

Final SEC Executive Compensation Disclosure Requirements

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September 13 & 14, 2006

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General Observations

- Comprehensive disclosure of all items of compensation.
- Combination of tabular disclosure and narrative description.
- Basic Principle: Identify and quantify.
- Limited relief for small business issuers.

Basic Structure

- Compensation discussion and analysis.
- Limited scope Compensation Committee report.
- Six tables of disclosure for executive officers.
- Narrative discussion of severance agreements and change in control benefits and estimation of dollar amounts.
- Director compensation table.
- Plain English disclosure.

Required Tables

- Current Compensation: Summary compensation table plus supplemental table for performance-based and non-performance-based cash and equity awards.
- Equity Compensation: One table for outstanding equity awards at year-end and second table for option exercises and stock vesting.

Required Tables (cont'd)

- Post-Employment Compensation: One table for actuarial present value of accumulated retirement benefits under defined benefit plans and second table relating to non-qualified defined contribution and other deferred compensation plans.
- Director Compensation: Cash and equity compensation for last fiscal year.

Major Changes From January 2006 Proposal

- New Compensation Committee Report of limited scope – analogous to Audit Committee Report.
- Stock price performance graph retained but relocated to “glossy” annual report.
- New option dating/pricing disclosure requirements.
- New proposal relating to disclosure of compensation paid to 3 most highly compensated employees other than named executive officers.

Covered Executive Officers

- All individuals serving as principal executive officer at any time during the last fiscal year.
- All individuals serving as principal financial officer at any time during the last fiscal year.
- The three most highly compensated executive officers at end of fiscal year other than the principal executive and financial officers.

Covered Executive Officers (cont'd)

- Up to two additional former officers who would have been included had they continued in executive officer status.
- For last two categories of covered individuals, compensation threshold is \$100,000 of total compensation (less annual increase to actuarial present value of accumulated retirement benefits and earnings on non-qualified deferred compensation plans included in the Summary Compensation Table) for the year.

New Proposal Re: Additional Covered Individuals

- New proposal would require narrative disclosure of the total compensation (less the two items of compensation excluded for the named executive officers) and job position of up to 3 company employees who have responsibility for significant policy decisions within:
 - The company.
 - A substantial subsidiary.
 - A principal business unit division or function.
- And whose total compensation was greater than that of any of the named executive officers for the last fiscal year.
- Disclosure requirements would be limited to “large accelerated filers”.

Compensation Discussion and Analysis

- Narrative disclosure which must address 6 principal topics.
 1. Objectives of the compensation programs.
 2. What the programs are designed to reward.
 3. Elements of compensation.
 4. Reason for each element.
 5. Determination of the amount of each element.
 6. Relationship of each element to others and to overall compensation objectives.

Compensation Discussion and Analysis

- Must address both in-service and post-termination compensation arrangements.
- Should also cover actions regarding executive compensation that were taken after the end of the company's fiscal year.
- The CD&A will be considered part of the filed proxy statement or any other filing in which it is included:
 - Potential liability under Section 18 of the 34 Act and, if incorporated by reference in a registration statement, under liability provisions of the Securities Act.
 - Subject to Sarbanes-Oxley certification of the principal executive officer and principal financial officer.

Compensation Discussion and Analysis

- Discussion and analysis of the material factors underlying compensation policies and decisions.
- Examples of material information in CD&A:
 - Long v. short term comp allocation policy.
 - Cash v. non-cash comp allocation policy.
 - Basis for allocating compensation to each different form of long-term award.
 - Timing of equity awards.
 - Corporate performance measures.
 - Individual performance measures.
 - Discretion re performance bonuses.
 - Consideration of gains from prior options or stock awards.
 - Factors considered when materially changing compensation.

Compensation Discussion and Analysis

- Examples of material information in CD&A (cont'd):
 - Whether and how benchmarking was used.
 - Role of executive officers in determining executive compensation.
 - Clawback policy relating to performance bonuses based upon performance measures subsequently restated or adjusted.
 - Impact of tax and accounting treatment.
 - Security ownership requirements or guidelines.
 - Basis for selecting triggering events for payments in connection with change in control or termination of employment.

Compensation Discussion and Analysis

- Not required to disclose specific quantitative or qualitative target levels or other confidential information if disclosure would cause competitive harm to company – but information must be “confidential”.
- If relying on non-disclosure for specific target levels, company must discuss the likelihood of achievement of the undisclosed target levels.

Option Grant Date/Pricing Disclosure

- CD&A Disclosure: Grant Dates.
 - Disclose any practice of coordinating the grant dates of executive officer options with the release of material non-public information.
 - Discuss how the Compensation Committee took such information into account when determining whether and in what amounts to make the grants.
 - Describe the role of the executive officers in the practice.
 - Indicate whether grants to employees in general or to new executives are also coordinated with the release of material non-public information.

Option Grant Date/Pricing Disclosure (cont'd)

- CD&A Disclosure: Exercise Price.
 - Disclose any practice of basing the exercise price on a date other than the grant date.
 - Disclose any practice of determining the exercise price through formulas based on average prices (or lowest prices) in any period preceding, surrounding or following the grant date.

Option Grant Date/Pricing Disclosure (cont'd)

- Tabular Disclosures.
 - Summary Compensation Table: Must disclose the fair value of options on date of grant, as determined under FAS 123R.
 - Plan-Based Awards Table.

New Compensation Committee Report

- Report must state whether Compensation Committee reviewed and discussed CD&A with management and based on such review and discussion recommended to the Board that the CD&A be included in the proxy statement or 10-K.
- Report will be over the names of the Compensation Committee members.
- Report will be “furnished” rather than “filed”.

Current Compensation

- All compensation must be disclosed.
- Summary compensation table includes the following columns, expressed in dollars:
 - Salary.
 - Bonus.
 - Stock Awards.
 - Option Awards.
 - Non-stock incentive plan compensation.
 - Change in actuarial present value of accumulated pension benefits/above-market or preferential earnings on deferred compensation.
 - All other compensation.
 - Total compensation.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
PEO	_____ _____ _____								
PFO	_____ _____ _____								
A	_____ _____ _____								
B	_____ _____ _____								
C	_____ _____ _____								

Current Compensation

- Non-Equity Incentive Plan Compensation: Based on pre-established and communicated performance targets the outcome of which is substantially uncertain.
- Bonus: Incentive payments which do not meet the incentive plan standard.
- Stock and option awards are to be included at their grant date fair value, as determined under FAS 123R for financial accounting purposes.
 - For options or SARs that are repriced or materially modified, only incremental increase in fair value must be disclosed.

Current Compensation

- All other compensation column:
 - Must include all other compensation.
 - Each item of compensation that exceeds \$10,000 must be identified and quantified in a footnote.
 - Must include earnings on equity awards not otherwise taken into account in determining the FAS 123R grant date fair value of those awards.

Current Compensation

- Perquisites must be disclosed unless aggregate amount is less than \$10,000.
- Each disclosed perquisite must be identified. If perquisite is valued at the greater of \$25,000 or 10% of the total perquisites, its value must be disclosed.
- Tax gross-ups must be quantified and identified.
- Includes amounts paid or accrued in connection with termination of employment or change of control.

Current Compensation

- Perquisites and personal benefits:
 - An item is not a perquisite if it is integrally and directly related to the performance of an executive's duties.
 - Otherwise, an item is a perquisite or personal benefit if it confers a direct or indirect benefit that has a personal aspect, without regard to whether it may be provided for some business reason or for the convenience of the company, unless it is generally available on a non-discriminatory basis to all employees.

Current Compensation

- Supplemental table for plan-based cash and equity awards:
 - Separate columns for cash and equity incentive plan awards (awards tied to performance milestones).
 - Separate columns for non-incentive plan equity awards (awards tied to service vesting or performance milestones as to which there is no substantial uncertainty of attainment).

Current Compensation

- Plan-Based Awards Table – Option Grant Date/Pricing Disclosures:
 - Must disclose FAS 123R grant date.
 - If exercise price is less than closing market price on grant date, an additional column must be included to disclose such market price.
 - If grant date is different from date Compensation Committee authorized grant, an additional column must be included to disclose the authorization date.
 - If exercise price is not closing market price on grant date, there must be footnote or textual disclosure of the methodology for determining such price.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
PEO										
PFO										
A										
B										
C										

Equity Compensation

- Two equity compensation tables:
 - Equity that has previously been awarded and remains outstanding (unexercised or unvested).
 - Information regarding options must be presented on an award-by-award basis.
 - Amounts realized upon exercise of options or SARs or upon vesting of other equity awards.

Outstanding Equity Awards At Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units of Other Rights That Have Not Vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
PEO									
PFO									
A									
B									
C									

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
(a)	(b)	(c)	(d)	(e)
PEO				
PFO				
A				
B				
C				

Post-Employment Compensation

- Defined benefit retirement plan benefits:
 - Table showing (i) actuarial present value of the named executive officer's accumulated normal retirement benefits and (ii) any pension benefits paid in last fiscal year.
 - Actuarial present value computed:
 - As of the same plan measurement date used for the company's annual audited financial statements.
 - Using the same assumptions used for financial reporting purposes under GAAP, except that retirement age is assumed to be normal retirement age as defined in the plan.
 - Narrative explanation.

Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
PEO				
PFO				
A				
B				
C				

Post-Employment Compensation

- Nonqualified defined contribution plan benefits:
 - Table showing contributions, earnings and account balances for non-tax qualified plans.
 - Narrative explanation.

Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate/ Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYI (\$)
(a)	(b)	(c)	(d)	(e)	(f)
PEO					
PFO					
A					
B					
C					

Termination or Change in Control Arrangements

- Narrative disclosure must address:
 - Specific circumstances triggering payment.
 - Estimated payments and benefits and method of payment.
 - Specific factors used to determine payment levels under various triggering circumstances (e.g., resignation, severance, retirement, constructive termination, change in responsibilities, change of control).
 - Material conditions to payments and benefits:
 - Non-compete, Non-solicitation, Non-Disparagement.
 - Other material features.

Termination or Change in Control Arrangements (cont'd)

- Quantitative disclosure required even where uncertainties exist.
 - Disclosure based on assumption that triggering event took place on last day of last fiscal year, and
 - The per share price was the closing selling price on that date.

Director Compensation

- Table disclosing director compensation (one-year table).
 - Includes all compensation.
 - Includes perquisites if total is \$10,000 or more.
 - Footnote disclosure of outstanding equity awards.
- Narrative explanation.

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
A							
B							
C							
D							
E							

8-K Amendments

- Management compensation and compensatory plans are no longer subject to disclosure under Item 1.01.
- Item 5.02 is amended to:
 - Expand information regarding retirement, resignation or other termination to include named executive officers.
 - Expand disclosure to include description of any material plan, contract or arrangement to which a covered officer or director is a party or participant entered into or materially amended in connection with his or her appointment.

8-K Amendments (cont'd)

- Require disclosure of any new material compensatory plan, contract or arrangement, any material amendment thereto, any material grant or award or any material modification to an existing grant or award, to the extent covered officer is involved
 - Grants or awards need not be disclosed if consistent with terms of previously disclosed plans or arrangements and disclosed next time Item 402 disclosure is required

Other Changes

- Related Party Transaction Disclosure
 - “Principles-Based” approach
 - \$120,000 disclosure threshold
- Corporate Governance Disclosures
 - Consolidation of disclosure requirements
 - New compensation Committee disclosures
 - New director relationship disclosures
 - Description, by category or type, of relationships considered, other than those included in the related party transaction disclosures
- Disclosure of Pledged Shares

Effective Dates

- Proxy statement filed on or after December 15, 2006 that is required to include compensation disclosure for fiscal years ending on or after December 15, 2006.
- Registration statements filed on or after December 15, 2006 that are required to include compensation disclosure for fiscal years ending on or after December 15, 2006.
- 8-K for a triggering event occurring on or after November 7, 2006.

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