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To Our Clients

Golden Parachutes

The Delaware Chancery Court decision yesterday in the Staley case is a strong precedent supporting the application of the business judgment rule to golden parachutes and similar employee protections. The court placed strong reliance on approval by a compensation committee comprised of outside directors and noted that the protections were adopted before the company became a target.

The court looked askance at directors' fee parachutes and held that a funding trust designed to fund all the protections was tainted because it covered the directors' fee parachutes.

M. Lipton