

SEC Modifies “Katie Couric Clause” to Address Concerns

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Our Summer 2006 “Morgan Lewis on Media” newsletter discussed the Securities and Exchange Commission’s proposed executive compensation disclosure rules. (To view this newsletter, please visit http://www.morganlewis.com/pubs/Media_Newsletter_Summer2006.pdf) We highlighted a provision requiring disclosure of compensation paid to up to three non-executive employees of a publicly traded company whose total compensation exceeded that of the most highly paid executive officers. Media companies were concerned that this—quickly nicknamed the “Katie Couric Clause”—would require the disclosure of compensation paid to their high-profile, non-executive, employees such as actors, directors, writers, sports figures, and on-screen personalities. We speculated that this provision would not survive the final rules.

On July 26, 2006, the SEC finalized the rules, other than the “Katie Couric Clause.” This part of the proposal has been modified and revised. The modified proposal will require disclosure of compensation paid not to “talent” but only to highly-paid employees with significant policy making roles. In addition, the requirement would only apply to large public companies with a value of \$700 million or more. The revised proposal will be published in the coming weeks; final adoption is expected in the fall.

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