Executive perquisites: Illustrative disclosures from recent proxy statements

Deloitte, Haskins & Sells

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INTRODUCTION

This booklet includes examples of the disclosure of certain personal benefits ("executive perquisites") as management remuneration in reports and filings with the SEC.

The material presented in the booklet was compiled primarily from a sample of companies listed in the 1977 Fortune Double 500 Directory of the Largest U. S. Industrial Corporations and the 50 Largest Commercial Banking, Life Insurance, Diversified Financial, Retailing, Transportation, and Utility Companies that have issued proxy statements since February 6, 1978, the date of the most recent SEC Release on this subject. Most of the disclosures appeared as notes to the remuneration tables. The illustrative disclosures include only examples of certain types of executive perquisites and do not necessarily include all disclosures made concerning this matter.

Registrants are required under the various securities acts to disclose in registration statements, reports and proxy and information statements filed with the SEC, the amount of remuneration paid or to be paid by the registrant and its subsidiaries to (1) each of the registrant’s directors and its three highest paid officers whose aggregate direct remuneration exceeded a certain amount and (2) all officers and directors as a group. All remuneration of officers and directors should be included, whether such remuneration is in the form of cash, property or personal benefits.

The SEC issued Release No. 33-5856 on August 18, 1977 and Release No. 33-5904 on February 6, 1978, each entitled Disclosure of Management Remuneration, to provide further guidance to registrants. Some of the more frequently asked questions regarding the status as remuneration of benefits received by officers and directors are set forth in the latter release together with the interpretative responses of the Commission’s Division of Corporation Finance. Copies of both SEC Releases are included as appendices to this booklet.

The examples quoted from proxy statements covered by this survey are not presented as recommended disclosures for specific types of executive perquisites; rather, they are presented as illustrations from the sources indicated above.

Deloitte Haskins & Sells
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Disclosure of Management Remuneration

Appendix B

Disclosure of Management Remuneration
GENERAL

Amcord, Inc.

Amounts reported above as direct remuneration and other benefits to employees (including but not limited to officers and directors) do not include amounts expended by Amcord to provide use of corporate-owned or leased facilities such as automobiles (for which employees pay to Amcord a mileage charge based upon the distance of their home-to-office commute), lodging accommodations, aircraft, club memberships and other benefits which are believed to constitute ordinary and incidental business expenses, which are paid or reimbursed by Amcord in the interest of attracting and retaining qualified personnel, facilitating job performance and minimizing the work-related expenses incurred by such persons. Amcord does not consider such employee benefits to be excessive or unusual.

American Air Filter Company, Inc.

In addition to the above, several officers of the Company receive certain other non-monetary forms of remuneration which are valued not in excess of the following amounts: Mr. Shaver $5,000, Mr. Buese $2,500, Mr. Timmerman $2,500, and all directors and officers as a group $25,000.

American International Group, Inc.

In order to facilitate the performance of their management responsibilities, AIG provides to Messrs. Greenberg and Roberts automobiles and drivers and to these individuals and other officers and employees the use of a corporate aircraft, club memberships and recreational opportunities. These facilities are provided for use for business purposes and the costs thereof are considered ordinary and necessary business expenses of AIG. Any personal benefit which any of these persons may have derived from the use of these facilities is regarded as incidental to such business use and no value has been assigned thereto or included in reported aggregate remuneration.

Atlantic Richfield Company

The following items have been reviewed by the Audit Committee of the Board. The Company believes that they do not constitute remuneration and that they are ordinary and incidental business expenses which are paid or reimbursed by the Company in the interest of facilitating job performance and economy.

Mr. Robert O. Anderson, Chairman of the Board, has resided in New Mexico since 1942, long before his employment with the Company. His duties require him to visit major offices of the Company.
and to travel on Company business on a continuing basis. The Com-
pany provides transportation for Mr. Anderson on Company aircraft
on such trips. For business entertainment and security purposes, the
Company maintains an apartment for him in Los Angeles.

In order to avoid incurring substantial relocation expenses, Company
policy provides that employees on temporary assignments may at
the Company’s discretion be provided with housing. One senior
officer has housing provided pursuant to this policy.

Combined Communications Corporation
The aggregate direct remuneration shown above includes not only
salaries, bonuses and director fees but also the value of certain
perquisites (including $4,656 for Mr. Eller, $200 for Mr. Flanagan
and $13,144 for all thirty-two (32) directors and officers as a group).

Esmark, Inc.
The foregoing amounts do not include any value that might be
attributable to normal management or executive fringe benefits
available to the persons referred to and to other officers and
employees included in the Management Incentive Plans referred to
below. While the value of such benefits is not determinable, the
Company does not consider such benefits material as to any indi-
vidual or as to the directors and officers as a group.

Federal-Mogul Corp.
Also not included as remuneration is the fair market value of other
perquisites which, for officers, represents less than 1% of total
remuneration.

General Electric Co.
In addition, the following items are paid for or furnished by the Com-
pany exclusively or primarily to facilitate management’s functions or
otherwise promote Company business: fees and dues on behalf of
some officers for clubs used for business meetings and entertain-
ment; certain security measures regarding transportation and home
protection devices for certain officers; and the placement for evalua-
tion of various Company products in the homes of directors, officers
and certain other employees. Company policy also authorizes family
members of officers using Company aircraft for business travel to
accompany them on a space-available basis. The value of incidental
benefits, if any, resulting from the foregoing is not determinable.

General Telephone & Electronics Corporation
Does not include the economic benefit of any use of Company-
provided transportation, entertainment and property occasionally
made available to officers and directors which use may be deemed
to be non-business connected. It is estimated that the aggregate value of all such benefits for all officers and directors as a group in 1977 was less than $10,000.

**Phillips—Van Heusen Corporation**

Excludes any amounts attributable to the value of the personal use of property owned or leased by the Company and other executive perquisites which value is, in the opinion of management, impractical to determine accurately. The Company does not believe that such value exceeds $5,000 for any officer or director.

**Standard Oil Company (Indiana)**

The Company customarily provides various of its executives, including officers and directors, the non-exclusive use of certain corporate owned or leased facilities, including air and ground transportation services, lodging, and certain club memberships and other benefits which the Company has determined to be appropriate in connection with the conduct of the Company’s business affairs. While Company policy prohibits non-business use of Company aircraft or reimbursing any executive for non-business related expenses, some incidental personal benefit may inure to its executives in the use of Company furnished facilities or benefits. Such incidental personal benefit, if any, is not material and is not practical to quantify. The Company believes that the foregoing are not unusual in kind or excessive in amounts and are in the best interests of the Company.

**Texaco, Inc.**

Amounts reported herein as salary and additional remuneration do not include amounts expended to assist Officers and other employees in the handling of the Company’s business. These charges, for items such as owned or leased aircraft, automobiles, club dues and leased hotel accommodations, constitute ordinary and incidental business expenses which are accounted for and paid or reimbursed by the Company in the interest of attracting and retaining qualified personnel, providing security, and facilitating job performance. These items are administered under guidelines which are reviewed, approved and carefully monitored by the Board of Directors, and by the Audit Committee of the Board which consists entirely of non-employee Directors.

**The Times Mirror Company**

The amounts reported in the remuneration table above do not include the cost or value of personal benefits to the individual resulting from the incidental personal use of automobiles, memberships in private clubs and other perquisites furnished by the Company (or for which
the Company reimburses its officers) to facilitate the conduct of the Company's business. Each officer has the use of a Company-owned automobile and each makes payments to the Company for the incidental personal use of the automobile. The officers also maintain memberships in various private clubs used for business meetings and entertainment and the Company reimburses them for dues and other expenses incurred for business purposes. Various other executive perquisites not included in the amounts shown in the remuneration table are provided for officers and other executives of the Company. All such perquisites furnished officers and other executives of the Company are job related, are intended to improve their performance and involve ordinary and necessary expenses in the conduct of the Company's business. The value of incidental personal benefits resulting from these items is extremely difficult to determine, but the Company does not believe the value of such incidental personal benefits is material to any individual and the total for all officers and directors as a group is not material to the Company.

Wells Fargo & Company

Aggregate direct remuneration includes, in addition to salary, approximate amounts (calculated solely for the purpose of this Proxy Statement) representing certain non-cash benefits to officers and directors which the Securities and Exchange Commission may deem to be remuneration. It does not include the cost or value of any of the following items: (i) The Company owns and maintains five limousines, two assigned to its Chairman and President and three for general use by the officers of the Company. In addition, the Company owns and maintains other automobiles which are assigned to certain officers for business purposes. Officers may on limited occasion make personal use of such vehicles without reimbursing the Company. The value allocable to such use cannot be reasonably estimated by the Company. (ii) Business club memberships and dues are provided by the Company to certain of its officers. The use of such clubs may in some instances be unrelated to Company business. The value allocable to such use cannot be reasonably estimated by the Company. (iii) Consistent with practices generally followed in the banking industry, all Company employees (including officers) receive certain free banking services and are eligible for annual fee exemptions of up to $400 applicable to certain trusts established with the Bank's trust department; and all employees (other than executive officers) are granted rate concessions in the use of Bank credit cards and are allowed a preferential rate on residential real estate loans, which is generally one percentage point less than the prevailing rate.
COMPANY AUTOMOBILES AND CLUB MEMBERSHIPS

The Ansl Company
The above does not include $3,793, which is the aggregate cost to the Company of an automobile furnished to Mr. Ruhlman for business-related purposes. The personal benefits, if any, of this automobile to Mr. Ruhlman are impossible to value.

Bliss & Laughlin Industries Incorporated
The Company provides automobiles for several of its officers and pays or reimburses certain officers for club membership initiation fees and dues where such memberships are business related. The officers reimburse the Company for the portion of the operating and maintenance costs of the automobiles which, in the opinion of the Company, are attributable to personal use. No personal expenses incurred in clubs are reimbursed.

Combined Communications Corporation
The Company furnishes automobiles to its officers and certain other employees in connection with the Company's business, but these individuals reimburse the Company for a portion of the cost thereof attributed to personal use. The Company also provides club memberships to certain Company officers, who make payment to the Company for any personal use thereof. Since the personal use of automobiles and club memberships are reimbursed to the Company, amounts attributable thereto are not included in the above remuneration table.

Diamond International Corporation
The Corporation furnishes automobiles to certain of its officers including those named above (up to July 19, 1977 for Mr. Walters, who was also provided with a driver) for use in connection with the Corporation's business. Records are not maintained with respect to any use which is not directly related to job performance and therefore it is not possible to estimate the value of any such non-related use.

Dover Corporation
These amounts do not include expenditures by Dover or its subsidiaries for company cars made available to Dover officers or directors or expenses, including club dues, paid by Dover or its subsidiaries on behalf of or reimbursed to Dover officers or directors which Dover believes constitute ordinary and necessary business related expenses. All of the above are paid or reimbursed by Dover or its subsidiaries in the interest of assisting those individuals to do their jobs effectively.
Duke Power Company

Amounts reported above as remuneration do not include amounts expended by the Company for owned or leased automobiles made available to certain officers in order to facilitate performance of their duties. The Company’s policy is not to permit personal use of such automobiles. The Company also pays the club dues of five of its division vice presidents. These club facilities are used for business purposes with only incidental personal use. An estimate of the value of such personal use is reflected above under “Aggregate Direct Remuneration” for all directors and officers.

Edward Hines Lumber Co.

The Company provides automobiles for certain officers and employees for their business use. In addition, club membership monthly fees for certain officers are paid by the Company. The Company does not prohibit the incidental use of such automobiles and clubs for personal purposes. The “aggregate direct remuneration” above does not include the value of any such personal use, which use is not determinable by Management; however, the Company estimates the total value of the personal benefit of these items does not exceed $10,000.

Emhart Corporation

The Corporation provides Messrs. Ford, Cisneros and Lichtenfels and all other elected officers (a total of 10 individuals) with automobiles for use by them in connection with the Corporation’s business. The automobiles are also available for personal use by such individuals. Based upon estimates of such personal use, rental payments are made to the Corporation by such individuals for personal use, and no amount in respect to personal use is included in the remuneration amounts shown in the above table. Similar arrangements also applied to Messrs. Brewster, Rathgeber and one other officer during their employment in 1977. During 1977 the Corporation’s estimated annual cost, before payments by such individuals, for each such automobile varied from approximately $2,400 to $4,100 and for all such automobiles was approximately $37,800.

Federal-Mogul Corp.

Remuneration does not include the applicable cost to the Corporation of automobiles manufactured by principal customers of the Corporation and used by approximately 200 management executives. All maintenance and other operating costs and a substantial portion of the automobile lease costs are paid by the officers for personal use of their automobiles. The approximate costs to the Corporation for the
officers were: T. F. Russell—$8,400; W. C. Adams—$3,400; R. W. Hague—$2,900; and 9 others—$24,400. These costs include undeterminable amounts for unreimbursed business use.

**General Portland, Inc.**

Excludes the value, if any, of the personal benefits to certain directors and officers as described in the paragraph immediately following the tabulation.

The persons named in the tabulation and ten other officers of the Company are furnished automobiles for use in connection with the Company’s business. The Company estimates that its cost for each automobile is approximately $3,000 per year. The Company does not require such persons to maintain records with respect to personal use, if any, of the automobiles and consequently has no basis upon which to calculate the value of any personal benefits received. The Company also provides club memberships to the above named officers (other than Harry N. Huntzicker) and 11 other officers of the Company for business purposes. These persons are required to reimburse the Company for any personal charges at such clubs. The Company does not believe that the employee benefits described in this paragraph are excessive or unusual.

**General Signal Corporation**

Also does not include the value of any personal use of automobiles or club memberships provided for business purposes to most officers. Non-business use of automobiles is permitted for a fixed fee, and the Corporation is reimbursed for the full amount of personal charges for club use.

**Inland Steel Company**

The amounts reported under "Direct Remuneration" do not include (a) dues and business-related expenses in connection with certain private club memberships for which the officers, including the named officers, and certain other employees of the Company and its subsidiaries are reimbursed, (b) amounts expended by the Company for company-leased automobiles made available to the officers, including the named officers, and certain other employees of the Company in connection with their work, or (c) the value of certain other benefits which are available to management employees generally and are extended for the benefit of the Company. All of the benefits described above are in furtherance of the business of the Company and any incidental personal benefit as may be involved is not determinable.
International Paper Company

Does not include any amounts attributable to certain items provided by the Company for business-related purposes. When necessary for business purposes, the Company furnishes automobiles or transportation to employees, including but not limited to officers, all of whom are required to pay the Company for any personal or non-business use. A number of employees and officers are reimbursed for club dues when the purpose of the membership is predominantly business-related. Such dues for all employees, including officers, totalled approximately $30,000.

Interpace Corporation

The amounts stated do not include expenditures by the Corporation, which in the aggregate did not exceed $20,000 for automobiles made available to some directors and officers, expenses (including private club dues) reimbursed to some directors and officers or certain other benefits, all of which are believed to be ordinary and incidental business expenses paid or reimbursed by the Corporation in the interest of attracting and retaining qualified personnel, facilitating job performance and minimizing the work-related expenses incurred by such persons. The Corporation does not require its employees to account for the percentage of personal use, if any, thereof.

Kaiser Aluminum & Chemical Corporation

In addition to the aggregate remuneration indicated in the table above, Mr. Kaiser was provided with an automobile and driver, a portion of the cost of which was paid by the Corporation. The other named individuals and certain other officers and employees were provided with the use of automobiles, and all expenses relating to these vehicles were paid for by the Corporation. Some or all of such persons may have derived some personal benefit from the use of such automobiles, but the Corporation does not require such persons to maintain records of their use, and it is not possible to value any personal benefit which might be derived. Accordingly, the value of any such benefits has not been included in the reported aggregate remuneration.

The Corporation also pays a portion of certain memberships in the name of Mr. Kaiser for use for business purposes. It is impossible to value the benefits, if any, derived by Mr. Kaiser from personal usage of such memberships. Accordingly, such benefits, if any, are not reflected in the reported aggregate remuneration.
Metromedia, Inc.
The above remuneration table does not include any amounts relating to the use of automobiles which the Company furnishes to certain of its officers primarily for business use but also for personal use. It is estimated that the expenses incurred by the Company in fiscal 1977 for automobiles used by officers (including a driver in the case of Mr. Kluge) were approximately as follows: Mr. Kluge—$19,000; Mr. Weber—$2,500; Mr. Krivin—$2,500; all officers and directors as a group—$32,500. The above remuneration table also does not include an estimated $6,000 expended by the Company in fiscal 1977 to reimburse certain of its officers for membership dues paid by them to clubs used primarily (but not entirely) for business purposes.

Melville Corporation
The Corporation pays the dues for certain club memberships for its chief executive officer. The membership in such clubs is primarily for business purposes and anytime that personal use is made of such facilities he pays all personal charges incurred at such clubs. During the fiscal year 1977 the aggregate amount of dues paid by the Corporation was $7,160.

Middle South Utilities, Inc.
It is the policy of the Company and its subsidiaries to provide certain facilities and services to various directors and officers to assist them in performing their corporate responsibilities and duties in the conduct of the business of the Company and its subsidiaries, such as automobiles, club memberships, and similar facilities and services. The remuneration table does not include the value of such facilities and services which might be deemed attributable to personal use by the recipient and which the Company estimates did not exceed approximately $10,000 for all directors and officers as a group.

Northern States Power Company
Mr. McCarthy has the use of an automobile furnished by the Company which is used for both personal and business purposes. When the personal use is to locations outside the Company’s service area, he reimburses the Company at the rate of 8¢ per mile.

Oak Industries, Inc.
Does not include a dollar amount resulting from executive perquisites, consisting of the use in some cases of Company cars and payment of dues for club memberships. With respect to the use of Company cars and such club memberships, the Company recognizes that approximately 20% of such use represents additional remunera-
tion to the individual officers concerned. The Company estimates that the aggregate additional remuneration for such indirect benefits does not exceed $13,000.

**Rochester & Pittsburgh Coal Company**

Seven officers of the Company, including those named above, have been furnished with automobiles leased or owned by the Company which are used in connection with the Company’s business. In addition, during 1977, the Company paid annual club memberships for three officers and directors (including Messrs. Potter and Remey). The memberships are used in connection with the business of the Company. Although the automobiles and clubs are also available for personal use, since the value of such personal use of these items is not readily ascertained, no such value is included in the remuneration shown in the table. See also “Certain Transaction”. The total cost of executive fringe benefits in 1977 did not exceed $25,000. The Company does not consider such benefits to be unusual or excessive.

**Safeway Stores, Incorporated**

The Company has purchased or advanced funds (non-interest bearing) for the purchase of club memberships for use by certain Directors and Officers. Such purchases and advances total approximately $100,000. Club dues are paid by the Company but reported as taxable income to the individuals, who are reimbursed by the Company for expenditures for business purposes but not for personal use. It is not possible to determine the extent or value of personal usage of such memberships.

**Simplicity Pattern Co. Inc.**

In furtherance of their business activities, Messrs. Cooper and Black are each furnished an automobile by the Company and certain officers of the Company, including Ms. Affinito and Messrs. Cooper and Black, are reimbursed by the Company for certain luncheon and other club memberships. The caption “Aggregate Direct Remuneration” does not reflect the economic benefit of any use of such automobiles or club memberships which may be deemed non-business connected, since the Company believes any such use constitutes incidental benefits which are ordinary and necessary to the conduct of the business of the Company.

**Spector Industries, Inc.**

Does not include the cost to the Company of (a) automobiles furnished to executive officers, the aggregate cost of which was $27,248 and (b) country club dues for members of the Executive Committee in the aggregate amount of $6,725. Some portions of these amounts, which are not determinable, may be attributable to personal use.
**Sterndent Corporation**

The Company furnishes its officers and certain other employees Company leased automobiles in connection with their business duties. The Company is not able to estimate the value, if any, of personal use of these vehicles. The estimated aggregate cost to the Company for the vehicles supplied to officers in 1977 was approximately $40,000.

**Twentieth Century-Fox Film Corporation**

Amounts reported above as remuneration do not include amounts expended by the Corporation for leased automobiles made available to certain officers of the Corporation, expenses (including certain health club and two private club dues) reimbursed to officers and other fringe benefits, which are believed to constitute ordinary and incidental business expenses and are paid or reimbursed by the Corporation in the interest of facilitating job performance, and minimizing work-related expenses incurred by such persons. Many of the expenses for such items (other than the dues of the two private clubs which in 1977 aggregated $1,890) are shared by the employee on a basis reasonably believed to represent the extent to which personal benefits, if any, are received by such employees. The Corporation does not consider any of the foregoing expenditures to be excessive or unusual, and such expenses are reviewed by the Board of Directors.

**Unarco Industries, Inc.**

Unarco furnishes automobiles to certain of its officers and directors for use by them in connection with the Company’s business. Unarco does not require such officers and directors to maintain records with respect to personal use, if any, of automobiles. Consequently, Unarco is unable to calculate the value of such personal use, if any, and thus, no such value is included in the remuneration amounts in the above table.

**Union Bancorp, Inc.**

Union Bank provides automobile allowances to certain officers, including those identified above, pursuant to a schedule based on the position of the officer with the bank. Each such officer reimburses the bank a standard amount, which the bank believes represents the average cost of the personal usage of all such automobiles, including
gasoline, maintenance and insurance. Because the bank is reim­
bursed for personal usage, the above table does not include the value of these allowances.

The bank also provides club memberships to, and pays the monthly dues of, certain officers, including those identified above. Those memberships are not reflected in the above table, since the Com­pany believes they are not used to any material extent for non-busi­ness purposes. Any personal expenses incurred by employees at such clubs are borne by the employee.

**White Consolidated Industries, Inc.**

WCI provides certain of its corporate officers with club memberships and the use of other facilities, with the policy that each officer reimburse WCI for any expense arising from the use of such clubs or facilities for reasons unrelated to the conduct of company business. Other personal benefits which may be derived by corporate officers from occasional personal use of facilities maintained by WCI for business purposes have not been included because of the impracti­cability of valuing the same. WCI believes that any amounts involved would not be material.

**Winnebago Industries, Inc.**

Includes the estimated value of use of automobiles and motor homes furnished by the Company.

**MEDICAL PLANS**

**Akzona Incorporated**

Not included in the remuneration set forth below are sums paid by the Company for certain club dues, financial consultation and a por­tion of the medical expenses incurred in connection with annual physical examinations for certain officers and their wives. The aggre­gate amount of such sums for all directors and officers in 1977 was less than $10,000.

**Atlantic Richfield Company**

Does not include contributions in the amount of $93,301 made by the Company in 1977 for the directors and officers as a group (including those named above) under the Atlantic Richfield Executive Medical Insurance Plan. The amount contributed for each of the officers named above, except Mr. Place, was $2,160.
Bliss & Laughlin Industries Incorporated

The compensation reported above does not include amounts paid under the Company's Medical Reimbursement Plan covering certain officers for medical care expenses of the officer and dependents not otherwise paid or reimbursed by any hospitalization, medical care insurance or major medical plan. Such amounts for all officers totaled $8,975 during 1977.

The Coca-Cola Bottling Company of New York, Inc.

Includes base compensation, incentive compensation, fees and the value of certain group life insurance coverage and will include Long Term Management Incentive Plan amounts when and if paid, as detailed commencing on page five and excludes certain benefits provided by the Corporation to its officers, including: a health reimbursement plan for the officers which provides that the Corporation's officers shall be reimbursed for medical care expenses of the officer, his spouse and dependent children not otherwise paid for or reimbursed to the officer by any hospitalization, medical care insurance or major medical plan. The Corporation also reimburses officers for individual club membership dues and one-time initiation fees and subsequent expenses, when such memberships and expenses are business-related. All personal expenses involved concerning these memberships are at the officers' expense. The Corporation does not consider such employee benefits to be excessive or unusual.

Dellwood Foods, Inc.

Remuneration reported does not include the following items. (1) The Company provides cars for its officers and pays for the operation and maintenance of these cars. Cars are furnished officers primarily for business use; the allocable cost for 1977 of the personal use for the nine officers as a group is estimated to have been approximately $5,600. (2) Under the Company’s Medical Expense Plan, during 1977 the Company’s nine officers were reimbursed in total for $8,258 of medical expenses not otherwise covered by medical insurance.

Sterndent Corporation

The Company maintains a medical reimbursement program covering certain Company personnel. Under the program, Messrs. Knight, Murray and Ota and four other officers are reimbursed by the Company for all medical and dental expenses incurred by them in any year on behalf of themselves and their dependents to the extent such expenses are not covered by any plan or policy of insurance, up to a maximum reimbursable amount per year for each individual equal to 5% of his base salary for the year. The aggregate amount reimbursed under the program for the year 1977 was $5,667.
COMPANY AIRCRAFT

Aluminum Company of America
Aggregate remuneration does not include any portion of the costs of Company planes or of hotel rooms which are leased full time by the Company. Occasionally, an officer’s or director’s family members or friends use otherwise vacant seats on a Company plane which is being used for business travel or space in a Company-leased hotel room. Such use does not involve any significant additional cost to the Company.

American General Insurance Company
Also excludes any amounts attributable to incidental personal usage of company aircraft while in use for business purposes on a “space-available” basis which resulted in no significant incremental cost.

American Petrofina, Incorporated
The Company provides certain officers and employees with automobiles and club memberships for use in the Company’s business. Such persons may from time to time make incidental personal use of these facilities, but the Company does not require such individuals to maintain records with respect thereto. The Company’s airplane is also available to officers, certain employees and, on occasion, directors for business purposes. In rare instances, a business flight may have included an officer or director who was travelling for personal purposes and was not charged the equivalent commercial air fare. The amounts set forth above as remuneration do not reflect any such personal benefits which may have been derived by officers and directors. The Company believes that the amounts involved, if they could be accurately determined, would not be significant in the case of any officer or director or in the aggregate.

Atlantic Richfield Company
The Company permits officers, directors and other employees and their guests to occupy seats on Company aircraft that would otherwise remain empty when such aircraft are on business trips. The Company believes that the incremental cost to it of providing such transportation is insignificant and that such use of Company aircraft by officers, directors and other employees should not be considered to constitute remuneration to them, although it is aware that the staff of the Securities and Exchange Commission has stated a contrary view. The Company has not maintained detailed records on such travel; however, it estimates that the total value of all such usage (measured by commercial air fare schedules) for all officers and directors as a group would range from $85,000 to $100,000 for 1977.
First International Bancshares, Inc.

Does not include amounts expended by First International or its subsidiaries for company owned or leased automobiles, aircraft and hotel accommodations or for club memberships, each of which is provided in connection with the ordinary and necessary conduct of its business. No allocation has been made for any personal use of the foregoing. Also does not include amounts expended by a subsidiary of First International for the operation and maintenance of an aircraft owned by Mr. Allen which was used in connection with its business.

The General Tire & Rubber Company

The Company provides air transportation by Company aircraft for use by Company employees for business trips. It is the written policy of the Company to permit the immediate family and guests of any employee using a Company plane for a business trip to travel with the employee, without charge, provided that they occupy seats that otherwise would go unused.

International Paper Company

Company aircraft are used for business purposes; any personal use is rare and requires both senior executive approval and reimbursement of the Company's costs.

Vulcan, Inc.

The Company also owns three houses at Ocean City, New Jersey, as well as one Company aircraft. The houses are made available upon request and without substantial charge to officers and key employees and their families for limited times. The aircraft is occasionally used for personal purposes when such use will not interfere with the Company's business, but only with the approval of the chief executive officer of the Company. The Company's policy is ordinarily to require reimbursement by the user for the incremental cost of any such personal use. The value, if any, of these and comparable non-monetary benefits, which have been reviewed by the audit committee, is not included in the remuneration table above, but is not believed to be material either to the Company or to any officer or director.

Western Air Lines, Inc.

Amounts shown as aggregate direct remuneration do not include amounts expended by the Company for company-owned or leased automobiles made available to certain officers, expenses (including certain private club dues and expenses) reimbursed to officers and certain other employees, free or reduced rate air transportation and other fringe benefits which are believed to constitute ordinary and incidental business expenses, which are paid or reimbursed by the Company in the interest of attracting and retaining qualified person-
nel and minimizing work-related expenses incurred by such persons. The value of these benefits is not precisely ascertainable, but the estimated cost to the Company for these benefits in 1977 did not exceed $2,000 each in the case of Mr. Kelly and Mr. Renda, $1,000 each in the case of Mr. Ensign and Mr. Favero, and $40,000 for all directors and officers as a group.

PREFERENTIAL LOANS AND LOAN GUARANTEES

American Petrofina, Incorporated

In 1974 the Company guaranteed certain bank loans to key employees, other than directors. The proceeds of the loans were used as supplemental financing for the purchase of Company shares upon the exercise of options which expired on February 13, 1974. The loans are at ½% over prime and are amortized over a five year period. On March 1, 1978 the amount guaranteed with respect to all eligible employees (all officers) was $11,925.

Hawaii Bancorporation, Inc.

Bancorporation and the Bank have had, and expect to have in the future, loan and other transactions in the ordinary course of business with their directors and officers and with associates of such directors and officers. The Bank charges preferential interest rates on personal, non-business loans made to its employees, officers and directors. Such persons pay a rate of 1% per month on BankAmericard accounts, and up to 1% below the Bank’s customary interest rates on other personal loans (subject to a 7% maximum interest rate on principal residence mortgage loans). Except as noted above, such transactions have been and will be on substantially the same terms and qualifications (including collateral) as those extended to unaffiliated third parties, and such transactions have not yet involved and will not involve more than normal risks of collectibility or present other unfavorable features.

Rochester & Pittsburgh Coal Company

Robert I Billings, Senior Vice President—Mining of the Company, was indebted to the Company pursuant to a personal loan evidenced by a demand promissory note in the amount of $7,450 at the date of this Proxy Statement. During the fiscal year ended December 31, 1977, the largest aggregate amount of said indebtedness was $11,550. The largest amount of such indebtedness outstanding during 1977 to all of the Company’s officers was $28,100. Interest of five percent per annum is charged on said loan. This loan was made to Mr. Billings pursuant to a Company policy of making loans available from time to time to certain of its employees. To the extent that the interest rate on such loans is less than that which might be charged by a financial institution, the difference might be deemed remuneration.
FINANCIAL COUNSELING AND OTHER PROFESSIONAL SERVICES

American General Insurance Company
The company has followed a policy of requiring that certain officers and other personnel who have access to the company's investment decisions, have their personal federal income tax returns prepared or reviewed by the company's independent accountants. Such policy was instituted to monitor potential conflicts of interest arising from personal investments. The cost of preparation or review of these returns is excluded.

Butler Manufacturing Company
Direct remuneration includes base salary, incentive bonuses, and amounts paid for certain group insurance benefits and a financial counseling program.

The group insurance referred to in the footnote above consists of term insurance which is purchased to secure bank borrowings by stock optionees for the exercise of Company stock options. The optionee pays 25% of the premium and the Company 75%. A financial counseling program is provided for officers to enable effective utilization of compensation paid by the Company. The aggregate average annual amount paid by the Company for insurance and counseling for the years 1973 through 1977 was $7,527.

CNA Financial Corporation
Includes estimated value of personal use or benefit on amounts expended by the Company for the benefit or convenience of the Company for certain automobile expenses, club dues and professional fees, which, in the aggregate as to all officers and directors as a group, amounted to less than $2,300 in 1977.

Chromalloy American Corporation
Certain officers and directors received miscellaneous personal benefits from their use of company owned or leased property, and their receipt of professional services paid for by the Company. The estimated aggregate value of such benefits in 1977 was $50,000 which amount is considered insignificant and is not included above.

Congoleum Corporation
The amounts shown include incentive bonuses paid to officers in 1978 which are attributable to 1977. They do not reflect costs to the Corporation (including subsidiaries) of leased automobiles, business club dues and expenses, professional services and other benefits of officers and certain key employees which are paid or reimbursed by
the Corporation. The Corporation does not consider such benefits to be excessive or unusual and has no basis on which to quantify the dollar value of personal use or benefit thereof, if any.

General Electric Co.
This column includes the payment of $35,969 representing 50% of the cost of an external financial counseling service offered to officers of the Company.

Joy Manufacturing Company
The aggregate remuneration shown includes not only direct but indirect remuneration for the period. Indirect remuneration includes the costs incurred by the Company for the preparation of personal Federal and/or state income tax returns, preparation and updating of personal estate plans and personal use of company automobiles. For the fiscal year ended September 30, 1977, the following are the aggregate amounts of such costs for the persons named above and for all directors and officers: $3,880 for Mr. Wilcock; $3,858 for Mr. Helmick; $4,499 for Mr. Horn; and $30,891 for the directors and officers as a group, including Messrs. Wilcock, Helmick and Horn.

White Consolidated Industries, Inc.
The amounts of direct remuneration set forth above do not include the estimated values of certain personal benefits received by certain corporate officers such as the furnishing of accounting and legal services, personal use of leased automobiles provided for business purposes and certain supplemental group life insurance benefits. These estimated values aggregate for Mr. Holdt, approximately $23,300; for Mr. Smith, approximately $12,000; and for Mr. Ware, approximately $16,000; and for all officers and directors as a group, approximately $112,000.

LIFE INSURANCE

The B. F. Goodrich Company
The Board of Directors has approved at no additional cost to the Company a split dollar life insurance program and/or a survivor(s') income agreement for certain Officers and key division executives in lieu of the Company’s regular contributory group life insurance plan. The split dollar life insurance plan provides for the sharing of premium payments and death proceeds by the participant and the Company. The survivor(s') income agreement provides income payments by the Company to a deceased participant’s beneficiary(ies) for a specified number of years.
Each participant is expected to contribute more to this program than he was expected to contribute to the Company's regular contributory group life insurance program. It is anticipated that the ultimate cost to the Company of providing these benefits will be less than the cost of its regular contributory group life insurance program. Messrs. Thomas, Ong and eleven other Company Officers participated in the program in 1977.

**Dellwood Foods, Inc.**

The Company also pays the premiums on a supplemental group life insurance plan for its officers, assistant-vice presidents and managers. The aggregate cost of such insurance, based upon Internal Revenue Service tables, for the officers as a group for 1977 was $5,268.

**LIABILITY INSURANCE**

**Dellwood Foods, Inc.**

In October 1977, the Company obtained a directors and officers liability insurance policy with National Union Fire Insurance Company of Pittsburgh, Pa., covering directors and officers of the Company and its subsidiaries for a one-year period. The policy also insures the Company and its subsidiaries against amounts paid by them to indemnify directors and officers. The premium paid by the Company was $7,000.

**Sybron Corp.**

The Corporation has purchased an insurance policy with Home Insurance Company, New York, which provides for indemnification of the Corporation for any obligation it incurs as a result of indemnification of directors and officers in their respective capacities as the directors and officers of the Corporation. Subject to certain exclusions, the policy also provides for indemnification of directors and officers for losses resulting from acts in their respective capacities as directors and officers, including losses arising from liability under the Securities Acts. The cost of the insurance policy, which covers all the directors and officers of the Corporation, is $16,237 annually. No sums have been paid under such policy to date.

**COMPANY FACILITIES**

**Atlantic Richfield Company**

The Company maintains two houses at Las Cruces, Mexico for business conferences. The Company has instituted a policy requiring that it be reimbursed for any personal use of these houses.
Helmerich & Payne, Inc.

The Corporation maintains an employee meeting and recreational facility on Ft. Gibson Lake in Oklahoma which is available for use by all employees, civic organizations and religious and charitable organizations. Certain officers made personal use of portions of the facility during the year and reimbursed the Corporation for such personal use. The annual operating and maintenance costs of such facility for fiscal 1977 were $34,000. "Aggregate Direct Remuneration" does not include the value of any of these items.

Metromedia, Inc.

The Company rents an apartment in New York City which is used by Mr. Kluge primarily in connection with his business duties but also for occasional personal use. The expense incurred by the Company in fiscal 1977 in maintaining the apartment approximated $81,000. The above remuneration table does not include any amounts relating to Mr. Kluge's use of this apartment.

The Washington Post Company

During 1977 the Company furnished various facilities, primarily for business use, to certain of its officers including those indicated above. The information in the table above does not include the value of such officers' personal use of such facilities, which the Company estimates does not exceed $5,000 in the case of any individual officer or $15,000 in the case of all officers as a group.

Wells Fargo & Company

The office and the personal residence of the Chairman of the Board, Mr. Dobey, were recently transferred from San Francisco to Los Angeles. The Company has acquired an apartment in San Francisco for use by its officers located in Southern California, including Mr. Dobey, primarily while on Company-related business. In order to avoid unnecessary moving expenses, Mr. Dobey and the Company have each furnished the living facility maintained by the other. The value of any personal benefits associated with such use and expenses cannot be reasonably estimated by the Company.

USE OF CORPORATE STAFF

American General Insurance Company

Excludes unreimbursed costs, estimated to aggregate not more than $10,000 in 1977, of incidental personal usage of company facilities, including a portion of club dues which may be attributable to personal usage and miscellaneous services furnished by the company staff.
Disclosure of Management Remuneration

AGENCY: Securities and Exchange Commission.

ACTION: Interpretation.

SUMMARY: The Commission today emphasized its view that existing disclosure provisions of the securities acts require registrants to disclose in registration statements, reports and proxy and information statements all forms of remuneration received by officers and directors. Salaries, fees, bonuses and certain other forms of remuneration must be included within the aggregate remuneration reported. In addition, personal benefits received by management from the corporation, including certain benefits sometimes referred to as "perquisites," may be forms of remuneration which should be included within the remuneration reported. This action is taken because the staff of the Commission has received inquiries relating to whether personal benefits are forms of remuneration and because recent cases brought by the Commission have revealed that some registrants have not disclosed personal benefits as remuneration.

DATE: August 18, 1977.


SUPPLEMENTARY INFORMATION: During the last few months, the staff of the Commission has received many inquiries relating to whether or not various personal benefits received by management from corporations should be included within the remuneration disclosure which is required in registration statements, reports and proxy and information statements filed by corporations under the securities laws. Some of these questions were prompted by the publicity given to recent cases brought by the Commission which revealed the failure of such registrants to include within the reported remuneration the value of various personal benefits received by members of management.

It is the view of the Commission that the existing reporting provisions under the securities acts require registrants to include within the remuneration reported all forms of remuneration which are received by management from the corporation, including personal benefits sometimes referred to as "perquisites." This does not mean, however, that all benefits received by management are personal benefits which must be reported. Certain incidental benefits which are ordinary and necessary to the conduct of company business, such as ordinary business lunches, and incidental payments made by the company for items which are directly related to the performance of management's functions at the company plant or offices, such as parking places, may not be reportable forms of remuneration. All payments made by the company for personal benefits received by management which are not directly related to job performance, however, are forms of remuneration which should be included within the reported remuneration.

The Commission believes that this release will provide some guidance to registrants in this area. Some questions may remain unanswered, however; registrants unable to determine how to handle a particular benefit are reminded that the staff is available to assist with questions relating to all areas of disclosure, including the disclosure of remuneration information. In addition, the Commission will continue to review its interpretation in light of any specific problems or comments brought to the attention of the staff by registrants and interested persons.

BACKGROUND

ment Company Act of 1940 ("Investment Act") [15 U.S.C. § 80a-1 et seq.] provide that the Commission may require disclosure in registration statements filed pursuant to their provisions of the remuneration received by directors and officers. The Exchange Act and the Investment Act further provide that the Commission may prescribe the type of information to be included in annual reports and proxy and information statements filed by companies subject to their provisions.

The Commission has exercised its legislatively granted rulemaking authority under these acts to require registrants to report in various registration statements, annual reports and proxy and information statements in the amount of remuneration paid or to be paid by the registrant and its subsidiaries to each of the registrant’s directors, each of its three highest paid officers and other persons specified in the provisions whose aggregate direct remuneration exceeded a certain amount and to all officers and directors (and to certain specified persons in filings made by investment companies) as a group.

Disclosure is required in annual reports by the following items of certain forms: Item 16 of the Form 10-K (17 CFR 240.310); Item 10 of the Form 20-K (17 CFR 240.320); Items 1.12 and 1.13 of the Form N-1R (17 CFR 274.101) and Items 1.12 and 1.13 to the EDP attachment of this form (17 CFR 274.101a-1, a-20); Items 10 and 18 of the Form N-5R (17 CFR 274.105); Items 22, 23, 24 and 25 of the Form N-30A-2 (17 CFR 274.102); and Items 20, 21, 22 and 23 of the Form N-30A-3 (17 CFR 274.103).

Disclosure is required in proxy and information statements by Item 7 of Schedule 14A (17 CFR 240.14a-101). (Rule 20a-1 under the Investment Act (17 CFR 270.20a-1) provides that proxy statements of registered investment companies should include the information required in proxy statements filed under the Exchange Act.)

Disclosure is required in proxy and information statements by Item 7 of Schedule 14A (17 CFR 240.14a-101). (Rule 20a-1 under the Investment Act (17 CFR 270.20a-1) provides that proxy statements of registered investment companies should include the information required in proxy statements filed under the Exchange Act.)

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In general the disclosure items of the Securities Act, the Exchange Act and the Investment Act require separate disclosure of three forms of remuneration: (1) direct remuneration; (2) annuity, pension and retirement benefits; and (3) direct and indirect remuneration payments proposed to be made in the future which have not already been reported.  

DISCUSSION

The remuneration disclosure provisions require registrants to disclose the total amount of remuneration paid or to be paid by the company and its subsidiaries to officers, directors and other persons specified in the disclosure requirements (hereinafter “management personnel”) for their services, whether that is required in registration statements on Form 20 and annual reports on Form 20-K.

The appropriate disclosure relating to options granted to certain officers or directors and to benefits received by officers, directors and various other persons as a result of certain transactions to which the registrant is a party is prescribed by separate provisions, e.g., subparagraphs (d) and (f) of Item 7 of Schedule 14A.

This position is consistent with the existing case law relating to the appropriate disclosure of remuneration. See, e.g., “SEC v. Kalvex, Inc.” 425 F. Supp. 310 (S.D.N.Y. 1977); “Lewis v. Dansker,” 357 F. Supp. 636 (S.D.N.Y. 1973). In Kalvex, the Court held, inter alia, that personal expenses for which Robert Ingis, a director and executive officer of the corporation, was reimbursed should have been disclosed in accordance with Item 7 of Schedule 14A. In Lewis, the Court said that “Items 7(a) through 7(e) of Schedule 14A, title ‘Remuneration and Other Transactions with Management and Others.’” all require disclosure of remuneration or something of value affirmatively passing from the corpora-

such remuneration be in the form of cash, property or personal benefits. Full disclosure of remuneration is necessary to informed voting and investment decisions. regardless of whether the company’s board of directors or its security holders have approved the remuneration package received by management because of the substantial
influence of management in determining its remuneration. In addition, a determination of the value of any new securities being offered and of any securities already owned, an analysis of the use of corporate funds and assets and an assessment of the value of management to a corporation necessitate the presentation of complete remuneration information.

Therefore, the aggregate remuneration paid to management should include the amount of salaries, fees, bonuses, and other payments made to them and the value of certain personal benefits received by management from the registrant and its subsidiaries. Among the benefits received by management which the Commission believes should be reported as remuneration are payments made by registrants for the following purposes: (1) home repairs and improvements; (2) housing and other living expenses (including domestic service) provided at principal and/or vacation residences of management personnel; (3) the personal use of company property such as automobiles, planes, yachts, apartments, hunting lodges or company vacation houses; (4) personal travel expenses; (5) personal entertainment and related expenses; and (6) legal, accounting and other professional fees for matters un-

The Majority Report of the Commission on Interstate and Foreign Commerce written to accompany H.R. 9323 (the bill proposing the Securities Exchange Act of 1934) emphasized the importance of disclosure to prevent unfair practices on exchanges. The Committee stated:

"As a complex society so diffuses and differentiates the financial interests of the ordinary citizen that he has to trust others and cannot personally watch the managers of all his interests as one horse trader watches another, it becomes a condition of the very stability of that society that its rules of law and of business practice recognize and protect that ordinary citizen's dependent position." H.R. Rep. No. 1383, 73d Cong., 2d Sess 5 (1934).

Some security holders have instigated lawsuits alleging excessive compensation has been paid to management. See, e.g., "Wietzchner v. Rapid-American Corporation," Civil No. 4603 (Ch. Del., filed Sept. 30, 1974). Cf. "Levin v. Atkin," Civil No. 75-0095-i(B) (W.D. Ky., filed April 4, 1975) (relating to improper diversion of assets of Ashland Oil, Inc. by certain directors).

Registrants should be aware that the determination of reportable forms of remuneration is not necessarily based upon what has been included by an officer or director in gross income computed for tax purposes.
related to the business of the registrant. Other personal benefits which may be forms of remuneration are the following: the ability of management to obtain benefits from third parties, such as favorable bank loans and benefits from suppliers, because the corporation compensates, directly or indirectly, the bank or supplier for providing the loan or services to management; and the use of the corporate staff for personal purposes.

Certain incidental personal benefits which are directly related to job performance may be omitted from aggregate reported remuneration provided they are authorized and properly accounted for by the company. Parking places, meals at company facilities and office space and furnishings at company-maintained offices are a few examples of personal benefits directly related to job performance.

In addition, certain incidental benefits received by management which are ordinary and necessary to the conduct of company business may not be forms of remuneration. These job-related benefits are benefits which are available to management employees generally, which do not relieve the individual of expenditures normally considered to be of a personal nature and which are extended to management solely for the purposes of attracting and maintaining qualified personnel, facilitating their conduct of company business or improving their efficiency in job performance. While itemized expense accounts may be considered job-related benefits whose value would be excluded from the aggregate remuneration reported, some may be forms of remuneration if they are excessive in amount or conferred too frequently. In any case, management is usually in the best position to determine whether a certain benefit should be viewed as a form of remuneration based on the facts and circumstances involved in each situation.

The value of all forms of remuneration should be included within the appropriate item(s) of disclosure. Non-

A separate description including the valuation of each form of remuneration is not required by the present disclosure provisions. But see Securities Act Release No. 5788 (Nov. 2, 1976) in which the Commission requested comments on whether additional disclosure should be required as to the remuneration of corporate officers and directors and specifically whether "disclosure should be required of the numerous emerging forms of indirect compensation or 'perquisites' now given to management personnel." In response to this particular request a number of commentators argued that valuation and identification of these indirect forms of compensation are difficult or impossible tasks. See also Securities Exchange Act Release No. 13482 (April 28, 1977) (42 FR 23901) in which the Commission announced a broad re-examination of the proxy rules and requested comments on various matters including whether the proxy rules should provide for "more detailed or comprehensive disclosure of management remuneration."

In some cases, the reporting provisions may require registrants to report the same compensation more than once. For example, a loan extended to an officer at a favorable interest rate may be deemed to be a form of direct remuneration paid him and would also have to be reported on the appropriate schedule and described because it was a loan made to such officer. Disclosure
monetary forms of remuneration must be valued as accurately as possible. The appropriate valuation may be based upon appraisals, the value of the benefit to the recipient, the valuation assigned for tax purposes, or some other appropriate standard.

would be required, therefore, in a proxy or an information statement by subparagraphs (a) and (e) of Item 7 of Schedule 14A. Item 7(e) would describe the amount outstanding and the interest charged; Item 7(a) would require the inclusion within aggregate remuneration reported of the benefit received by the officer or director as a result of the favorable interest rate. Generally, however, no objection would be raised if the value of certain benefits is omitted from the reported aggregate remuneration paid or to be paid provided the omission is clearly noted by cross reference or otherwise.

The valuation of nonmonetary forms of remuneration which must be reported for tax purposes is not clearly defined. The discussion draft of the proposed regulations on the taxation of employee fringe benefits was withdrawn by the Department of the Treasury on December 17, 1976. The release which announced this action quoted Secretary of the Department of the Treasury William Simon as saying: "The comments [received on the draft] demonstrated the problems associated with establishing rules of general applicability with respect to fringe benefits. The myriad forms in which fringe benefits are provided and the difficulty of valuing those benefits, together with the undesirability of mandating the keeping of additional detailed records by employers and employees in certain cases, with the attendant costs and complexities involved, have caused me to conclude that the discussion should be withdrawn." Nevertheless, Secretary Simon stated that the "question of whether fringe benefits result in taxable compensation to employees should continue to depend, as it presently does, on the facts and circumstances that exist in individual situations." Department of the Treasury, News Release, (December 17, 1976).

If, in the opinion of management, a benefit is impossible to value, the Commission generally would accept a description of the benefit in a note to the remuneration table so long as it is stated clearly that the value of the benefit was not included in the reported aggregate remuneration.

The Commission expects that this release will help registrants assure that the aggregate remuneration reported in registration statements, reports, and proxy and information statements contains all forms of remuneration, including salary, fees, bonuses and other personal benefits received by management. The Commission notes with approval that, as a step toward improving the data upon which such disclosures are based, some corporations have established procedures by which independent auditors review management remuneration and report to the audit committee of the board of directors; in other corporations, the board of directors may even be responsible for approving or disapproving the aggregate remuneration of all or certain members of management. In view of the all-inclusive nature of the required disclosure, the Commission urges all registrants to analyze thoroughly the internal controls and procedures by which management remuneration is identified and disclosed in order to assure that all required disclosures are made.

By the Commission.

George A. Fitzsimmons
Secretary
APPENDIX B

SECURITIES ACT OF 1933
Release No. 5904/February 6, 1978

SECURITIES EXCHANGE ACT OF 1934
Release No. 14445/February 6, 1978

PUBLIC UTILITY HOLDING CO. ACT OF 1935
Release No. 20404/February 6, 1978

INVESTMENT CO. ACT OF 1940
Release No. 10112/February 6, 1978

Disclosure of Management Remuneration.

AGENCY: Securities and Exchange Commission.

ACTION: Interpretation and request for comments.

SUMMARY: This release supplements the Commission's interpretive release on disclosure of management remuneration. Securities Act Release No. 5856 (August 18, 1977), 42 FR 43058 (August 26, 1977), in order to provide further guidance to registrants. Some of the more frequently raised questions regarding the status as remuneration of benefits received by officers and directors are set forth together with the interpretive responses of the Commission's Division of Corporation Finance. Comments are requested on both Securities Act Release No. 5856 and the interpretive responses included in this release.

DATE: Comments should be submitted on or before April 15, 1978.

ADDRESS: Comments should refer to File S7-736 and should be submitted in triplicate to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549. All comments will be available for public inspection.

FOR FURTHER INFORMATION CONTACT: Registrants with specific questions should contact the staff members directly responsible for reviewing the documents they file with the Commission. General questions may be directed to Linda L. Griggs, Division of Corporation Finance, 202/755-1750 or Glen Payne, Division of Investment Management, 202/755-0230, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549.


DISCLOSURE OF MANAGEMENT REMUNERATION

On August 18, 1977, the Commission issued a release, Securities Act Release No. 5856 (42 FR 43058), which emphasized its view that the existing disclosure provisions require registrants to include within the aggregate remuneration reported in registration statements, annual reports and proxy and information statements all forms of remuneration received by management from the corporation, including personal benefits sometimes referred to as...
perquisites. Since the publication of that release, the staff has received many requests for guidance in identifying and valuing some of the personal benefits received by officers and directors and others for whom remuneration information is required.

This release is published to provide current information on the interpretations of the Commission's Division of Corporation Finance (the "Division") of the remuneration reporting requirements in view of the volume of these requests for interpretations of such provisions as they relate to specific fringe benefits. The questions included in the release represent some of those more frequently brought to the attention of the staff by registrants, their counsel, and other interested persons. The Division of Investment Management will follow the Division's interpretations to the extent they relate to disclosure by registered investment companies.

Corporations make a great variety of expenditures which relate to management, many of which result in benefits to executives. Whether these constitute remuneration usually depends upon the facts and circumstances involved in each situation. In general, expenditures which simply assist an executive in doing his job effectively or which reimburse him for expenses incurred in the performance of his functions are not remuneration while expenditures made for his personal benefit or for purposes unrelated to the business of the company would constitute remuneration. In some instances, expenditures may serve both purposes, and if neither is predominant, allocation to the extent reasonably feasible may be called for. In view of the difficulties in applying these, and other general principles, the Commission believes that this statement of the Division's responses to specific questions should be useful to registrants.

In determining whether the value of specific benefits should be included in aggregate remuneration, registrants should keep in mind that full disclosure of the remuneration received by officers and directors is important to informed voting and investment decisions. In particular, remuneration information is necessary for an informed assessment of management and is significant in maintaining public confidence in the corporate system. Of course, accurate and sufficiently detailed books and records are prerequisites to the appropriate disclosure of remuneration information.1

Whereas the following questions and interpretive responses relate generally to the presentation of remuneration information pursuant to specific disclosure provisions, the anti-fraud provisions of the Securities Act of 1933 (15 U.S.C. 77a et seq., as amended by Pub. L. No. 94-29 (June 4, 1975)) and the Securities Exchange Act of 1934 ("Exchange Act") may require registrants to present additional information about benefits received by officers and directors.2 For example, the anti-fraud provisions may require disclosure of any unauthorized receipt of benefits by officers and directors.

The analysis of the benefits received by management requires consideration of the specific reporting requirements, Securities Act Release No. 5856 and the approach illustrated by the questions and responses set forth below. The following topics are addressed by these questions:


2See Securities Act §§ 12(2), and 17(a); Exchange Act § 10(b) and Rules 10b-5 and 14a-9.
I. Remuneration Reporting Requirements

1. Question: For which persons must registrants report remuneration information?

Interpretive Response: The remuneration reporting provisions require registrants to report in various registration statements, annual reports, and proxy and information statements the amount of remuneration paid or to be paid by the registrant and its subsidiaries to the following persons:

- each of the registrant's directors and each of its three highest paid officers (and other persons specified in the investment company reporting provisions) whose aggregate direct remuneration exceeded a certain amount specified in the disclosure form or rule; and
- all officers and directors (and certain persons specified in the investment company reporting provisions) as a group.

2. Question: What is the term "remuneration" intended to include?

Interpretive Response: The term "remuneration" is intended to include both cash and non-cash forms of remuneration received by management, including the value of personal benefits.

3. Question: How should the remuneration information be presented?

Interpretive Response: Generally, the reporting provisions require separate disclosure of the following types of remuneration received by officers and directors or benefits which result in remuneration to such persons:

- Use of Company Property:
  - Company Cars
  - Company Planes
  - Other Corporate Assets
  - Valuation

- Memberships in Clubs and Professional Associations

- Medical, Insurance and Other Reimbursement Plans:
  - Medical and Insurance Practices
  - Liability Insurance and Indemnification

- Payments for Living and Related Expenses:
  - Repairs and Improvements to Home or Property
  - Security Devices
  - Low Interest or Interest Free Loans

- Use of the Corporate Staff

- Benefits from Third Parties:
  - Bank Loans
  - Professional and Other Services

- Company Products

- Business Expenses

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3See Securities Act Release No. 5856, footnotes 7-13. Hereinafter the persons as to which remuneration disclosure is required will be referred to as officers, directors, management or executives although remuneration information is required also for certain other persons by the investment company forms.
a) aggregate direct remuneration paid by the registrant and its subsidiaries during the registrant's last fiscal year;

b) annuity, pension or retirement benefits proposed to be paid by the registrant or any of its subsidiaries under any existing plan in the event of retirement at normal retirement date;

c) other remuneration payments proposed to be made in the future by the registrant or any of its subsidiaries pursuant to any existing plan or arrangement;

d) options granted to certain officers and directors; and

e) benefits received by certain persons as a result of transactions to which the registrant is a party.

4. Question: What forms of remuneration is the term "direct remuneration" intended to encompass?

Interpretive Response: The term "direct remuneration" is intended to include all forms of remuneration, including personal benefits, except annuity, pension or retirement benefits, payments proposed to be made in the future, options and the interest of management in certain corporate transactions because these forms of remuneration are required to be reported under separate disclosure provisions.

II. General Disclosure Questions—Identification and Valuation

A. IDENTIFICATION

5. Question: What indirect benefits received by officers and directors should be considered by registrants in aggregating the forms of remuneration?

Interpretive Response: Registrants should analyze both those benefits conferred directly to officers and directors and those that may benefit such persons indirectly because they are provided to relatives and friends who do not perform services for the corporation or to any other persons upon the request of or on behalf of the officer or director.

6. Question: Do all benefits received by executives result in forms of remuneration which should be included in aggregate remuneration?

Interpretive Response: No. The value of those benefits received by management which are directly related to the performance of their job is not required to be included in aggregate remuneration.

B. VALUATION

7. Question: Once a registrant identifies a benefit as a form of remuneration, how should it be valued?

Interpretive Response: Registrants should value benefits on the basis of valuation methods which they believe are most reasonable. Alternative valuation methods include the following:

(a) cost to the company unless the cost to the company is disproportionate to the alternative cost of the benefit to the recipient, that is the amount the recipient would have had to pay to obtain the benefit himself; (b) appraisals (for property given to or used by an executive); (c) the alternative cost of the benefit to the recipient, that is the amount the recipient would have had to pay to obtain the benefit himself; (d) the valuation assigned by the registrant or executive for tax purposes; or (e) some other standard for valuing which is reasonable in the opinion of management.

III. Format for Disclosure

8. Question: Should the personal benefits received by officers and directors be described separately in documents which require disclosure of the remuneration received by management?

Interpretive Response: Personal benefits are not required to be described when their value is included in the aggregate remuneration reported, unless

*The indebtedness to the registrant of officers, directors and certain other persons is required to be disclosed by another reporting division.
disclosure about the benefit is otherwise required by another reporting provision. For example, if an officer or a director receives an interest free loan from a corporation, the value of the benefit should be included in the reported aggregate remuneration received by the individual and the loan itself should be described pursuant to the provisions of the reporting requirements relating to indebtedness to the company of various persons. The more general anti-fraud provisions, of course, may require additional information to be disclosed about personal benefits received or to be received by management.

9. Question: May a registrant describe a benefit in addition to including its value in the aggregate remuneration reported?

Interpretive Response: Yes.

10. Question: May a registrant exclude the value of some or all of the benefits from the reported aggregate remuneration and state an approximate or maximum value of such benefits in a footnote to the remuneration table?

Interpretive Response: Yes, provided this disclosure is not misleading.

11. Question: May a registrant describe the personal benefits in a footnote to the remuneration table rather than including the values of such benefits in the tabular presentation of reported aggregate remuneration?

Interpretive Response: A registrant may describe a benefit which is a form of remuneration and exclude its value from reported remuneration whenever the dollar value of the benefit is not reasonably ascertainable or when a description of the benefit results in disclosure which is more meaningful to investors than the inclusion of an amount in aggregate remuneration, provided it is clear that the value of the benefit has not been included in the aggregate remuneration reported in the table and the disclosure is not misleading.

12. Question: What information should be included in a footnote which describes a benefit?

Interpretive Response: The footnote should include a description of the benefit and, to the extent possible, information about its value and the basis for valuation. In addition, the footnote should state any other information as is reasonably necessary to apprise investors fully of what management is receiving.

IV. Types of Benefits Received by Management

A. USE OF COMPANY PROPERTY

13. Question: Is the use of management of company property such as cars, planes, apartments, houses, and other corporate assets a form of remuneration?

Interpretive Response: The use of corporate assets by officers or directors for reasons unrelated to the conduct of company business results in a form of remuneration to the executive. Where the assets are used in connection with job related matters, however, this usage would not result in remuneration to the executive. Where an executive uses an asset for both personal and business purposes, a value should be allocated to the personal use for remuneration reporting purposes.

Company Cars

14. Question: Is the use of a company owned car a form of remuneration?

Interpretive Response: The personal use of a company car is a form of remuneration to such executive.

15. Question: How should the personal use of a company's automobile be valued?

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9Item 7(e), Schedule 14A, 17 CFR 240.14a-101; Item 9(b), Form 10, 17 CFR 249.210; Items 18(b), Form 10-K, 17 CFR 249.310. See also Question 34.
Interpretive Response: The Division would express no objection if the value of this benefit were a percentage of the cost to the company of leasing or owning the car based upon the amount of time an executive used the car for personal purposes or the number of miles the car was used for personal purposes.

16. Question: Is the use by management of a chauffeur-driven limousine a form of remuneration?

Interpretive Response: It depends upon the reason why the limousine is used. The use by an executive of a chauffeur-driven car in connection with job related matters does not result in a form of remuneration to the executive. If the executive uses the chauffeur-driven car time for personal reasons, however, this use of the car is a form of remuneration.

Company Plane

17. Question: Is the use of a company plane for commuting purposes a form of remuneration?

Interpretive Response: Yes.

18. Question: If the company plane is flown someplace for a business reason and an executive who does not have company business to transact at such place hitches a ride or tags along on the plane, does the executive receive a form of remuneration?

Interpretive Response: Yes.

19. Question: Should this benefit be valued for remuneration reporting purposes?

Interpretive Response: Although the corporation may have incurred little cost as a result of providing air transportation to the extra person(s), the value of this personal benefit should be included in aggregate remuneration or otherwise reported.

Other Corporate Assets

20. Question: Would the use of company owned or leased apartments, houses, villas, lodges, etc. result in a form of reportable remuneration to management?

Interpretive Response: Whether or not the use by management of company owned or leased assets such as apartments, houses, villas, lodges, yachts and other facilities results in a form of remuneration to the executive depends upon the nature of the use of the assets. If the executive uses the facilities in connection with entertaining business clients, transacting business or engaging in internal business related activities, he would not be receiving remuneration as a result of such usage. If, however, the facilities are used for recreation or other personal purposes and no business is transacted, the usage by management would result in a form of remuneration to the executive. Where some of the usage is for business and some for personal purposes, only the personal usage would result in a form of remuneration.

Valuation

21. Question: How should the personal use of company assets such as planes, apartments, houses, lodges, etc. be valued for remuneration reporting purposes?

Interpretive Response: The Division would express no objection if the personal use of company assets were valued using one of the following methods:

a) determining the recipient’s cost if he had obtained the use of equivalent assets independently of the corporation; or

b) allocating a portion of the cost to the corporation of owning and maintaining the facility during a particular year on the basis of the time the asset was used for personal purposes or the mileage of such usage unless this amount is disproportionate to the amount which the recipient would have paid if he had obtained the use of equivalent assets himself.
B. MEMBERSHIPS IN CLUBS AND PROFESSIONAL ASSOCIATIONS

22. Question: Is the use of clubs of which the corporation is a member or in which an executive's membership is paid for by the company a form of remuneration?

Interpretive Response: If the clubs are used solely for business related matters, the usage does not result in remuneration to the executive. If however, the club is used for personal activities, this usage results in a form of remuneration.

23. Question: How should this usage be valued?

Interpretive Response: The Division would raise no objection if the value of the personal use of clubs of which the corporation is a member or in which an executive's membership is paid for by the company were the sum of:

1) a portion of the annual dues allocated on the basis of percentage of personal use;
2) all personal expenses incurred by the executive but paid for by the company;
3) a portion of the initiation fee in the year in which paid based upon the amount of personal usage.

24. Question: Is the payment of professional organization fees for officers and directors a form of remuneration to them?

Interpretive Response: The payment of fees of professional organizations is not a form of remuneration to the officers or directors if membership in the organization is necessary to such person’s performance of his duties for the company.

C. MEDICAL, INSURANCE AND OTHER REIMBURSEMENT PLANS

Medical and Insurance Practices

25. Question: Is the payment by a corporation of expenses incurred in connection with physical examinations given executives a form of remuneration to them?

Interpretive Response: Payments for physical examinations for executives generally do not result in a form of remuneration to the executives. If the physical examination is given at a resort, however, and in part results in a paid vacation for the executive and/or his spouse and if the cost of the physical examination vacation is disproportionate to the cost of a physical examination at a clinic in a non-resort area, then a portion of the cost to the company for the physical examination would be a form of remuneration.

26. Question: How should the amount of this remuneration be determined?

Interpretive Response: The Division would express no objection if the amount of remuneration were:

a) that portion of the cost to the company of the physical examination vacation stay represented by the non-medical expenses; or
b) The difference between the cost of a physical examination at a clinic in a non-resort area and the cost of the physical at the resort.

27. Question: Are payments made for or benefits to be received by management under life or accident insurance, hospitalization, medical expense reimbursement or other similar plans forms of remuneration?

Interpretive Response: Benefits paid under and payments and premiums made for group life or accident insurance, group hospitalization or similar group payments or benefits need not to be included in reported remuneration nor are corporations required to describe such plans or arrangements. These plans or arrangements are considered to be group plans if they provide benefits to all or substantially all of the employees who satisfy certain minimum eligibility criteria or to such employees as qualify under a classification set up by the employer which does not discriminate in favor of employees who are officers, shareholders or highly compensated. For example, if a plan does not cover union members,
this fact alone would not be determinative of non-group status of the plan. Premiums and any other amounts paid by a corporation for such plans or arrangements which are not group plans should be included in aggregate remuneration and the plans or arrangements should be described.

Liability Insurance and Indemnification

28. Question: Are premiums paid by corporations for liability insurance for officers and directors forms of remuneration received by the executives?

Interpretive Response: Premiums paid for liability insurance for officers and directors and benefits paid under such insurance plans are not forms of remuneration to the extent that the insurance plan is intended to relieve officers and directors of liability relating to their job performance.

29. Question: Are indemnification payments forms of remuneration?

Interpretive Response: Indemnification payments are not forms of remuneration to the recipient executive if the company treats the payments as ordinary and necessary to the conduct of company business. The anti-fraud provisions, however, may require separate disclosure about indemnification payments, particularly those payments relating to securities violations because the Commission believes that such payments are against public policy.

D. PAYMENTS FOR LIVING AND RELATED EXPENSES

Living Expenses

30. Question: Is the payment by a corporation of housing or other ordinary living expenses at principal, temporary, vacation or other residences owned or used by an officer or director a form of remuneration?

Interpretive Response: Yes, provided the expenses were not incurred by an executive in connection with a business matter nor for the convenience of the corporation.

31. Question: Is the occasional use of a company maintained apartment, house or other dwelling a form of remuneration to him?

Interpretive Response: No, provided the dwelling is used by an officer or director for the purpose of facilitating his conduct of company business.

Repairs and Improvements to Home or Property

32. Question: Are payments for maintenance, repairs or improvements to an executive's home forms of remuneration to him?

Interpretive Response: Yes, generally.

Security Devices

33. Question: Are the installation of security devices in an executive's home and/or car and the providing of bodyguards, chauffeur-driven limousines, and/or any other appropriate security measures forms of remuneration to officers and directors?

Interpretive Response: The taking of various security measures for the protection of executives may not result in any remuneration to such executive if the individual's life has been threatened because of his position in the company or if the company reasonably believes that the individual's safety is in jeopardy. If the security measures are provided solely for the convenience or comfort of the executive, however, they result in remuneration to the recipient.

Low Interest or Interest Free Loans

34. Question: Is the providing of loans to executives a form of remuneration to them?

Interpretive Response: Officers or directors receive remuneration as a result of their receipt of a loan from the corporation if the terms of the loan, including the security required and the inter-
The rate charged, are not commercially reasonable as compared with the terms of a loan which the executive might have obtained from a lending institution. In addition, if the loan is commercially reasonable under this analysis but its grant is not a reasonable use of corporate funds because the corporation must pay a higher rate of interest on its own borrowings, the loan would result in remuneration to the officer or director. Low interest or interest free loans provided to executives by their employer result in remuneration to them regardless of whether the loan itself must be reported under the separate reporting provisions relating to indebtedness of officers and directors to a company.

35. Question: How should the value of this remuneration be determined?

Interpretive Response: The Division would express no objection if the value of the remuneration received by an executive as a result of the favorable loan was based upon:

a) the difference between the amount of interest to be paid and the amount of interest which the executive would have paid if the loan had been granted by an unaffiliated person; or

b) the difference between the amount of interest the executive will pay and the amount which he would have paid if the interest rate were equivalent to the rate of interest the corporation pays on its borrowings, if the loan is on terms more favorable than the corporation could have obtained.

E. USE OF THE CORPORATE STAFF

36. Question: If the employees on the corporation's professional staff provide financial, accounting, legal or other professional services to an officer or director, does this result in remuneration to the individual?

Interpretive Response: If the services are rendered with respect to a purely personal matter, such as the preparation of a will or United States tax return, this usage of the corporate staff would result in a form of remuneration to the officer or director. Where the matter relates to company business, the individual's compensation package or the individual's legal responsibilities as a result of his position in the company, the providing of the service may not result in remuneration to the officer or director.

37. Question: How should the use of the corporation's staff be valued for remuneration reporting purposes?

Interpretive Response: The Division would express no objection if the use of the corporate staff by an officer or director for personal business were valued in one of the following ways:

a) the amount the officer or director would have had to pay if he had hired unrelated persons to do the work for him; or

b) the full cost to the company of the employees for the period of time they worked for the officer or director.

4Disclosure of the indebtedness of officers, directors and certain other persons to a company is required by a separate reporting provision. If the individual's aggregate indebtedness exceeded the lesser of $10,000 or 1 percent of the issuer's total assets. See, e.g., Item 7(e), Schedule 14A, 17 CFR 240.14a-101. If the loan results in remuneration to the executive because of its terms, the remuneration to the executive as a result of the loan should be included in aggregate remuneration and the loan should be described pursuant to the other provision.

5Disclosures of benefits received from third parties may be required pursuant to the reporting provision regarding transactions with management. See, e.g., Item 7(f), Schedule 14A, 17 CFR 240.14a-101.
F. BENEFITS FROM THIRD PARTIES

Bank Loans

38. Question: Does the receipt by an officer or director of a loan from the corporation's bank result in a form of remuneration to such person?

Interpretive Response: The receipt of a loan from the corporation's bank may result in remuneration to the officer or director depending upon the facts and circumstances. Where the corporation compensates the bank either directly or indirectly for extending the loan to the executive, the officer or director receives remuneration to the extent of the benefit derived from such compensation.

39. Question: When does a corporation directly or indirectly compensate a bank for granting a favorable loan to an officer or director?

Interpretive Response: A company may compensate a bank directly or indirectly for granting a favorable loan to an officer or director in various different ways including but not limited to:

a) maintaining or increasing accounts or compensating balances at the bank as a result of the loan;

b) undertaking in writing or orally to increase its requests for loans from the bank as a result of the loan; and

c) paying a higher rate of interest on its loan as a result of the loan of the officer or director.

Professional and Other Services

40. Question: If a company's outside auditors, counsel or other professional consultants perform financial, accounting, legal or other professional services for an officer or director which are paid for by the company, does this result in remuneration to the executive from the company?

Interpretive Response: Whether or not the receipt by an officer or director of professional services rendered by a company's outside consultants results in remuneration to the executive depends upon the reason the services are rendered and its cost to the company. If the services are rendered in connection with a matter which is purely personal to the executive, the receipt of the services would result in remuneration to the officer or director depending upon whether the company compensates the professional directly or indirectly for conferring the service.

41. Question: If an officer or director does personal business with a customer or client of the company, does this relationship result in any remuneration to the officer or director from the company?

Interpretive Response: A business relationship between an officer or director and a customer or client of his company does not result in any remuneration from the company to the officer or director unless the company compensates the customer directly or indirectly for performing a service for the executive.

42. Question: When does a company compensate a client or an outside professional for providing personal services to an officer or director?

Interpretive Response: A company may compensate its client or an outside professional directly or indirectly for providing its executive with a service in various ways including:

a) paying or agreeing to pay a higher than market rate for its purchases or services obtained from the client or professional as a result of the executive's relationship with the client; and

b) increasing or undertaking to increase its business dealings with the client as a result of the executive's relationship with the client.

G. COMPANY PRODUCTS

43. Question: Should the purchase by an officer or director of the corporation's products at a discount be valued for the purposes of reporting remuneration received by an executive?
Interpretive Response: The purchase by officers or directors of the corporation's products at a discount need not be valued for the purposes of reporting remuneration received by an executive provided:

a) all or substantially all of the corporation's employees may make purchases at the same discount or at a discount based upon eligibility criteria which precludes individual selection; and

b) the price of the product as a result of the discount is not less than the cost to the corporation of producing it.

H. BUSINESS EXPENSES

44. Question: Do itemized expense accounts result in remuneration to executives?

Interpretive Response: The availability of an itemized expense account to an officer or director generally does not result in a form of remuneration to the executive provided the account is used for business related expenses.

45. Question: Does an unitemized expense account result in remuneration to an executive?

Interpretive Response: The total amount of an unitemized expense account would be a form of remuneration to an executive except to the extent specific amounts spent by an executive using such an expense account can be identified as relating to valid business related expenses.

46. Question: If an itemized expense account includes a miscellaneous item, would this result in remuneration to an officer or director?

Interpretive Response: If the miscellaneous item is comparable to an unitemized expense account, it should be treated in the same way as an unitemized expense account.

47. Question: If officers and directors receive first class travel arrangements which are related to job performance, should this result in a form of remuneration?

Interpretive Response: No.

REQUESTS FOR COMMENTS

Interested persons are invited to comment on both the Commission's interpretation expressed in Securities Act Release No. 5856 and the interpretive responses of its Division of Corporation Finance included in this release. Comments should make reference to File S7-736. These comments will be considered by the staff both for use in connection with its on-going efforts to review the quality and usefulness of information required to be disclosed in documents filed with the Commission and in considering possible amendments to the disclosure rules relating to management remuneration.

By the Commission

George A. Fitzsimmons
Secretary

*Comments relating to the disclosure of management remuneration have previously been requested in Securities Act Release No. 5758 (November 2, 1976), (41 FR 49495) and Securities Exchange Act Release Nos. 13482 (April 28, 1977) (42 FR 23901) and 13901 (August 29, 1977) (42 FR 44860). All comments received in connection with these requests are available for public inspection at the Commission's Public Reference Room, 1100 L Street, N.W., Washington, D.C. 20549. The comments are available for inspection in Files S7-686 and S7-693 respectively.