Look in the Mirror: Why the Numbers of Public Companies and IPOs are in Decline

July 17, 2017

By Patrick A. Reardon[1]

Summary

The decline in the number of public companies in the United States and the decline in the number of initial public offerings (IPOs) that occur each year are widely decried. It is irony that many who bemoan these changes are the very persons who created the problems.

The cause of these trends is that being a public company is too expensive, too risky, both to the enterprise and the people running it, and just generally inconvenient. Because the private capital sources have become more efficient, public companies no longer have an advantage over private firms. Being a public company is only attractive for the largest companies.[2] If offering and compliance costs are too high, public companies and their investors will seek alternatives. It is very important to hold on to this thought—capital will run away from excessive regulation and interference. And companies, public and private, will follow the capital.

At the same time, federal legislation and federal and state nuisance litigation have increased the exposure of public companies, and their officers and directors to liabilities for mistakes, real and alleged. Since most of this exposure and inconvenience can be avoided by becoming a private company, these laws and lawsuits have an unintended consequence of motivating companies and their management to look favorably on other options.

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For a comparison of the baggage for public and private companies, please see Appendix A. Why there are trends away from IPOs and being a public company should be evident after reviewing Appendix A.

Those who have caused these problems include members of Congress; decision-makers at the Securities and Exchange Commission (SEC) and stock exchanges; the Public Company Accounting Oversight Board (PCAOB); stockholder activists; plaintiffs' lawyers and the legislatures

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[1] In 2016 and 2017, I have served as a volunteer member of the SEC Advisory Committee on Small and Emerging Companies. The SEC asks that I note that the opinions here are my own and not those of the SEC, its commissioners or staff, the Advisory Committee, or any other members of the committee.

[2] The annual costs of being an exchange-traded public company are likely to be $2.0 million or greater. Although I generally think that the SEC should mandate less disclosure and rely more on principles-based disclosure, I have recommended that, as a check to these runaway costs, public companies be required to disclose their annual routine compliance costs of being a public company to shine a little sunlight on the costs. Letter to the SEC dated August 3, 2016, commenting on File No. 87-06-16; Rel. Nos. 33-10064; 34-77599, accessed at https://www.sec.gov/comments/s7-06-16/s70616-347.pdf on July 3, 2017. See also my comments at pp. 8-9 of the transcript of the SEC Advisory Committee on Small and Emerging Companies held on October 5, 2016, available at https://www.sec.gov/info/smallbus/acsec/acsec-transcript-100516.pdf, accessed on July 3, 2017.

and judges who fail to curtail the litigation excesses; academics, accountants, and corporate lawyers who author innumerable papers on corporate governance and the like; and various officious intermeddlers who assert that they are the true arbiters for social justice, environmental protection, political correctness, and other "absolute truths."

By and large, these individuals have no experience running large businesses like public companies. Our current regulatory system reflects this lack of perspective. At the principal regulator over the public capital markets, the SEC, this lack of business perspective is exacerbated by leadership out of touch with most of the country.

The capital markets in the United States are the best and largest in the world, and it makes no sense to let government and others destroy this national trade advantage. However, because these forces are so numerous and few are likely to acknowledge their culpability, I do not foresee a ready fix to the problems. At some point, the public with the corporate and finance leaders will have to exert enough pressure to force a relaxation. I hope that it is not too late.

DISCUSSION

From 1977 until 2016 when I retired from private practice, I practiced corporate, securities and M&A law in the Dallas-Fort Worth area. In 1980, my law firm, including me as a young associate, represented the underwriters in an IPO by a small Houston-based oilfield service company. The gross amount raised in the IPO was slightly over $19 million, which adjusted for inflation would be approximately $57 million in 2017.[3] Today, a comparably-sized underwritten IPO is not feasible. The economics of IPOs have changed too much.

As IPO costs and annual compliance costs have risen, the bright minds of finance have devised alternatives. Some of the options for financing, growth and monetizing investments available to companies both private and public are:

- To finance the company's growth through venture capital or private equity or sell the company to those financiers,
- To sell the company to another company, public or private, U.S. or foreign, and
- To seek funding from offshore sources, including non-U.S. exchanges.

It is reasonable to assume that many of the companies with the greatest profit potential will be drawn to these options. If this assumption is correct, the future rates of return from the stock markets will likely be lower than if the departed companies had stayed public. Average Americans, and their retirement accounts and pensions will suffer.

As strange as it may seem to the mindset of those in government or academia, the public markets and the accompanying regulation and other baggage are in competition with these less costly options. Their faulty analysis is, "If we regulate and micromanage the heck out of public companies, these companies and their capital markets will improve." In fact, the opposite is true.

[3] Computed using the U.S. Inflation Calculator at www.usinflationcalculator.com.

Finally, I know that the owners of some private companies elect to forego the pain of financings and to limit their companies' growth to levels that can be funded "organically" (*i.e.*, from internal cashflow) or in combination with bank lending.[4]

Current Scholarship

Of course, I am not the only person to write about the decline in the overall number of public companies in the United States and the annual number of IPOs. Other articles and studies have been written by the SEC, quasi-regulators such as the exchanges and the Financial Industry Regulatory Authority, Inc. (FINRA), some members of Congress, stockholder activists, academics, and professionals.

I have found most of these to be unsatisfactory in their analysis. In this paper, I explain that the lack of business and management experience among regulators and groups named above is the leading cause of declines in the public company market.

Lack of Experience

Operating a public company is difficult. One need go no further than reading a few issues of *The Wall Street Journal* to see the turnover in the C-level positions of public companies. Sadly, most regulators and corporate commentators have no experience running a public company or any private company. As one former CFO once commented to me, "They have never signed the front of a business check." Yet, they adopt one proposal after another. The effect, as I have heard it described, is "the triumph of ideas over common sense."

Some members of Congress have business experience, but many do not. For example, Senator Elizabeth Warren's website reflects that she has no private sector experience, despite Sen. Warren being Congress's most vocal critic of "Wall Street" and large corporations.

At the SEC, the lack of business experience is combined with a lack of understanding of most of the country. The commissioners and senior staff are and have been for some time a relatively closed, largely homogeneous group of attorneys, executives, and others from the Northeast United States.[5] See Appendix B.

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Past Congressional Actions

Congress and occupants of the White House have sought to punish all public companies for the sins of a few. These actions include increasing the exposure of the executives and directors of public companies to personal

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[4] For a discussion of how small and mid-size companies decide on funding options, see *Access to Capital: How Small and Mid-Size Businesses are Funding Their Future,* published by the National Center for the Middle Market and the Milken Institute, May 2015, accessed at http://www.milkeninstitute.org/publications/view/706 on July 12, 2017.

[5] Throughout my legal career, the top staff of the SEC has effectively been a club of attorneys and other executives who move back and forth between the SEC and Northeast U.S. law firms and investment firms. Some have referred to this as the "revolving door" at the SEC. The revolving door perpetuates a close group of professionals and executives in the top echelons of the securities industry. Many were educated in the Northeast and worked at the SEC during one or more periods in their careers. Before the time of electronic communications, there was some justification for the concentration of individuals from the Northeast, where the securities business was also concentrated. The justification died some time ago. The club is an anachronism.

liability for certain mistakes or willful acts. In addition, Congress inflicts public companies with various social or political correctness requirements that have nothing to do with the operation of businesses.

Examples of Congressional meddling in public companies include the following.

- Enactment of the Sarbanes-Oxley Act of 2002 as a reaction to the excesses of Enron Corp. No matter that several top Enron executives and at least one outside professional went to jail, Congress leapt into the perceived breach and enacted laws on establishing internal controls and executive accountability for disclosures. Some of the changes were:
  - Increasing the role and powers of audit committees, mandating member independence, and setting other standards for members of the audit committee.
  - Mandating internal control tests.
  - Increasing liability exposure of executives and officers for inaccurate financial statements.
  - Strengthening criminal penalties for securities fraud.
  - Creating the PCAOB to set standards for audits of public companies.
  - Accelerating reporting requirements for executive and director trades in their public company's stock
- Enactment of the Dodd-Frank Act in 2010 as a reaction to the Great Recession. In addition to creating the Consumer Financial Protection Bureau and a host of new bank laws, some of the other requirements of that infamous act included the following:
  - Public companies must disclose the median annual compensation of all employees (other than the principal executive officer) and separately the annual compensation of the principal executive officer, and the ratio of the two amounts.
  - The New York Stock Exchange and NASDAQ stock markets had to promulgate rules mandating independent compensation committees that may hire their own consultants and legal counsel.
  - Public companies must disclose audited information on the use of minerals from conflict nations.[6]
  - Public companies must allow stockholder advisory votes on executive compensation.
  - The law directed national exchanges to provide three-year clawback provisions to recover incentive compensation from current or past executives after a material error requiring restatement of financial statements.
  - Requiring oil, gas and other mining companies to compile and disclose payments to the U.S. government, foreign governments, and companies owned by foreign governments.

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[6] This requirement is the leading example of Congressional overregulation. *The Wall Street Journal* reported that that public companies expended a staggering $709 million and six million staff hours in 2014 alone complying with this disclosure requirement. Emily Chasan, "U.S. Firms Struggle to trace 'Conflict Minerals'," *Wall St. Journal*, August 3, 2015, https://www.wsj.com/articles/u-s-firms-struggle-to-trace-conflict-minerals-1438636575, accessed July 7, 2015.

- Hectoring public company executives and directors. Congress regularly calls before its committees executives and directors of both public and private companies.[7] The public disclosures of compensation and other matters open these individuals to abusive questioning.

Failed SEC Regulation

The SEC is an independent government organization with a governing body of five commissioners appointed by the President. The five commissioners, three from the President's party and two from the other, are supposed to assure independence. The SEC, however, is dependent on Congressional funding, and its commissioners and top staff are subject to appearing before Congressional committees. This means that the SEC is subject to political winds. At the extreme, a member of Congress can even attempt to badger the SEC into taking action that the member cannot achieve legislatively.[8]

The SEC has three functions—protecting investors, regulating the capital markets, and facilitating capital formation. Until Congress lit a fire under the SEC in 2012, the most noteworthy shortcoming of the SEC was its ignoring of the last of these, facilitating capital formation. Despite the axiom that capital formation is an economic stimulant, the SEC never felt the need to reexamine its regulations affecting capital formation during the Great Recession. Instead, Congress had to act, enacting the Jumpstart Our Business Startups Act (JOBS Act) in 2012. This law relaxed various statutes affecting capital formation and directed the SEC to take other actions with the same effect.

Despite the axiom that capital formation is an economic stimulant, the SEC never felt the need to reexamine its regulations affecting capital formation during the Great Recession.

Had the Commissioners seen their role in a severe recession as being to loosen restrictions on capital formation, the SEC could have achieved virtually the same results much faster by relaxing regulations. Instead, it was business as usual at the SEC, and Congress had to force the issue by enacting the JOBS Act.[9]

Three things need to happen at the SEC. First, Congress and the president should appoint some commissioners (a) with significant business experience, and (b) who are from other parts of the country. Second, the chair and the other commissioners should hire persons with business management experience in the top leadership positions, such the heads of the divisions at the SEC, and the other 23 direct reports to the Chair. Again, representation from all of the country is needed.[10] These steps would help the SEC

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[7] The example that first comes to mind was in 2008, when the Congress badgered executives of failing auto companies for taking the company jets to Washington for hearings. No doubt the executives would have been smarter taking a train to D.C., or at least flying coach.

[8] *E.g.,* Sen. Elizabeth Warren's 12-page screed to President Barack Obama, dated October 14, 2016, demanding the removal of Mary Jo White as the Chair of the SEC. Chair White's sin was refusing to lead the SEC to adopt a rule mandating separate disclosure of public companies' political contributions.

[9] Chairman of the SEC at the time of the enactment of the JOBS Act was Mary Schapiro, a leader opposed to relaxing restrictions on capital-raising. *E.g.,* Jean Eaglesham and Telis Demos, "SEC Chief Delayed Rule Over Legacy Concerns," *The Wall Street Journal*, December 2, 2012.

[10] For an interesting and depressing account of the current management problems confronting the SEC's new chairman, see Norm Champ, *Going Public, My Adventures Inside the SEC and How to Prevent the Next Devastating Crisis*, McGraw Hill 2017.

understand better capital formation. Third, the SEC should use its improved perspective to reduce the regulatory burden on public companies.

The SEC has a new chairman, who joins two well-qualified commissioners presently serving. As two commissioner vacancies are filled, the Commission will have the opportunity to become proactive. I have my fingers crossed that they will fight back the excessive regulation.

Other Antagonists

As noted above and shown on Appendix A, there are other sources of expense and aggravation for public companies. These includes stockholder activists, federal and state courts, stock exchanges, special interest groups and others. Public companies have been too easy a target for those with an agenda.

The public must force Congress and their state legislations (particularly the Delaware legislature) to block the intermeddling.

The Future

It is a tribute to the American economy that U.S. public companies have been able to succeed despite the albatross of excessive regulation and interference. However, those days are coming to an end. Successful private companies are foregoing IPOs, and companies that are already public are looking at other options.

Because the solutions to problems for public companies lie largely with people who created the problems, I am not optimistic about solutions. Will Congress, the SEC, and others realistically gaze into the mirror and see themselves as the causes of the decline in public companies? I am skeptical. Perhaps the SEC will try to improve the situation, but proponents of government regulation may cry that the SEC is leaving investing widows and orphans to the unscrupulous corporate villains. Various groups on Capitol Hill are likely to resist giving up their favorite regulations.

Change will come from a public that subscribes to the idea across many subjects including finance that less regulation is better.

In the end, change will not come from elected officials, regulators and the various special interest groups. Change will come from a public that subscribes to the idea across many subjects including finance that less regulation is better. I fear that only when the public is ready to impose this philosophy on government and our legal system will change come.

Too much is at stake. The best and largest capital markets in the world cannot be allowed to wither. Tell Congress, the regulators, and others to stop trying to kill the golden goose!

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Patrick A. Reardon
Attorney-at-Law
Fort Worth, Texas

patrick.reardon@reardonfirm.com
www.reardonfirm.com

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Comparison of Public vs. Private Companies

Prepared by Patrick A. Reardon

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The tabular comments below are meant to be read with the related footnotes.

Topic	IPO/Public company	Private-held company[11]
Initial capitalization	Rarely available through IPOs. Minimum size req'd.	Standard source of capital for start-ups
Growth capital	Once minimum size is attained, IPOs can provide growth capital. Follow-on offerings can be done with decreasing complexity as company size increases. Also, public companies can quickly raise capital by private placements followed by registration of resales or exchange for subsequently publicly registered securities with identical terms.	Private sources of capital are available to fund growth. Sources of capital include friends & family, angels, venture capital, private equity, & industry sources. Subsequent financing rounds are regularly completed.
Availability of capital to worthy companies	High	High
Transaction time to close & costs[12]	Costs vary, but expensive for small companies. IPO lead time is the greatest. Depending on each company's size, IPOs require 2 or 3 yrs. audited financials to file with the SEC, followed by several months to complete the registration process. Transaction costs include CPAs, securities counsel, blue sky fees & legal costs, & underwriter's discount plus fees of underwriter's counsel. O&G companies must have reserve reports from	Significantly lower costs than IPO. In all but the smallest deals, audited financials will be required by rule or as negotiated, plus legal fees, & possible appraisal or engineering costs. Issuer usually must pay legal fees of investors. Estimated time from start to closing is 3-6 months.

[11] This column only discusses growth-oriented private companies & ignores the majority of private companies that exist to operate the business & to provide regular income to the owners without expectation of significant growth beyond that financed by retained earnings & bank debt.

[12] Transaction time and costs can grow rapidly if the company has contingent liabilities or other problems investors call "hair".

Topic	IPO/Public company	Private-held company[11]
	independent engineers. Estimated time is 6-12 months from start to close offering.	
State securities laws	Unless the company will be registered on an exchange or another exemption is available, these laws apply, & registration is required.	In many cases, registration requirements of state securities laws are preempted save for fraud provisions.
Quality of disclosure to investors as part of the offering	Very good, even better as the company grows & seasons.	Former SEC Chair Mary Jo White expressed concern that disclosures in private placements are inferior to public offerings.[13] In general, I concur except where sophisticated investors control the information they receive pre-investment.
Exposure of ownership & management to risks of lawsuits	High, particularly if stock price falls post-IPO. Promoters of post-IPO companies that do not fare well are subject to scapegoating by plaintiff investors.	Low if investors believe all material fact were disclosed. Absent fraud, sophisticated investors are less likely to become plaintiffs. Unsophisticated friends & family investors may not appreciate investment risks & are more likely to sue when investments go bad.
Board membership	Founders, major investor representatives, plus independent directors. Public companies are graded on the diversity of their boards.	Founders & representatives of major investors.
Business structure	Corporations, with the Del. Gen. Corporation Law being the preferred state law for incorporation.	Venture capital & private equity funds generally prefer corporations where the entity is likely to be sold. In instances where asset sales are likely, entities taxed as partnerships are often used to avoid double taxation, such as limited partnerships (LPs) and limited liability companies (LLCs).

[13] "Keynote Address at the SEC-Rock Center on Corporate Governance Silicon Valley Initiative," Chair Mary Jo White, March 31, 2016, https://www.sec.gov/news/speech/chair-white-silicon-valley-initiative-3-31-16.html.

Topic	IPO/Public company	Private-held company[11]
Corporate governance	Extensive statutory & case law requirements apply, particularly under Delaware law. In addition, SEC & exchanges require disclosures regarding other corporate governance matters. Further interest groups may urge proxy votes and other action on topics such as diversity, the environment, "social justice," etc.	Corporate or other entity governance is based on statutory & case law requirements, but certain entities, LPs & LLCs, can make significant, contractually-agreed variances to meet the desires of owners and mgmt.
Annual compliance costs	High, with annual audits, quarterly, annual, & interim reports, plus proxy costs. Could be >$2.0 MM.	Lower, with annual audits, plus other information as required by investors.
Aggravating factors (which also increase compliance costs & distract managements from running their businesses)	High. Examples include: • Quarterly & interim reports on Forms 10-Q & 8-K. • Annual report on Form 10-K. • Annual proxy statement & stockholder meeting, with the requirement for screening stockholder proposals for a vote at annual meetings. • In addition to generally accepted accounting principles (GAAP), the PCAOB imposes further requirements. • Internal controls must be maintained and, in larger public companies, attested by outside auditors. • Disclosure & defense of mgmt. & board compensation in excruciating detail. Beginning in 2017, public companies must disclose the ratio of the CEO's annual compensation to the median annual compensation of the company's other employees. Smaller companies have reduced requirements. • Special disclosures are required if independent directors are not 100% of membership of the audit, compensation, and nominating committees.	Low. In general, none of the matters shown to the left, unless negotiated with investors.

Topic	IPO/Public company	Private-held company[11]
Aggravating factors (Cont'd)	• If a director attends fewer than 75% of all board and committee meetings, this must be disclosed. • CEO and CFO must certify as to the accuracy of the quarterly and annual financial information, etc. (e.g., Forms 10-Q and 10-K). • Corporate governance requirements & disclosure. • Code of ethics disclosure. • Conflict mineral disclosure. • Disclosure about SEC & Cong. concerns *de jour*. *E.g.*, cybersecurity, compensation, global warming. Remember Y2K? • SEC restricts disclosure of non-GAAP accounting measures often requested by analysts. • Required public disclosures may betray trade secrets or information that the company may wish to keep private, such as the loss of key customers or problems with important technology. • Threat of stockholder activists who seek to change or influence key management or business strategy or to sell the company. These threats influence mgmt. both positively and negatively. • Stock exchange requirements, including key requirements mandated by law. • Pressure to hit quarterly earnings targets. • Disclosure of insiders' compliance with Sec. 16(a) of the '34 Act. • Review of the foregoing requirements by SEC or exchange staffers in most instances having ltd. or no private sector mgmt. or investment experience. • In computing corp. fed. income tax liab., public companies cannot deduct the portion of annual compensation paid to each of the CEO and three other top paid executives above $1.0 million.	

Topic	IPO/Public company	Private-held company[11]
Aggravating factors (Cont'd)	"Performance-based compensation" is exempt from this limitation. • Outside directors must be paid, usually handsomely. Despite the obvious risks borne by public directors, Delaware courts have allowed stockholder derivative lawsuits challenging director compensation as excessive and wasteful.[14] • Disclosure explaining and defending the board structure is required annually. • Mergers of public companies have been accompanied by nuisance litigation in state courts challenging disclosure and other issues under state law.[15] • Higher D&O liability ins. premiums. • SEC takes the position that indemnification by corporations or insurers of officers and directors for securities laws violations is improper as against public policy. • Public U.S. mining companies including oil and gas must compile and disclose annually the amounts paid to U.S. and foreign governments for commercial development of oil, gas, and minerals. • Coal mining companies must make safety-related disclosures. • Congressional and Executive Branch hectoring of public companies' management, boards, and controlling persons.	

[14] See, "Avoiding Director Pay Litigation," presented at the American Bar Association Spring Meeting, April 7, 2017, available at https://www.americanbar.org/content/dam/aba/events/business_law/2017/04/spring/materials/director-compensation-201704.authcheckdam.pdf.

[15] A recent report suggests that this litigation is decreasing. Ravi Sinha, *Shareholder Litigation Involving Acquisitions Involving Acquisitions of Public Companies; Review of 2015 and 1H 2016 M&A Litigation*, Cornerstone Research 2016.

Topic	IPO/Public company	Private-held company[11]
Equity-based compensation for management	Restricted stock grants, incentive stock options, non-qualified stock options, phantom stock grants.	For private corporations, the choices are essentially the same as for public companies, however, private company status & contractual arrangements may delay cashing out of these rights. For private companies taxed as partnerships (IRC Subchpt. K), carried interests may be used along with phantom rights & other contractual bonus rights.
Founders' liquidity	Founders can sell in market as affiliates under Rule 144, '33 Act § 4(a)(7), or registration rights (if they have been agreed), unless "lockups" are negotiated. Post-IPO market liquidity may limit ability of stockholders to sell into the public market.	In most instances, contracts with investors require that founders cannot sell their equity sooner than implementation of the investors' exit strategy.
Acquisition of the company	Acquisitions of public companies, including going private transactions, are complicated involving SEC-approved disclosures, sometimes two-step transactions, fairness opinions, "go-shop" periods, dissenters' rights, & almost always stockholder litigation. The costs are exorbitant.	Sales are now the primary exit strategy for private companies. Transactions are largely negotiated in advance with all parties including investors in the target agreeing to the terms. Acquisitions by public companies can avoid pre-closing SEC filings (*e.g.*, '33 Act registration on Form S-4) by all-cash deals. Also, acquisitions by public companies in consideration of the acquirer's stock or other securities can postpone SEC filings by using private placements of securities accompanied by a post-closing resale registration statement.[16]

[16]See, Exxon Mobil Corporation (XOM) announced purchase & sale agreement for acquisition of private O&G companies owned by certain members of the Bass family of Fort Worth, TX for $5.6 billion of XOM common stock to be privately placed, plus contingent cash payments. XOM Form 8-K filed Jan. 17, 2017.

Important Notes:

This is my subjective commentary based on 39 years of practicing transactional securities law in the Dallas-Fort Worth area. Also, my comments above are generalizations, and exceptions likely exist for all comments. In drafting this table, legalese is eschewed in favor of general terms.

This comparison does not address the differences in valuations of public and private companies. Those comparisons are available from other sources.

Nothing in this document is intended to constitute legal advice. Persons desiring legal advice should engage counsel with expertise in these areas.

Securities and Exchange Commission

Commissioners and Senior Staff[17]

June 30, 2017

	Commissioners (Appointed by the President)	Prior Occupation & Location	N.E. U.S.*	Final Degree	N.E. U.S.*
1.	Jay Clayton, Chairman	Partner, Sullivan & Cromwell law firm, New York City	✓	J.D., Harvard	✓
2.	Kara M. Stein	Senior Policy Advisory, U.S. Sen. Jack Reed, Washington, D.C.	✓	J.D., Yale	✓
3.	Michael S. Piwowar	Republican chief economist, U.S. Senate Comm. on Banking, Housing, and Urban Affairs, Washington, D.C.	✓	Ph.D., economics, Penn State U.	✓
4.	Vacant				
5.	Vacant				
	PERCENT FROM THE NORTHEAST U.S.	3/3	100.0%	3/3	100.0%

* The District of Columbia, Maryland, Delaware, New Jersey, New York, Pennsylvania, Connecticut, Vermont, Massachusetts, New Hampshire, and Maine. The U.S. Census Bureau estimates that 2016 population of these states and the District of Columbia is less than 20.0% of the total U.S. population.

[17] The information presented in this Appendix B is taken from the SEC's website, www.sec.gov.

Securities and Exchange Commission **Selected Senior Staff (hired by the Chairman or the full Commission)**				
Name and Position*	**Prior Occupation & Location**	**N.E. U.S.**	**Final Degree**	**N.E. U.S.**
Stephanie Avarkian, Co-Director, Div. of Enforcement	Deputy Director of Enforcement Div., SEC, Washington, DC	✓	Temple U.	✓
Scott Baugess, Acting Chief Economist and Acting Dir. of Div. of Economic and Risk Analysis	Deputy Chief Economist, SEC, Washington	✓	Ph.D. Finance, Arizona State U.	No
Wesley Bricker, Chief Accountant	Interim Chief Accountant and Deputy Chief Accountant, SEC, Washington, DC	✓	J.D., American U., Washington Coll. of Law	✓
Thomas Butler, Director, Office of Credit Ratings	Managing Director, Morgan Stanley Smith Barney, New York City	✓	J.D., Rutgers School of Law	✓
Peter Driscoll, Acting Director, Office of Compliance Inspections and Examinations	SEC Office of Compliance Inspections and Examinations, Chief Risk and Strategy Officer, Washington, DC	✓	J.D., St. Louis University	No
Pamela C. Dyson, Director, Office of Information Technology	Acting and Deputy Chief Information Officer, SEC, Washington, DC	✓	Bachelor's degree, U. of Maryland	✓
Rick Fleming, Investor Advocate	Deputy General Counsel, North American Securities Administrators Association (NASAA), Washington, DC	✓	J.D., Wake Forest U.	No
Brent J. Fields, Secretary	Various positions at the SEC, Washington, DC	✓	J.D., U. of Georgia	No
William Hinman, Director, Division of Corporation Finance	Partner, Simpson Thacher & Bartlett LLP law firm, Silicon Valley, CA	No	J.D., Cornell U.	✓
Jessica Kane, Director, Office of Municipal Securities	Deputy Director, Office of Municipal Securities, Washington, DC	✓	J.D., George Mason U.	No

Securities and Exchange Commission **Selected Senior Staff (hired by the Chairman or the full Commission)**				
Name and Position*	**Prior Occupation & Location**	**N.E. U.S.**	**Final Degree**	**N.E. U.S.**
Paul Leder, Director, Office of International Affairs	Partner, Richards Kibbe & Orbe LLP law firm, Washington, DC	✓	J.D., U. of Michigan	No
Heather Seidel, Acting Director of Trading and Markets	Chief Counsel, SEC Division of Trading and Markets, Washington, DC	✓	J.D., Georgetown U.	✓
PERCENT FROM NORTHEAST U.S.	11/12	91.7%	6/12	50.0%

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* In order to limit the list to important policy positions, I have not listed heads of the following offices: Acquisitions, Human Resources, Minority and Women Inclusion, Equal Employment Opportunity, Financial Management, Inspector General, Chief Operating Officer, Public Affairs, Investor Education and Advocacy, and Support Operations.