NASDAQ has added an email address, StaffInterpretations@nasdaq.com, as an alternative way to request a written interpretation of NASDAQ listing requirements.

Definition of "Independent Director"

The Securities and Exchange Commission has approved amendments to NASDAQ Rule 4200(a)(15)(B) changing parts of the definition of "independent director." Under the amended rule, a director is generally precluded from being considered independent if that director or a family member has accepted compensation from the company, with certain exceptions, in excess of $100,000 during any period of twelve consecutive months within three years preceding the determination of independence. Previously, the rule referred to "payments" instead of "compensation," and the threshold was $60,000 instead of $100,000. This change simplifies the application of this part of the rule by eliminating non-compensatory payments from consideration.

For the complete NASDAQ definition of "independent director," please refer to Marketplace Rule 4200(a)(15) and IM-4200. The SEC Orders approving the changes are accessible through the following links: payment to compensation and $60,000 to $100,000.

Website Posting of Annual Reports

On October 31, 2006, NASDAQ filed a proposed amendment to Rule 4350(b), which requires a company to distribute a copy of its annual report to its shareholders. Under the amendment, a company could satisfy the distribution requirement by simply posting its annual report on its corporate website. A company choosing to use the website posting would be required to, among other things, issue a press release stating that the annual report is available on its corporate website. A company would also be required to furnish a hard copy free of charge to any shareholder, upon request. This process would be
consistent with the rule recently adopted by the SEC that permits a company to satisfy the proxy delivery requirement through a website posting and related notice to stockholders.

Email Address for Written Interpretations

Upon request, NASDAQ will provide a definitive interpretation of the application of NASDAQ listing rules to issuers. To receive such an interpretation, the NASDAQ-listed company or its counsel must submit a written request, identifying the company and providing all relevant facts.

NASDAQ has established an email address, StaffInterpretations@nasdaq.com, as an alternative method to submit a request for a definitive written interpretation of the application of NASDAQ listing requirements. A complete description of the written interpretive process, including the associated fee schedule, is available at www.nasdaq.com.

If you have any questions, please contact your Listing Qualifications Analyst.

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