

SEC Adopts Final Rules Concerning Executive Compensation and Related Disclosure

August 28, 2006

On August 11, 2006, the Securities and Exchange Commission released new rules that amend disclosure requirements for executive and director compensation, related person transactions, director independence and other corporate governance matters, and security ownership of officers and directors. As we have previously noted,¹ the new rules represent the SEC's undertaking of the most significant revisions of its rules governing executive compensation in 14 years.

The SEC believes that the improved disclosure will make proxy statements, annual reports and registration statements easier to understand; provide investors with a clearer and more complete picture of compensation earned by certain executive officers and by directors; and provide better information about key financial relationships among companies and certain related persons. The new rules will also substantially increase disclosure relating to stock options, including specific disclosure relating to the timing and pricing of stock option grants, and the roles of persons other than members of the compensation committee in certain aspects of the grant process.

Compliance with the new disclosure rules will be required in annual reports on Form 10-K for fiscal years ending on or after December 15, 2006 and in proxy statements and registration statements that are required to include executive compensation and related disclosure for fiscal years ending on or after December 15, 2006.² Compliance with the changes to current reports on Form 8-K, however, will be required for triggering events that occur 60 days or more after publication of the new rules in the Federal Register.

The final rules differ in a number of respects from the rules proposed by the SEC in January 2006 (the "Proposed Rules"), most significantly in additional required disclosure regarding the timing and pricing of stock option grants. In addition, the SEC did not adopt the narrative disclosure that would have been required by the Proposed Rules regarding the total compensation for up to three

¹ See our alert dated January 24, 2006 entitled "*Corporate Alert: SEC Proposes New Rules Concerning Executive Compensation and Related Disclosure*" and our memorandum dated March 31, 2006 entitled "*Analysis of SEC's Proposed New Rules Concerning Executive Compensation and Related Disclosure*," which are available upon request or at our website: www.simpsonthacher.com.

² We understand that the SEC staff has, at least initially, taken the position that, prior to the time that compliance with the new rules is required, companies must comply with the prior rules; and while they may adopt aspects of the new rules as additional disclosure (and, of course, adopt plain English), they may only do so if such additions to the disclosure required under the prior rules are not confusing or misleading. This initial position may possibly be reconsidered.

employees who are not executive officers but who earn higher total compensation than any one of the executive officers included in the disclosure tables; but the SEC has re-proposed a significantly modified version of such disclosure.

The purpose of this memorandum is to explain in detail the impact of the new rules on future executive compensation disclosure and to identify significant changes in the new rules from the Proposed Rules.

Summary of Principal Changes Adopted in the New Disclosure Rules

The principal changes contained in the new rules are the following:

Executive and Director Compensation

- The new rules mandate broader-based tabular compensation disclosure and require clearer narrative disclosure to explain the information provided in the tables. Disclosure will be “principles-based”; that is, all compensation will be required to be disclosed and explained, and specific types of compensation will be listed in the rules as examples only.
- The definition of the “named executive officers” for whom compensation disclosure is made has been changed.
 - Any individual who served as the company’s principal financial officer during the last completed fiscal year must be included (in addition to any individual who served as principal executive officer).
 - The determination of the three most highly compensated executive officers (other than the CEO and CFO) who were serving as executive officers at the end of the fiscal year (as well as the determination of up to two additional individuals who would have been in this category had they still been executive officers at year-end) must be made on the basis of “total compensation” for the fiscal year (defined by far more expansive compensation disclosure requirements, but excluding increases in pension value and earnings on deferred compensation), rather than just salary and bonus.
- A new Compensation Discussion and Analysis section will replace the compensation discussion in the Compensation Committee report. This new section requires an explanation of *all* material elements of compensation of the named executive officers, including a discussion of the objectives of the company’s compensation programs, each element of compensation, how the amount of each element is determined and how such elements fit into the company’s overall objectives and affect decisions regarding other elements.

- The required discussion must include a discussion of post-termination compensation arrangements (including arrangements for payments following retirement or other termination and change-in-control) and the basis for selecting particular events as triggering payments, in addition to arrangements for compensation while serving as named executive officers.
- The new Compensation Discussion and Analysis section will, unlike the compensation committee report and performance graph, be considered filed with, rather than furnished to, the SEC. This section will therefore be included in the material included or incorporated in the Form 10-K that is certified by companies' CEOs and CFOs.
- In changes from the Proposed Rules, under which the compensation committee report and performance graph would have been eliminated, the new rules retain the performance graph (which, however, will now be in the company's annual report to shareholders) and include a new compensation committee report in which the committee will address its review of the Compensation Discussion and Analysis section, similar to the manner in which the financial statements are addressed in the existing audit committee report.
- Tabular compensation disclosure is organized into 3 categories of tables and related narrative disclosure:
 - compensation for the last completed fiscal year (and in the Summary Compensation Table, the preceding 2 fiscal years);
 - holdings of equity-based interests that relate to compensation or are potential sources of future gains and realization on these interests during the last completed fiscal year; and
 - retirement and other post-employment compensation, including benefits payable in the event of a change in control.
- The Summary Compensation Table includes, as a new final column, total annual compensation, in dollars, for each reported person. This total compensation will include essentially *all* items of annual compensation, including many not currently reported with dollar values, such as
 - the grant date value of all stock-based awards, including stock options, computed in the same manner as that used for financial statement purposes (except that the total value of awards will be reported in the fiscal year of grant rather than amortized over the period of required service as it is for financial statement purposes);

- ☐ all earnings, such as dividends, on previously granted stock-based awards that are not factored into the grant date value (the Proposed Rules would have included all earnings, which may have double-counted them to the extent that their value is included in the financial statement valuation); and
 - ☐ the aggregate increase in the actuarial value of pension plans accrued during the year.
- With respect to perquisites and other personal benefits, the new rules
 - ☐ lower the dollar threshold for the disclosure of perquisites and other personal benefits in the Summary Compensation Table to an aggregate of \$10,000 per person;
 - ☐ require the specific identification of all perquisites, regardless of value, if the aggregate perquisites and other personal benefits of the executive are \$10,000 or more; and
 - ☐ require disclosure of the value of any specific perquisite that exceeds the greater of \$25,000 or 10% of total perquisites.
- The new rules also mandate tabular disclosure, by named executive officer, of
 - ☐ the number and value of all outstanding equity awards at fiscal year-end (not just stock options); and
 - ☐ the amounts “realized” upon the vesting of stock or similar awards (not just upon the exercise of stock options).
- The retirement and post-employment compensation tables also for the first time require disclosure of
 - ☐ potential annual pension payments for each named executive officer; and
 - ☐ additions to, earnings on and withdrawals from deferred compensation plan balances during the fiscal year.
- The new rules require disclosure, including estimated dollar amounts (not just a description of formulas), of the amounts of payments and benefits, including perquisites, payable on termination or upon a change in control.
- The SEC did not adopt a provision in the Proposed Rules that would have included for the first time disclosure of total compensation for up to three employees who are not executive officers (identifying them by job description although not by name), but who earn higher

total compensation than any one of the executive officers included in the disclosure tables. The SEC has, however, re-proposed a modified version of such disclosure, limiting its applicability to only “large accelerated filers” and excluding any employees who do not have responsibility for significant policy decisions within the company, a significant subsidiary or a principal business unit, division or function.

- The new rules also reflect an expanded focus on director compensation, and require tabular disclosure for directors similar to that of the Summary Compensation Table for named executive officers.
 - The value of perquisites provided to each director will be disclosed on the same basis as the enhanced disclosure that is required for named executive officers.
 - The annual costs of payments and promises of payments pursuant to director legacy programs and similar charitable award programs will expressly be considered reportable compensation to a director.

Disclosure Relating to Stock Options and Other Stock-Based Awards

- The new rules will require enhanced disclosure relating to grants of stock options, as well as stock appreciation rights and similar instruments that have option-like features which are treated in the same way as stock options. Additional disclosure is also now required for other stock-based awards such as restricted stock, restricted stock units, phantom stock and similar instruments. Elements of the enhanced disclosure relating to options will appear in the required tables, narrative accompanying the tables and the new Compensation Discussion and Analysis section.
 - As previously noted, grants of stock options will be disclosed in the Summary Compensation Table, as will grants of all other stock-based compensation, at their fair market value of the date of grant, computed in the same manner as that used for financial statement purposes (except that the total value is reported in the fiscal year of grant rather than amortized over the period of required service).
 - A separate table for grants of plan-based awards will require disclosure of the grant date as determined for financial statement purposes (which is generally considered to be the day the decision is made to award the option so long as recipients of the award are notified promptly) and the exercise price.
 - If the grant date is different from the date the compensation committee or board of directors took action, or is deemed to have taken action, to grant an option, a separate column would be added to the table showing the date that the action was taken or deemed to have been taken.

- If the exercise price is less than the closing market price of the underlying stock on the grant date, a separate column would be added to the table showing the closing market price on the grant date; and if the exercise price is different than the closing market price, a description of the methodology for determining the exercise price would be required.
- Companies will also be required to address matters relating to option compensation for executives in the new Compensation Discussion and Analysis section, particularly as they relate to the timing and pricing of stock option grants.
 - The existence of a program, plan or practice to time the grant of stock options to executives in coordination with the disclosure of material non-public information is considered material to investors and should be fully disclosed.
 - If such a program, plan or practice exists, the company should disclose that the board of directors or compensation committee may grant options at times when the board or committee is in possession of material non-public information and may need to consider disclosure about
 - ☐ how the board or committee takes such information into account when determining whether and in what amount to make those grants;
 - ☐ how such program, plan or practice fits in the context of the timing of option grants to employees more generally;
 - ☐ whether any aspect of the actual administration of the program, plan or practice was delegated to any person other than the compensation committee (or another committee performing a similar function); and
 - ☐ the role of executives in the option timing.
 - Disclosure would also be required when a company that has not previously disclosed a program, plan or practice of timing option grants, has adopted such a program, plan or practice or has made one or more decisions to time option grants since the beginning of the past fiscal year.
 - Companies will also be required to disclose programs, plans or practices of awarding options and setting the exercise price based upon the stock's price on a date other than the actual grant date or by using formulas based on average price (or lowest price) of the company's stock in a period preceding, surrounding or following the grant date.

Executive Compensation Disclosure on Form 8-K

- The new rules expressly limit required disclosure on Form 8-K of the entry into, or material amendment of, a material definitive agreement related to a compensatory plan, contract or arrangement to those in which the CEO, CFO or a named executive officer participates or is a party (thus excluding arrangements for other executive officers or existing directors), and expressly exempt grants or awards that are materially consistent with the previously disclosed original terms of a plan, contract or arrangement.
- All named executive officers are now included in the list of executive officers whose departure would trigger a Form 8-K disclosure requirement.
- To avoid the difficulty that the Proposed Rules may have created in determining the executives for whom disclosure is required during the early part of a fiscal year (when the “named executive officers” for the last completed fiscal year may not yet have been determined), for purposes of Form 8-K disclosure the “named executive officers” are the persons for whom compensation disclosure was required in the last proxy statement or Form 10-K filed by the company.

Related Person Transactions

- The new rules require a description of the company’s policies and procedures for the review, approval or ratification of transactions with related persons and the identification of any reported related person transactions that did not require review, approval or ratification or where the company’s policies and procedures were not followed.
- The new rules also raise the threshold for transactions with related persons that may be subject to disclosure from \$60,000 to \$120,000.
- The new rules eliminate many of the specific instructions as to which transactions must be disclosed, relying instead on a “principles-based” materiality analysis.
- The changes in the new rules, which now combine formerly separate disclosure regarding debt owed to the company with other related person transactions, may result in the disqualification of a director who previously was qualified to be a “non-employee director” on a compensation committee for purposes of the Rule 16b-3 exemptions.

Director Independence and Other Corporate Governance Matters

- The new rules also require, for each director or director nominee identified as independent, a description of any transactions, relationships or arrangements (other than related party transactions otherwise disclosed) that were considered by the board of directors in determining that the applicable independence standards were met.

- While, as finally adopted, the new rules permit descriptions of such transactions, relationships or arrangements by specific type or category, they do not permit disclosure of specific matters considered by the board to be completely avoided if such transactions, relationships or arrangements met categorical standards adopted by the board to aid in its determination and such categorical standards are disclosed by the company, as is permitted under New York Stock Exchange and Nasdaq Stock Market listing standards. The value of adopting categorical standards has thus become less clear.
- The new rules require disclosure relating to the company's compensation committee (or of the company's reasons for not having such a committee) similar to that currently required regarding the audit and nominating committees of the company's board of directors.
 - The company is also now required to describe the compensation committee's policies and procedures for the consideration and determination of executive and director compensation as a separate disclosure item.

Security Ownership of Officers and Directors

- The new rules expressly require disclosure in the security ownership table of the number of shares pledged as security for any borrowing by named executive officers, directors and director nominees.

General

- All disclosure relating to executive and director compensation, related person transactions, director independence and other corporate governance matters, and security ownership of officers, directors and 5% beneficial owners must now be in plain English.

As was previously the case, special rules would apply for foreign private issuers and small businesses.³

³ The existing executive and director compensation disclosure requirements applicable to foreign private issuers are not changed by the new rules. The new rules do, however, amend the exhibit instructions to Form 20-F so that foreign private issuers will now be required to file an employment or compensatory plan with management or directors *only* if it is required to file the plan publicly in its home country or if it has otherwise publicly disclosed the plan.

Guidance on Perquisites

The SEC release also contains additional interpretative guidance on which items are perquisites or other personal benefits. The earlier release relating to the Proposed Rules stated that among the factors to be considered in determining whether an item is a perquisite or other personal benefit, are

- whether “it is integrally and directly related to the performance of the executive’s duties” and
- whether “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.”

The new release clarifies that an item is not a perquisite or personal benefit if it meets the first test of being integrally and directly related to the performance of the executive’s duties and the release provides further guidance regarding the application of the second test by stating that a company may reasonably conclude that an item is generally available to all employees on a non-discriminatory basis if it is available to those employees to whom it may lawfully be provided. For this purpose, a company may recognize jurisdictionally based legal restrictions, such as restrictions for foreign employees or the employee’s “accredited investor” status.

As noted in the earlier release, personal benefits that may facilitate job performance, such as company-provided aircraft or watercraft, commuter transportation services, secretarial services devoted to personal matters or investment management services, are not “integrally and directed related” to job performance.

Detailed Analysis of Significant Changes in New Disclosure Rules

Charts setting forth the more significant changes contained in the new rules from both the previous rules and the Proposed Rules, as well as the forms of the disclosure tables under the new rules, are attached to this memorandum.

This memorandum is for general information purposes and should not be regarded as legal advice. Please contact your relationship partner if we can be of assistance regarding these important developments. The names and office locations of all of our partners, as well as memoranda regarding recent corporate reporting and governance developments, can be obtained from our website, www.simpsonthacher.com.

	PRIOR RULES	NEW RULES
<i>Compensation Overview</i>	<p>Compensation Committee Report</p> <p>The prior report required disclosure of the committee's policies applicable to all executive officers (not just named executive officers) for the last completed fiscal year, including the specific relationship of corporate performance to executive compensation. Specific discussion was also required of the committee's bases for the CEO's compensation, with a detailed discussion of the relationship of each measure of corporate performance to his or her compensation.</p> <p>Staff guidance stated that a discussion was also required of the committee's policies regarding Section 162(m) of the Internal Revenue Code (which limits the deductibility of compensation that does not meet specified requirements to be performance-based).</p> <p>The report was made over the name of each member of the compensation committee.</p>	<p>Compensation Committee Report</p> <p>While, under the Proposed Rules, the compensation committee report was to be eliminated, the final rules provide for a different type of report similar to the existing audit committee report. In the new report, the compensation committee will state whether it has reviewed and discussed the newly created Compensation Discussion and Analysis with management and whether, based upon that review and discussion, it has recommended to the board of directors that the Compensation Discussion and Analysis be included in the company's Form 10-K and its proxy statement.</p> <p>Same as prior rules.</p>

	PRIOR RULES	NEW RULES
		<p>Compensation Discussion and Analysis</p> <p>This new section is intended to be an overview that puts into context the compensation disclosure provided in the subsequent tables and narrative. All material elements of compensation of named executive officers must be explained, including a discussion of the objectives of the company's compensation programs, what they are designed to reward, why the committee chooses to pay each identified element, how the amount of each element is determined and how such elements fit into the company's overall objectives and affect decisions regarding other elements.</p> <p>The new rules are "principles-based" (similar to the current requirements for management's discussion and analysis of financial condition and results of operations (MD&A)); that is, they identify disclosure concepts and provide a list of illustrative examples. Boilerplate disclosure and mere repetition would not be in compliance with the required discussion.</p> <p>In addition to discussion of compensation for the last completed fiscal year required under the prior rules, the section may also require discussion of on-going and post-termination compensation arrangements and policies that will be applied on a going-forward basis. In some situations, it may be required to discuss prior years in order to give context to the disclosure provided.</p>

	PRIOR RULES	NEW RULES
		<p>The section must include a discussion of post-termination compensation (including arrangements for payments following retirement or other termination and change-in-control). This may include discussion of pensions, supplemental retirement plans, deferred compensation arrangements, severance provisions, retiree medical coverage and tax gross-ups.</p> <p>Among the examples of information that may be required to be addressed are several items that companies may not have previously considered, including</p> <ul style="list-style-type: none"> • how the determination is made as to when awards, such as stock options, are granted, • whether discretion can be, or has been, exercised to reduce or increase the size of any award or payout, • how amounts realized from prior compensation awards are considered in setting current compensation, • the impact of accounting treatments (as well as tax treatments, such as Section 162(m) considerations) of particular forms of compensation, • equity ownership requirements or guidelines and policies on hedging, • the role of executive officers in the

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		<p>compensation process,</p> <ul style="list-style-type: none"> • company policies and decisions regarding the adjustment or recovery of awards or payments if relevant company performance measures upon which they were based are restated or otherwise adjusted, and • the basis for selecting particular events as triggering payment with respect to post-termination agreements. <p>The discussion and analysis should be sufficiently precise to identify material differences in compensation policies and decisions for individual named executive officers where appropriate.</p> <p>Companies are still not required to disclose competitively-sensitive target levels with respect to performance-related factors. The new rules now state, however, that the standard to be used in making a determination that information does not need to be disclosed is the same as that which would apply in seeking confidential treatment from the SEC (that is, whether disclosure would cause competitive harm), but without a similar formal application for SEC approval. Because, however, the Compensation Discussion and Analysis section will now be considered “filed” with the SEC, a company’s determination not to disclose target levels will be subject to SEC review.</p>

	PRIOR RULES	NEW RULES
	<p>Performance Graph</p> <p>The prior rules required the company to provide a line graph comparing the yearly percentage change in the cumulative total shareholder return on the company's stock over a period of generally 5 years to (i) a broad equity market index and (ii) a published industry index or an index of peer issuers.</p> <hr/> <p>The compensation committee report and the performance graph were considered to be furnished to, rather than filed with, the SEC.</p>	<p>In addition, if the specific target levels or other factors are not disclosed, the company must now discuss how difficult it will be for the executive, or how likely it will be for the company, to achieve the undisclosed target levels or other factors.</p> <p>Performance Graph</p> <p>In a change from the Proposed Rules, the performance graph will be retained, but it will now be presented in the company's annual report to shareholders rather than the proxy statement.</p> <hr/> <p>Same as prior rules; but the new Compensation Discussion and Analysis section will be filed with, rather than furnished to, the SEC, and therefore will be subject to disclosure liability and included in the material included or incorporated in Form 10-K that is certified by companies' CEOs and CFOs, and will be subject to the company's disclosure controls and procedures.</p>
<i>Covered Executives</i>	<p>Named Executive Officers</p> <ul style="list-style-type: none"> All individuals who served as CEO during the last completed fiscal year 	<p>Named Executive Officers</p> <ul style="list-style-type: none"> Same as prior rule for CEOs Adds all individuals who served as CFO during the last completed fiscal year

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	<ul style="list-style-type: none"> The 4 most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed fiscal year and Up to 2 additional individuals who would have been in the previous category but for the fact that they were not serving as executive officers at the end of the last completed fiscal year. <p>The determination of the most highly compensated executive officers was made on the basis of total annual salary and bonus for the last completed fiscal year.</p> <p>Excludable in limited circumstances for these purposes:</p> <ul style="list-style-type: none"> Unusually large, non-recurring compensation and Compensation attributed to overseas assignments. 	<ul style="list-style-type: none"> The 3 most highly compensated executive officers other than the CEO and CFO (except a different standard for determining compensation) and Same as prior rule (except a different standard of determining compensation). <p>The determination of the most highly compensated executive officers is made on the basis of total compensation for the last completed fiscal year (as described below) other than, in a change from the Proposed Rules, increases in pension value and earnings on deferred compensation plans. <i>Note that the group of named executive officers is more likely to change from year to year as a result of unusual items.</i></p> <ul style="list-style-type: none"> Unusually large, non-recurring compensation will <i>not</i> be excludable under the proposed rules. Same as prior rules.

	PRIOR RULES	NEW RULES
		<i>Note that, if the CFO would not have been among the 4 most highly compensated executive officers (other than the CEO), unless the current Treasury Regulations are amended, the "covered employees" for purposes of Section 162(m) would include someone who is not a named executive officer.</i>

The following is the form of the Summary Compensation Table under the new rules, which is discussed in the succeeding pages:

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 (\$)
CEO									
CFO									
Executive Officer A									
Executive Officer B									
Executive Officer C									

	PRIOR RULES	NEW RULES
	<u>Summary Compensation Table</u>	<u>Summary Compensation Table</u>
<i>Total Compensation</i>	No disclosure of total compensation was formerly required.	<p><i>Total Compensation Column.</i> The arithmetic total of all columns in the table is required to be disclosed in this new column, which, in a change from the Proposed Rules, is presented as the final column in the table.</p> <p>These totals (excluding the amounts in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column discussed below) provide the basis for the determination of named executive officers (other than individuals who served as CEO or CFO during the last completed fiscal year).</p>
<i>Annual Salary and Bonus</i>	<i>Salary and Bonus Columns.</i> The prior rules only addressed optional presentation of salary or bonus deferred at the election of the executive.	<p><i>Salary and Bonus Columns.</i> Similar to prior disclosure, except that</p> <ul style="list-style-type: none"> the instructions state expressly that any amounts (not just salary or bonus) deferred (in a change from the Proposed Rules) for any reason (and not just at the election of the executive) are to be included in the appropriate column of the table for the fiscal year in which earned (but, in a change from the Proposed Rules, without required footnote disclosure of the deferral) and

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	<p>The prior rules only required that if salary or bonus was not currently calculable, that fact had to be stated in a footnote, and no disclosure of the amounts later determined was required until the subsequent year's table was filed.</p>	<ul style="list-style-type: none"> if the amount of salary or bonus is currently not calculable, that fact must be disclosed in a footnote, together with the date that the amount is expected to be determined. <p>In addition, the determination of salary or bonus that was previously disclosed as not currently calculable will trigger disclosure on Forms 8-K of the new salary or bonus amount and a new total compensation figure.</p> <p><i>Because amounts that are reported as non-equity incentive plan compensation are no longer limited to plans in which performance is to occur over a period longer than one fiscal year, it may now be difficult to distinguish bonuses from non-equity incentive plan compensation. The SEC has provided some guidance in this regard, which is discussed below in connection with the Non-Equity Incentive Plan Compensation column.</i></p>
Stock and Option Awards	<p>Restricted Stock Awards. The value of restricted stock and restricted stock units (RSUs) granted was, except as noted below, reported in this column. The prior rules, however, may not have had the flexibility to address new forms of compensation that may be developed in the future.</p> <p>Awards that are subject to performance-based conditions on vesting may instead have been</p>	<p>Stock Awards Column. This column discloses the grant date fair value of all stock-related awards, such as restricted stock, RSUs, phantom stock or other similar instruments that do not have option-like features.</p> <p>Stock awards subject to performance-based vesting are required to be included in this column in the</p>

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	<p>reported as long-term incentive plan (LTIP) awards in the separate LTIP awards table and not be reported in the Summary Compensation Table until vested.</p> <p>The dollar value of restricted stock and RSU awards was required to be calculated by multiplying the closing market price of the company's stock on the date of grant by the number of shares or units awarded.</p> <p>Companies must have disclosed in a footnote</p> <ul style="list-style-type: none"> • if a restricted stock or RSU award will vest, in whole or in part, in less than 3 years, the number of shares awarded and the vesting schedule; • whether dividends are paid on restricted stock or RSUs; and 	<p>year of grant.</p> <p>The value must be computed pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), <i>Share-Based Payment</i> (FAS 123R), in the same manner as that used for financial statement purposes (other than being fully reported in the fiscal year of grant rather than amortized over the period of required service as it is for financial statement purposes).</p> <p>The numbers of shares of all restricted stock and RSUs awarded and their vesting dates are reported in the separate Grants of Plan-Based Awards table, similar to prior (and new) requirements for the number of shares underlying options and the expiration dates of the options.</p> <p>In a change from the Proposed Rules, dividends on awards previously granted will not be included in the Stock Awards column, but may in some circumstances be included in All Other Compensation as described below.</p> <p>Whether dividends are paid, and whether any preferential dividend rate will be paid, however, may be factors for discussion in the narrative section described below.</p>

	PRIOR RULES	NEW RULES
	<ul style="list-style-type: none"> the number and value (based on closing market price) of the aggregate restricted stock and RSU holdings at the end of the last completed fiscal year. <p><i>Securities Underlying Options/SARs.</i> Only the number of shares underlying option or stock appreciation right (SAR) awards was presented in the Summary Compensation Table.</p> <p>Valuation was provided in the separate Option/SAR Grants in Last Fiscal Year table by either (i) the potential realizable value assuming appreciation in the market price of the underlying shares at 5% and 10% annualized rates or (ii) the present value of the grant under any option pricing model, the methodology assumptions of which were to be described in a footnote.</p>	<p>The number and value of outstanding awards, and their vesting dates, will be disclosed in the separate Outstanding Equity Awards at Fiscal Year-End table.</p> <p><i>Option Awards Column.</i> This column discloses the grant date fair value of options, SARs or other similar instruments that have option-like features.</p> <p>The value is computed pursuant to FAS 123R in the same manner as for Stock Awards.</p> <hr/> <p>For both Stock Awards and Option Awards, the financial statement accounting valuation under FAS 123R is used whether the award itself is in stock, options or similar instruments or the award is settled in cash but the amount of payment is tied to stock performance.</p>

	PRIOR RULES	NEW RULES
		<p>A footnote to the valuation of Stock Awards and Option Awards must reference a discussion of the relevant assumptions in either the notes to the company's financial statements or the MD&A. <i>It should be noted, however, that such sources may discuss FAS 123R assumptions on a weighted aggregate basis; but the new rules require that the grant date fair value disclosed in the table be based on the assumptions used for the employee group that includes the named executive officers in calculating compensation expenses for the financial statements.</i></p> <p>In a change from the Proposed Rules, the Stock Awards and Option Awards columns will not be required to include all earnings on outstanding awards. If, however, the value of dividends or other earnings has not been included in the FAS 123R valuation, such earnings must be included in All Other Compensation when earned.</p>
<i>Incentive Plan Compensation</i>	<p><i>LTIP Payouts.</i> The dollar value of LTIP payouts (including performance-based restricted stock or RSUs that the company had elected to treat as LTIP awards) were reported in the Summary Compensation Table at the time that they were actually paid or are matured but deferred at the election of the executive.</p>	<p><i>Non-Equity Incentive Plan Compensation Column.</i> The dollar value of all amounts earned pursuant to incentive plans that are neither Stock Awards nor Option Awards within the scope of FAS 123R is disclosed in this column. Unlike most items reported in the Summary Compensation Table, disclosure is required in the fiscal year when the relevant performance criteria under the plan are satisfied and the compensation is earned (whether or not payment is actually made), rather than the fiscal year of grant. No further disclosure is required</p>

	PRIOR RULES	NEW RULES
	<p>Grants of LTIP awards (and performance-based restricted stock or RSUs that the company had elected to treat as LTIP awards) were reported in an LTIP awards table in the fiscal year of grant.</p>	<p>when the payment is actually made or matured. In a change from the Proposed Rules, this treatment is not necessarily limited to awards where the relevant performance measure under the plan is not based on the price of the company's equity securities and the award may not be settled by the issuance of equity securities.</p> <p><i>Companies may wish to describe in the narrative section instances where non-equity incentive plan compensation has been reported as earned because the performance period has ended, but the awards remain subject to vesting and/or forfeiture provisions.</i></p> <p>All earnings on outstanding awards are also required to be included.</p> <p>Grants of non-equity incentive plan compensation awards are disclosed in the Grants of Plan-Based Awards table in the fiscal year of grant. The number and the market or payout value of all unvested incentive plan awards are disclosed in the Outstanding Equity Awards at Fiscal Year-End table.</p> <p>The SEC has provided the following guidance for distinguishing bonuses from non-equity incentive plan awards and payouts: An award would be considered "intended to serve as an incentive for performance to occur over a specified period" (and thus a non-equity incentive plan award) if the outcome with respect to the relevant performance</p>

	PRIOR RULES	NEW RULES
		target is substantially uncertain at the time it is established and the target is communicated to the executive.
<i>Increases in Pension Value and Earning on Deferred Compensation</i>	<p>No individual pension values were required to be reported under the prior rules.</p> <p>Earnings on deferred compensation during the fiscal year (reported as Other Annual Compensation if paid or payable but deferred at the election of the executive; otherwise reported as All Other Compensation) were only reported to the extent of above-market or preferential earnings.</p>	<p>Change in Pension Value and Nonqualified Deferred Compensation Earnings Column. This new column has been added in a change from the Proposed Rules in order to identify separately those forms of compensation that will be excluded from total compensation in determining the named executive officers.</p> <p>For the first time, the new rules require disclosure of the aggregate increase in the actuarial value of defined benefit and actuarial plans (including supplemental employee retirement plans (SERPs) and cash balance plans) accrued during the fiscal year.</p> <p>This amount will include both (i) the increase in value due to an additional year of service, compensation increases and plan amendments and (ii) the increase in value attributable to interest.</p> <p>In a change from the Proposed Rules, only above-market or preferential earnings on nonqualified deferred compensation plans is included. The method of calculating earnings on deferred compensation may, however, be a material factor requiring disclosure in the narrative section described below.</p>

	PRIOR RULES	NEW RULES
		Footnote identification and quantification of the full amount of each element of the column is required. Any amount attributable to the pension plans that is a negative number must be disclosed in the footnote, but not reflected in the column.
<i>Other Compensation</i>	<p><i>Other Annual Compensation and All Other Compensation Columns.</i> The prior disclosure created a distinction between annual compensation and compensation that was not considered related only to a single fiscal year.</p> <p>Other annual compensation was limited to five identified categories, which included</p> <ul style="list-style-type: none"> • perquisites and other personal benefits; • above-market or preferential earnings on deferred compensation payable during the year; • tax reimbursements; and • discounted securities purchases. <p>Disclosure under Other Annual Compensation and All Other Compensation was subject to certain limitations.</p> <p>Perquisites and other personal benefits need not have been disclosed if the aggregate amount was lower than the lesser of \$50,000 or 10% of the executive's total annual salary and bonus. Each</p>	<p><i>All Other Compensation Column.</i> All current compensation not reported in the other columns is required to be included in this column, without any distinction between annual and "long-term" compensation. Such items include</p> <ul style="list-style-type: none"> • perquisites and other personal benefits; • tax reimbursements; • discounted securities purchases; • payments or accruals on termination or change-in-control plans; • company contributions to defined contribution plans; • insurance premiums; and • all other compensation not required to be included in another column. <p>Perquisites and other personal benefits need not be disclosed if the aggregate amount is less than \$10,000. If the \$10,000 threshold is met, all perquisites and other personal benefits (for, in a</p>

	PRIOR RULES	NEW RULES
	<p>perquisite or other personal benefit exceeding 25% of the total perquisites and other personal benefits for a named executive officer had to be identified by type and amount in a footnote or accompanying narrative disclosure.</p> <p>The other elements of Other Annual Compensation, such as tax reimbursements, were not subject to the foregoing limitation on disclosure.</p> <p>Earnings on restricted stock, RSUs, options or SARs and earnings on LTIP compensation during the fiscal year (reported as Other Annual Compensation if paid or payable but deferred at the election of the executive; otherwise reported as All Other Compensation) were only reported to the extent of above-market or preferential earnings.</p> <p>The prior rules required the reporting of premiums paid for term life insurance and, in the case of split-dollar life insurance (under which the executive will have an interest in any cash surrender value under the policy), in addition to the amount of premiums paid with respect to the term portion of the policy, the company must have reported either the</p>	<p>change from the Proposed Rules, only the most recently completed fiscal year) are required to be described in a manner that identifies the particular nature of the benefit received; and each that is valued at more than the greater of \$25,000 or 10% of the total must be quantified.</p> <p>In a change from the Proposed Rules, the methodology for computing the aggregate increment cost for the perquisites must now be disclosed in footnotes.</p> <p>Similar to prior rules, tax reimbursement and other items of All Other Compensation are not subject to the foregoing threshold limitation on disclosure applicable to perquisites and other personal benefits.</p> <p>In a change from the Proposed Rules, the value of any dividends or other earnings paid on Stock Awards or Option Awards must be included in this column if such dividends or earnings were not factored into the grant date fair value as described above.</p> <p>The new rules require the disclosure of all premiums paid with respect to life insurance for the executive's benefit.</p>

	PRIOR RULES	NEW RULES
	<p>remaining amount of the premiums paid or the actuarial value of the benefit to the executive after any future projected refund of premiums to the company.</p> <p>Under prior rules, the difference between the price paid by the executive for a security and its fair market value at the date of purchase was reported, unless that disclosure was available generally, either to all security holders or to all salaried employees.</p> <p>The prior rules required disclosure of the amount paid, payable or accrued in connection with the executive's resignation, retirement or other termination.</p> <p>Companies could have omitted information regarding relocation plans that did not discriminate in favor of executive officers or directors and that were generally available to all salaried employees.</p> <p>Any compensation reported in the All Other Compensation column for the last completed fiscal year, regardless of amount, had to be identified and quantified in a footnote.</p>	<p>The new rules are similar; but the amount reported is the compensation cost, if any, computed in accordance with FAS 123R.</p> <p>In a change from the Proposed Rules, benefits paid under pension plans are not reported in the Summary Compensation Table unless accelerated due to a change-in-control. A column to report payments, however, has been added to the Pension Benefits table.</p> <p>Compensation received under relocation plans is no longer excludable from reporting, even if generally available to all salaried employees.</p> <p>Each item of compensation included in the column (for, in a change from the Proposed Rules, just the most recently completed fiscal year) that exceeds \$10,000 is required to be separately identified and quantified in a footnote.</p>
<i>Transition</i>		The SEC release indicates that, as a transition, for the first year after the new rules are adopted only information for the last completed fiscal year would

	PRIOR RULES	NEW RULES
		<p>be included in the Summary Compensation Table; and for the second year, the two last completed fiscal years; with the complete table required in the third year.</p> <p>Companies are not required to restate compensation or related person transaction disclosure previously made.</p>

The following is the form of the Grants of Plan Based Awards table under the new rules, which is discussed in the succeeding pages:

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)
		Thresh- hold (\$)	Target (\$)	Maxi- mum (\$)	Thresh- old (#)	Target (#)	Maxi- mum (#)			
CEO										
CFO										
Executive Officer A										
Executive Officer B										
Executive Officer C										

	PRIOR RULES	NEW RULES
<i>Incentive Plan Awards</i>	<p>Long-Term Incentive Plans – Awards in Last Fiscal Year Table</p> <p>LTIP awards where performance was to occur over a period longer than one year (and, if elected to be similarly treated, restricted stock or RSUs with performance-based conditions) were required to be disclosed in a separate table. All option grants, whether or not performance-based, were reported in the Option/SAR Grants in Last Fiscal Year table.</p> <p>The table disclosed the number of shares, units or other rights; the performance or other period until payout or maturation; and the estimated future payouts (in either dollar amounts or shares) at threshold, target and maximum levels.</p>	<p>Grants of Plan-Based Awards Table</p> <p>In a change from the Proposed Rules, the back-up information relating to plan-based awards is presented in a single table, rather than two separate tables with performance-based awards separated from other awards.</p> <p>The columns in the combined table include for each grant (i) the grant date under FAS 123R, (ii) the estimated future payouts in dollars under non-equity incentive plan awards (threshold, target and maximum), (iii) the estimated future payouts in shares under equity incentive plan awards (threshold, target and maximum), (iv) the number of shares or units underlying all other stock-based awards, (v) the number of securities underlying option and similar awards and (vi) the exercise price of options and similar awards.</p>

	PRIOR RULES	NEW RULES
		<p>If the exercise or base price of options, SARs or similar instruments is less than the closing market price of the underlying security on the date of grant, a separate column must be added showing the closing market price on the grant date. If the option exercise or base price is not the closing market price on the grant date, a description of the methodology for determining the exercise or base price is required either in a footnote of in the narrative section described below.</p> <p>If the date on which the compensation committee (or a committee of the board of directors performing similar functions or the full board of directors) took action or is deemed to have taken action to grant an award is different than the grant date for purposes of FAS 123R, a column must be added to the table to disclose the date of action.</p> <p>The material terms of plan-based awards, including a general description of the formula or criteria to be applied in determining the amount payable, the vesting schedule or performance period, whether dividends will be paid on awards and any performance-based or other material conditions, must be included in the narrative section described below.</p>

	PRIOR RULES	NEW RULES
	<p>Option/SAR Grants in Last Fiscal Year Table</p> <p>Disclosure for option and SAR grants included the number of securities underlying the grant, the percentage the grant represented of total options and SARs granted to employees during the fiscal year, the exercise or base price (and, if less than the market price on the date of grant, an additional column with the grant-date market price), the expiration date and the alternate valuation methods described above under “Securities Underlying Options/SARs.”</p> <p>Disclosure of stock, restricted stock and RSU awards was limited to the Summary Compensation Table and, for restricted stock or RSUs with performance-based vesting, the LTIP awards table.</p> <p>10-Year Option/SAR Repricings</p> <p>Formerly, if there had been a repricing during the last completed fiscal year, the compensation committee report must have explained the repricing and the bases for it and companies must have presented a table setting forth information with respect to repricings during the last 10 completed fiscal years.</p>	<p>As noted above, disclosure for options, SARs and similar instruments is similar to that under the prior rules, except that</p> <ul style="list-style-type: none"> • the grant dates will also be disclosed; • the percentage of total grants represented will no longer be required and • disclosure of valuation will not be required here (since the FAS 123R value is reported in the Summary Compensation Table). <p>Disclosure for stock, restricted stock, RSUs and similar instruments will include the grant date, and the number of shares or units.</p> <p>In changes from the Proposed Rules, repricings (direct or indirect adjustments or amendments of option or SAR exercise prices) or other material modifications of such awards will not be treated as new grants, or otherwise included, in the grant table, and amounts included in the Summary Compensation Table will only be the incremental fair value computed under FAS 123R.</p>

	PRIOR RULES	NEW RULES
	The number of repriced options or SARs was also required to be included in the Summary Compensation Table.	
<i>Explanations of Annual Compensation</i>	<p>Narrative Disclosure</p> <p>Formerly, explanatory narrative descriptions were generally not expressly mandated, except as follows:</p> <ul style="list-style-type: none"> • A narrative description was required of the terms and conditions of employment contracts. • Repricings were required to be described in detail in the compensation committee report. • The material terms of performance-based awards treated as LTIP awards were required to be described in a footnote or narrative text. 	<p>Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table</p> <p>A narrative description is required of any material factors necessary to an understanding of the information disclosed in the Summary Compensation Table and Grants of Plan-Based Awards table.</p> <p>Examples of such information include</p> <ul style="list-style-type: none"> • the material terms of employment agreements or arrangements (whether written or unwritten); • descriptions of repricings or other material modifications of options, SARs or other equity-based awards; • the material terms of plan-based awards;

	PRIOR RULES	NEW RULES
	No disclosure of the compensation of anyone who was not a director or executive officer was required.	<ul style="list-style-type: none"> the method of calculating earnings on deferred compensation plans; and the level of salary and bonus in proportion to total compensation. <p>The Proposed Rule that would have also required for the first time disclosure of the total compensation and description of job position for up to 3 employees who were not executive officers but whose total compensation for the last completed fiscal year was greater than that of any one of the named executive officers was not adopted. Discussion regarding compensation of certain employees who are not executive officers has, however, been re-proposed in a substantially modified form.</p>

The following is the form of the Outstanding Equity Awards at Fiscal Year-End table under the new rules, which is discussed in the succeeding pages:

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards					Stock Awards			
	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 or Other Rights That Have Not Vested (\$)
CEO									
CFO									
Executive Officer A									
Executive Officer B									
Executive Officer C									

	PRIOR RULES	NEW RULES
		<u>Exercises and Holdings of Previously Awarded Equity</u>
<i>Year-End Holdings of Equity-Based Awards</i>	<p>Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values Table (year-end portion of table)</p> <p>The columns of the formerly required table relating to year-end values disclosed the total number of securities underlying unexercised options and SARs and the aggregate value of in-the-money, unexercised options and SARs held at fiscal-year end, in each case separately identifying the amounts for exercisable and unexercisable options and SARs.</p> <p>In addition, the number and fiscal year-end market value of aggregate restricted stock and RSU holdings were required to be disclosed in a footnote to the Summary Compensation Table.</p>	<p>Outstanding Equity Awards at Fiscal Year-End Table</p> <p>This table reports</p> <ul style="list-style-type: none"> the number of securities underlying unexercised options, SARs and similar instruments (exercisable and unexercisable) held at fiscal-year end; and, in a change to the Proposed Rules, a separate column of the number of securities underlying unexercised, unearned options, SARs and similar instruments awarded under equity incentive plans; (in the table itself) the total number of nonvested shares of stock (including restricted stock, RSUs and similar instruments) and the aggregate market value of such shares held at fiscal-year end; and the total number of unearned, nonvested shares, units or other rights awarded under any equity incentive plan (and the number

	PRIOR RULES	NEW RULES
		<p>of shares, if any, underlying such rights) and the aggregate market or payout value of such rights held at fiscal year-end.</p> <p>In a change to the Proposed Rules, the table does not include a column presenting the aggregate value of in-the-money unexercised options, SARs and similar instruments held at year-end; but does include columns for the exercise price and expiration date of each award.</p> <p>In another change from the Proposed Rules, options, SARs and similar instruments must be separately disclosed and cannot be aggregated unless the expiration dates and exercise prices of the awards are identical.</p> <p>In a further change from the Proposed Rules, the number of shares reported for equity incentive plan awards is based upon achieving the threshold performance goals, except that if the previous fiscal year's performance has exceeded the threshold, the disclosure is based upon the next higher performance measure (target or maximum) that exceeds such performance.</p> <p>Footnotes are also required to report</p> <ul style="list-style-type: none"> the vesting dates of the nonvested shares of stock and incentive plan awards; and

	PRIOR RULES	NEW RULES
		<ul style="list-style-type: none"> any award that has been transferred other than for value. (Transfers for value are now treated as realizations.) <p><i>Note that, since a change of control is considered a performance condition under FAS 123R, stock-based and certain other change-in-control payments may be required to be included in this table, as well as in the narrative discussed below.</i></p>

The following is the form of the Option Exercises and Stock Vested table under the new rules, which is disclosed on the next page:

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
CEO				
CFO				
Executive Officer A				
Executive Officer B				
Executive Officer C				

	PRIOR RULES	NEW RULES
<i>Realizations on Equity-Based Awards</i>	<p>Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values Table (exercise portion of table)</p> <p>The columns of the formerly required table relating to option and SAR exercises disclosed the number of shares acquired upon exercise (or with respect to which options or SARs were exercised) and the aggregate value realized upon exercise during the last completed fiscal year.</p>	<p>Option Exercises and Stock Vested Table</p> <p>In addition to the currently required information for options, SARs and similar instruments, the new table also includes</p> <ul style="list-style-type: none"> the number of shares of stock (including restricted stock, RSUs and similar instruments) that vested during the last completed fiscal year; and the aggregate value realized upon their vesting. <p>In a change from the Proposed Rules, the table does not include the original grant date fair value reported in the Summary Compensation Table for the fiscal year in which options, SARs and similar instruments that were exercised, or shares of stock that vested, were granted.</p>

The following is the form of the Pension Benefits table under the new rules, which is discussed in the succeeding pages:

Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
CEO				
CFO				
Executive Officer A				
Executive Officer B				
Executive Officer C				

	PRIOR RULES	NEW RULES
		<u>Post-Employment Compensation</u>
<i>Defined Benefit Plans</i>	<p>Pension Plan Table Alternative Pension Plan Disclosure</p> <p>Formerly companies were not required to present retirement benefits information for any specific named executive officer, but only the following general information:</p> <ul style="list-style-type: none"> • For defined benefit and actuarial plans under which benefits are determined primarily by final or final average compensation, a matrix showing estimated benefits payable upon retirement by specified compensation and years of service classifications; and • For other defined benefit and actuarial plans, the formula for determining benefits and the estimated annual benefits payable upon retirement for each named executive officer in narrative form. 	<p>Pension Benefits Table</p> <p>This table is substantially different from the retirement plan table in the Proposed Rules and includes for each named executive officer and each retirement plan (including tax-qualified defined benefit plans and SERPs)</p> <ul style="list-style-type: none"> • the name of the applicable retirement plan; • the number of years of service credited under the plan as of the measurement date used in the audited financial statements for the last completed fiscal year; • the actuarial present value of the accumulated benefit under the plan as of the measurement date used in the audited financial statements for the last completed fiscal year; and • any payments made during the last completed fiscal year. <p>Companies must use the same assumptions that they use to derive the amounts disclosed in conformity with generally accepted accounting principles, but must assume that retirement age is</p>

	PRIOR RULES	NEW RULES
	<p>Companies were required to disclose, in connection with the first-mentioned pension plan table, specified matters relating to the compensation covered by the plans, the estimated credited years of service for each named executive officer, the basis upon which benefits are computed and whether benefits are subject to offset amounts.</p>	<p>the normal retirement age as defined in the plan or, if not so defined, the earliest time that a participant may retire under the plan without any benefit reduction due to age. The valuation method and all material assumptions applied in quantifying the present value of the accrued benefit must also be disclosed.</p> <p>Any material factors necessary to an understanding of each plan must be presented in a narrative description, including</p> <ul style="list-style-type: none"> • the material terms of each plan's formula and eligibility standards, • the effect of the form of benefit elected on the amount of annual benefits, • any early retirement payment and benefit formula and eligibility standards (identifying any named executive officer who is currently eligible), • the elements of compensation used to determine the payments and benefits, • the reason for any multiple plans, and • policies for granting extra years of credited service. <p>A footnote would be required to quantify the difference in years and any benefit augmentation</p>

	PRIOR RULES	NEW RULES
		resulting from years of service credited being different from actual years of service.

The following is the form of the Nonqualified Deferred Compensation table under the new rules, which is discussed in the succeeding pages:

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 FYE (\$)
CEO					
CFO					
Executive Officer A					
Executive Officer B					
Executive Officer C					

	PRIOR RULES	NEW RULES
<i>Defined Contribution Plans</i>	<p>Summary Compensation Table (All Other Compensation)</p> <p>Other than including company contributions to defined contribution plans and above-market or preferential earnings on deferred compensation in the Summary Compensation Table, no other disclosure regarding these plans was required.</p>	<p>Nonqualified Deferred Compensation Table</p> <p>This table discloses for each defined contribution plan or other non-qualified deferred compensation plan during the last completed fiscal year, by named executive officer</p> <ul style="list-style-type: none"> • aggregate contributions made by such named executive officer; • aggregate company contributions; • aggregate interest or other earnings; • the aggregate amount of all withdrawals and distributions; and • the aggregate balance of each executive's accounts at fiscal year-end. <p>All earnings on compensation that is deferred on a basis that is not tax-qualified must be reported in this table, not just the above-market or preferential earnings that are reported in the Summary Compensation Table.</p> <p>A footnote is required to tie in amounts reported in various columns of this table to amounts currently or previously reported in the Summary</p>

	PRIOR RULES	NEW RULES
		<p>Compensation Table.</p> <p>A narrative description is also required of any material factors necessary to an understanding of each plan.</p>
<i>Termination and Change-in-Control Arrangements</i>	<p>Termination and Change-in-Control Disclosure</p> <p>The prior rules required a description of the terms and conditions, including the payments to be received, of any compensatory plan or arrangement resulting from the resignation, retirement or other termination of a named executive officer, or from a change-in-control of the company, if the total amount involved exceeds \$100,000.</p>	<p>Potential Termination or Change-in-Control Payments</p> <p>The new rules require a description of each contract, agreement, plan or arrangement that provides for payments to a named executive officer at, following or in connection with any termination of the named executive officer or a change-in-control of the company or in his or her responsibilities, regardless of amount, including</p> <ul style="list-style-type: none"> • the specific triggering circumstances; • the estimated annual payments and benefits that would be provided in each circumstance, whether they would be lump sum or annual, their duration and by whom they would be provided; • the specific factors used to determine payment and benefit levels under each circumstance; • any material conditions or obligations applicable to the receipt of payments or benefits (such as non-compete, non-

	PRIOR RULES	NEW RULES
		<p>solicitation, non-disparagement or confidentiality agreements), their duration and provisions regarding waiver of breaches; and</p> <ul style="list-style-type: none"> any other material factors (including tax gross-up payments). <p>Perquisites and other personal benefits or property may be excluded only if the aggregate amount will be less than \$10,000. If included, individual perquisites and other personal benefits must be identified and quantified in the same manner as for the Summary Compensation Table.</p> <p>If uncertainties exist as to the provision of payments or benefits or as to the amounts involved, the company is required to make reasonable estimates (or a reasonable estimated range of amounts) and to disclose material assumptions underlying its estimates. In changes from the Proposed Rules in order to reduce the number of projections, the new rules require the assumptions that the triggering event took place on the last business day of the last completed fiscal year and that the price per share of the company's securities is the closing market price as of that date. <i>Note that such estimates and assumptions may still be particularly problematic in connection with change-in-control payments, especially whether payments to an executive include Section 280G</i></p>

	PRIOR RULES	NEW RULES
		<p><i>“golden parachute” tax gross-ups. In addition, the assumptions required to determine the 280G tax gross-up (such as whether the change-in-control payments are reasonable compensation for past services and assumptions with respect to the valuation of future restrictions such as non-compete agreements) may later raise issues about the consistency of treatment between future tax positions taken by the company with the IRS and the disclosure made to stockholders in public documents.</i></p> <p>In a further change to the Proposed Rules, if a triggering event has occurred for a named executive officer who was not serving as an executive officer at the end of the last completed fiscal year, disclosure is required for that executive only with respect to the actual triggering event that occurred.</p> <p>In yet another change to the Proposed Rules, companies need not disclose payments or benefits if they do not discriminate in scope, terms or operation in favor of a company’s executive officers and are generally available to all salaried employees.</p>

The following is the form of the Director Compensation table under the new rules, which is discussed in the succeeding pages:

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 (\$)
Director							
Group of Directors							

	PRIOR RULES	NEW RULES
<i>Director Compensation</i>	<p>Director Compensation Disclosure</p> <p>The prior rules required</p> <ul style="list-style-type: none"> • a description of any standard arrangements by which directors were compensated for their services, including services on committees or special assignments; and • a description of any other arrangements by which any director was compensated for such services. 	<p>Director Compensation Table and Narrative</p> <p>The new rules require tabular disclosure of director compensation similar to that of the Summary Compensation Table, but only covering the last completed fiscal year. The table presents compensation for each director by name, although directors with identical compensation could be grouped in the same row. <i>Note that this table includes quantification and disclosure of perquisites and other personal benefits for directors in the same manner as for named executive officers.</i></p> <p>Footnotes are also required to disclose information about each director’s outstanding equity awards and earnings pursuant to non-stock incentive plans.</p> <p>The annual costs of payments and promises of payments pursuant to director legacy programs and similar charitable award programs are expressly considered reportable compensation to a director. The material terms of such programs must be disclosed in a footnote.</p>

	PRIOR RULES	NEW RULES
		Factors necessary to an understanding of the directors' compensation, such as the standard and any individual compensation arrangements, must be provided in narrative disclosure.

	CURRENT RULES	NEW RULES
<i>Related Person Transactions</i>	<p>The prior rules did not require disclosure of a company's policies or procedures with respect to related party transactions.</p> <p>The prior threshold for transactions with related parties that may have been subject to disclosure was \$60,000.</p> <p>Related parties included any immediate family members of directors, nominees for director, executive officers and beneficial owners of more than 5% of any class of voting securities.</p> <p>The prior rules contained detailed instructions specifying which types of related party transactions must, and which need not, have been disclosed.</p>	<p>The new rules require a description of the company's policies and procedures for the review, approval or ratification of transactions with related persons and the identification of any reported related person transactions that did not require review, approval or ratification or where the company's policies and procedures were not followed.</p> <p>Under the new rules, the threshold for transactions with related persons that may be subject to disclosure is \$120,000.</p> <p>Certain step-relatives, and persons sharing the household, of directors, nominees for director and executive officers are also included as related persons under the new rules.</p> <p>The new rules apply a more "principles-based" materiality approach to the determination of which related person transactions must be disclosed.</p>

	CURRENT RULES	NEW RULES
	<p>The amount of the related party's interest in a reported transaction was to be disclosed where practicable.</p>	<p>The new rules clarify that a transaction by a person during a fiscal year in which he or she was a related person (other than a significant shareholder or an immediate family member of a significant shareholder) must be disclosed even if the transaction was not entered into while that person was a related person. <i>The changes in the new rules, which combine formerly separate disclosure regarding debt owed to the company with other related person transactions, may result in the disqualification of a director who previously was qualified to be a "non-employee director" on a compensation committee for purposes of the Rule 16b-3 exemptions.</i></p> <p>The amount of a related person's interest in a reported transaction must be disclosed.</p>

	CURRENT RULES	NEW RULES
	<p>Compensation paid to an executive officer was generally not disclosed as a related party transaction, except that the compensation paid to any employee who was an immediate family member of a related party (such as a son or daughter of an executive officer or director) and not disclosed in the Summary Compensation Table would have been disclosed as a related party transaction.</p>	<p>Compensation paid to an executive officer would not be disclosed as a related person transaction if either</p> <ul style="list-style-type: none"> • it is disclosed in the Summary Compensation Table, or • (i) the executive is not an immediate family member of a related person, (ii) the compensation would have been reported in the Summary Compensation Table if the executive were a named executive officer and (iii) the compensation has been approved by, or recommended to the board of directors for approval by, the compensation committee (or independent directors performing a similar function).

	CURRENT RULES	NEW RULES
<i>Corporate Governance</i>	<p>Disclosure requirements regarding director independence and other corporate governance matters were formerly scattered among of number of separate Items in Regulation S-K and the proxy rules.</p> <p>Disclosure was required of certain business relationships involving directors or nominees for director.</p>	<p>The new rules consolidate director independence and other corporate governance matters under a single Item in Regulation S-K and revise slightly the required director independence disclosure.</p> <p>The new rules substitute for the prior disclosed relationships the following for any person who served as a director during any part of the relevant fiscal year:</p> <ul style="list-style-type: none"> • the identification of the independent directors (and nominees for director) under the applicable stock exchange or other independence standards; • the identification of any members of the compensation, nominating or audit committees who are not independent under such standards; and

	CURRENT RULES	NEW RULES
		<ul style="list-style-type: none"> a description of any transactions, relationships or arrangements not disclosed as related person transactions that were considered by the board in determining that the applicable independence standards were met, although, in a change from the Proposed Rules, transactions, relationships and arrangements may be described by specific type or category. <i>Note that the new rules do not permit disclosure of the specific type or category of matters considered by the board to be avoided if such transactions, relationships or arrangements met categorical standards adopted by the board to aid in its determination and such categorical standards are disclosed by the company, as is permitted under stock exchange listing standards.</i> <p>In an addition to the Proposed Rules, a company that relies on an exception to a stock exchange or other applicable independence requirement (such as a “controlled company”) must disclose the exception relied upon and the basis for its conclusion that the exception is applicable.</p>

	CURRENT RULES	NEW RULES
		<p>The new rules also add disclosure regarding compensation committees similar to that currently required for audit and nominating committees (or the company's reasons for not having such a committee). Companies are also required to disclose their policies and procedures for the consideration and determination of executive and director compensation, specifically including</p> <ul style="list-style-type: none"> • the authority of the compensation committee (or of persons performing its functions); • what authority may be delegated by the committee (or persons performing its functions) and to whom; • any role of executive officers in determining or recommending the amount or form of executive and director compensation; and • any role of compensation consultants in determining or recommending the amount or form of executive and director compensation, <ul style="list-style-type: none"> ○ naming the consultants,

	CURRENT RULES	NEW RULES
		<ul style="list-style-type: none"> ○ describing the nature and scope of their assignment, and ○ describing the material instructions or directions given to them. <p>In a change from the Proposed Rules, companies need not identify executive officers contacted by the consultants.</p>

	CURRENT RULES	NEW RULES
<i>Security Ownership of Management</i>	The number of shares pledged as security by named executive officers, directors, nominees for director, and directors and executive officers as a group may have been indirectly disclosed in the security ownership table under the existing rules where, as a result of the pledge, the reported persons no longer had sole dispositive power with respect to the shares reported (such as when the person did not have a unilateral right to substitute collateral).	The number of shares pledged as security by named executive officers, directors, nominees for director, and directors and executive officers as a group is required to be expressly indicated in a footnote to the security ownership table.