

March 28, 2002

Selecting and Approving the Auditor

In connection with the audit committee's consideration of management's recommendation of an auditor, or the committee's selection or recommendation to the Board of the appointment of the auditor, whether the decision is to continue the company's relationship with the current auditor or to appoint a new auditor, it would be appropriate for the audit committee to consider the following:

1. The auditor's system of internal controls for the purpose of assuring the quality of the audit, including (a) engagement partner rotation policy, (b) whether compensation of key partners on the account is based in part on marketing non-audit services, (c) procedures for resolution of technical issues, including the roles of the reviewing partner and the national office and (d) results of the most recent peer review.
2. The auditor's recent record with respect to restatements, changes in previously issued audit reports, legal settlements and disciplinary or enforcement proceedings.
3. The auditor's expertise in the company's industry.
4. The education and experience of the key partners on the audit.
5. If the company has significant operations outside the United States, information with respect to the auditor's offices or affiliates in the relevant countries.
6. Any relationships that might affect independence, such as whether any of the company's senior financial staff are recent alumni of the auditor.
7. Scope, plan and staffing of the audit, including whether the proposed fees are adequate and appropriate relative to the scope of the work contemplated.

If a new auditor is being considered, the audit committee should also engage in a critical review of the following matters:

1. Any disagreements within the past three years between the company's senior financial management and the personnel of the current auditor responsible for rendering its report on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

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2. Any consultations within the past three years by the company with the proposed new auditor regarding the application of accounting principles to a specified transaction (either completed or proposed), the type of audit opinion that might be rendered, or any matter that was the subject of a disagreement.
3. Whether in seeking the engagement the auditor has proposed a change in accounting principles, or the manner in which the company has been doing business, which would result in a material increase in reported revenues or earnings or in a material change in assets or liabilities.

Martin Lipton
Eric S. Robinson
David C. Karp