

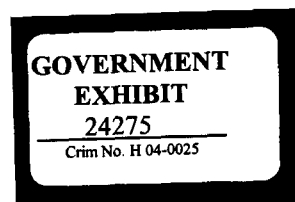
CONFIDENTIAL

Panel on Investor Information

PROPOSED DRAFT OF REPORT

November 14, 2000

To panel members: This draft is for discussion. It is an attempt to summarize what we think we have heard from the panel members. It does not purport to reflect your collective view until you have reviewed and agreed with it.



EXECUTIVE SUMMARY¹

This report represents the findings of a panel established at the suggestion of the Securities and Exchange Commission because of its concerns about the ability of investors to adequately value companies in the "New Economy." While not experts, the panel members are individuals with significant experience as senior corporate executives, investment bankers, venture capitalists, and academics.

The primary objectives of the panel were to determine ~~(1)~~ whether current company disclosure provides members of the investment community with the information they need to assess company value and ~~(2)~~ what, if anything, the government and business organizations should do to improve company disclosures. In the course of exploring these topics, the panel also addressed a third issue: ~~(3)~~ the impact of disclosure on two specific concerns about the market, its recent extreme volatility and the lack of a level playing field between large and small investors.

As the panel discussed these issues, we agreed upon a common frame of reference that helped us in developing our conclusions. In looking at question one, we agreed that the fundamental drivers of value in the new economy remain a company's potential to generate profits and cash flow. While assessing profit and cash flow potential is much harder today as technological change creates new business models and new winners and losers at a breathtaking pace, investors still must ultimately assess these core drivers of value. With regard to question two, we agreed during this period of rapid change and high uncertainty, prescriptive disclosure regulations can have more unintended and undesirable side effects than during stable times. Accordingly, the panel believes that a better approach to facilitating disclosure improvements is the creation of an environment that makes it easier for companies to disclose more without undue concern about legal risks.

With these perspectives in mind and based on our analysis and discussions, we concluded the following:

1. Currently, investors do not have all the information they ultimately need to value very high growth companies. The current formal reporting system (GAAP and SEC disclosures) was designed primarily to record historical financial transactions and is limited to a narrow range of relevant information. In particular, this system does not provide guidance about reporting intangible assets, which are so critical in evaluating Internet companies and other high growth companies. These intangible assets range from easy to identify assets such as technologies and brand names to less defined intangibles such as business processes and customer relationships.

¹ For the final version of this document, we will work with one or more lawyers to ensure that references to legal issues are properly stated. We will also have the text reviewed by a professional editor.

