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Executive Compensation - Perquisites

In the Tyson Foods case, which was settled last week, the SEC finds that it is an internal controls failure for perquisites not to have been authorized by the company's compensation committee or board of directors.

The lesson is clear: The nature and amount of any substantial perquisites for named executive officers should be reported to and authorized by the compensation committee or the board of directors. Item 402(b) of SEC Regulation S-K requires disclosure when perquisites exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for the named executive. Two types of disclosures are required for each named executive: (1) the total dollar amount of the perquisites must be included in the summary compensation table; and (2) an additional footnote disclosure is required to specifically identify **by type and amount** each perquisite that exceeds 25% of the total perquisites reported for the named executive.

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