

# SEABOARD CORPORATION

9000 West 67th Street  
Shawnee Mission, Kansas 66202

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS APRIL 26, 2004

Notice is hereby given that the 2004 Annual Meeting of Stockholders of Seaboard Corporation, a Delaware corporation, will be held at the Sheraton Newton Hotel, 320 Washington Street, Newton, Massachusetts, on Monday, April 26, 2004, commencing at 9 a.m., local time, and thereafter as it may from time to time be adjourned, for the following purposes:

1. To elect five directors to hold office until the 2005 annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To consider and act upon ratification and approval of the selection of KPMG LLP as the independent auditors of our Company for the year ending December 31, 2004;
3. To consider and act upon a stockholder proposal, if introduced at the meeting, as described in the accompanying proxy statement; and
4. To transact such other business as properly may come before the meeting.

Our Board of Directors has fixed the close of business on Monday, March 8, 2004, as the record date for determination of the stockholders entitled to notice of, and to vote at, the annual meeting.

If you do not expect to attend the annual meeting in person, please sign, date and return the enclosed proxy in the enclosed addressed envelope.

By order of the Board of Directors,

David M. Becker,  
*Vice President, General Counsel and  
Secretary*

March 12, 2004

**SEABOARD CORPORATION**  
**9000 West 67th Street**  
**Shawnee Mission, Kansas 66202**

**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**APRIL 26, 2004**

March 12, 2004

**Date, Time and Place of the Meeting**

This proxy statement is furnished in connection with the solicitation of proxies for use at the annual meeting of stockholders of Seaboard Corporation to be held on Monday, April 26, 2004, commencing at 9 a.m., local time, and at any adjournment thereof. The meeting is called for the purposes set forth in the foregoing Notice of Annual Meeting, and will be held at the Sheraton Newton Hotel, 320 Washington Street, Newton, Massachusetts.

**Stockholders Entitled to Vote at the Meeting**

Stockholders of record as of the close of business on the March 8, 2004 record date are entitled to notice of, and to vote at, the annual meeting and at any adjournment thereof. Our Company had 1,255,053.90 shares of common stock, \$1.00 par value, outstanding and entitled to vote as of the record date. Each such share of common stock is entitled to one vote on each matter properly to come before the annual meeting. This proxy statement and the enclosed form of proxy were first sent or given to stockholders on or about March 12, 2004.

**Quorum Requirement**

A quorum of stockholders is necessary to hold a valid meeting. A majority of our outstanding shares of common stock on the record date, or 627,527 shares, will be needed to establish a quorum for the annual meeting. Votes cast at the annual meeting will be tabulated by persons duly appointed to act as inspectors of election and voting for the annual meeting. The inspectors of election and voting will treat shares represented by a properly signed and returned proxy as present at the annual meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Likewise, the inspectors will treat shares of stock represented by "broker non-votes" as present for purposes of determining a quorum. Broker non-votes are proxies with respect to shares held in record name by brokers or nominees, as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power under applicable national securities exchange rules or the instrument under which it serves in such capacity, and (iii) the record holder has indicated on the proxy card or otherwise notified our Company that it does not have authority to vote such shares on that matter.

### **Attending the Meeting and Voting in Person**

If you plan to attend the annual meeting and vote in person, we will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or other nominee (commonly referred to as being held in "street" name), proof of ownership may be required for you to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of common stock held in street name in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

### **Voting by Proxy**

Our Board of Directors solicits your proxy in the form enclosed for use at the annual meeting. Any stockholder giving a proxy in the enclosed form may revoke it at any time before it is exercised. A stockholder may revoke his or her proxy by delivering to the Secretary of our Company a written notice of revocation or a duly executed proxy bearing a later date, or by attending the meeting and voting in person. A completed and signed proxy in the enclosed form, if received in time for voting and not revoked, will be voted at the annual meeting in accordance with the instructions of the stockholder. Where a stockholder's voting instructions are not specified, the shares represented by the proxy will be voted "for" the election of the nominees for director listed herein, "for" ratification of the selection of KPMG LLP as our independent auditors for 2004 and "against" the stockholder proposal described herein that would urge our Board to require that an independent director serve as Chair of our Board. Our Board of Directors does not know of any matters that will be brought before the meeting other than those referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the meeting, it is intended that the persons named in the enclosed form of proxy, or their substitutes acting thereunder, will vote on such matter in accordance with their discretion and judgment. If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. Our Company will bear all expenses in connection with the solicitation of proxies, including preparing, assembling, and mailing this proxy statement. After the initial mailing of this proxy statement, proxies may be solicited by mail, telephone, facsimile transmission or personally by directors, officers, employees or agents of our Company. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting materials to beneficial owners of shares held of record by them, and their reasonable out-of-pocket expenses will be paid by our Company.

### **Vote Required**

A favorable plurality of votes cast (a number greater than those cast for any other candidates) is necessary to elect members of our Board of Directors. Accordingly, abstentions or broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes. The remaining proposals set forth herein require the affirmative vote of the majority of the shares present at the meeting. Shares represented by broker non-votes as to such matters are treated as not being present for the purposes of such matters, while abstentions as to such matters are treated as being present but not voting in the affirmative. Accordingly, the effect

of broker non-votes is only to reduce the number of shares considered to be present for the consideration of such matters, while abstentions will have the same effect as votes against the matter.

### PRINCIPAL STOCKHOLDERS

The following table sets forth certain information as of January 31, 2004 (unless otherwise indicated) regarding the beneficial ownership of our Company's common stock by each person known to us to own beneficially 5% or more of our Company's common stock. Unless otherwise indicated, all beneficial ownership consists of sole voting and sole investment power. Our Company is a "controlled corporation," as defined in the rules of the American Stock Exchange, because more than 50 percent of the voting power of our Company is owned by Seaboard Flour LLC.

<i><u>Name and Address of Beneficial Owner</u></i>	<i><u>Amount and Nature of Beneficial Ownership</u></i>	<i><u>Percent of Class</u></i>
Seaboard Flour LLC <sup>(1)</sup> 822 Boylston Street Suite 301 Chestnut Hill, MA 02467	887,634.90	70.7%
Dimensional Fund Advisors Inc. <sup>(2)</sup> 1299 Ocean Avenue 11 <sup>th</sup> Floor Santa Monica, CA 90401	81,840.00	6.5

<sup>(1)</sup> Mr. H. Harry Bresky, President and Chief Executive Officer of our Company, and other members of the Bresky family, including trusts created for their benefit, beneficially own approximately 99.5 percent of the common units of Seaboard Flour LLC (formerly Seaboard Flour Corporation). Mr. H. Harry Bresky may be deemed to have indirect beneficial ownership of our Company's common stock held by Seaboard Flour LLC. Except for certain annuities that may be received from certain of the Bresky family trusts, Mr. Bresky disclaims any beneficial ownership of these common units. In addition to the shares shown as being owned by Seaboard Flour LLC, Mr. H. Harry Bresky and other members of the Bresky family beneficially own a total of 37,105 shares, or 3.0 percent, of our Company's common stock.

<sup>(2)</sup> Beneficial ownership information concerning Dimensional Fund Advisors Inc. was obtained from its Schedule 13G report filed with the Securities and Exchange Commission on February 6, 2004. According to that report, Dimensional Fund Advisors furnishes investment advice to four investment companies and serves as investment manager to certain other trusts and accounts which own these securities. Dimensional Fund Advisors has disclaimed beneficial ownership of the shares shown as being owned by it.

**SHARE OWNERSHIP OF MANAGEMENT AND DIRECTORS**

The following table sets forth certain information as of January 31, 2004 regarding the beneficial ownership of our Company's common stock by each of our directors and director nominees, each of our executive officers named in the Summary Compensation Table on page 7 and all of our directors and executive officers as a group.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
H. Harry Bresky	897,495.90 <sup>(1)(2)</sup>	71.5%
Joe E. Rodrigues	200	*
David A. Adamsen	20	*
Douglas W. Baena	100	*
Kevin M. Kennedy	15	*
Steven J. Bresky	2,538	*
Robert L. Steer	250	*
John Lynch	55	*
All directors & executive officers as a group (15 persons)	900,673.90 <sup>(1)</sup>	71.8

<sup>(1)</sup> The shares reported include 887,634.90 shares of our Company's common stock that may be attributed to Mr. H. Harry Bresky by virtue of his ownership interest in Seaboard Flour LLC, as described in the Principal Stockholders section above, and 4,250 shares of our Company's common stock that may be attributed to him as co-trustee of the "Bresky Foundation" trust. Approximately 99.5 percent of the common units of Seaboard Flour LLC are held by Mr. H. Harry Bresky or in various trusts for the benefit of Mr. Bresky's spouse and/or other Bresky family members. Except for certain annuities that may be received from certain of these trusts, Mr. Bresky disclaims any beneficial ownership of these common units.

<sup>(2)</sup> These shares exclude 5,285 shares, or 0.4 percent of the class, held by Mr. H. Harry Bresky's wife, and annuities that may be received by her from certain of the trusts referred to in footnote (1) above, as to which Mr. Bresky disclaims any beneficial ownership.

\* Less than one percent.

**ITEM 1: ELECTION OF DIRECTORS**

Our Board of Directors has fixed the number of directors at five. Unless otherwise specified, proxies will be voted in favor of the election as directors of the following five persons for a term of one year and until their successors are elected and qualified.

<u>Name</u>	<u>Age</u>	<u>Principal Occupations and Positions</u>	<u>Director Since</u>
H. Harry Bresky	78	Director, Chairman of the Board, President and Chief Executive Officer (since 2001), President (from 1967-2001), Seaboard Corporation; Manager, Seaboard Flour LLC (since 2002); President (1987-2002), Treasurer (1973-2002), Seaboard Flour Corporation.	1959
Joe E. Rodrigues	67	Director, former Executive Vice President and Treasurer (retired 2001), Seaboard Corporation.	1990
David A. Adamsen	52	Director and Member of Audit Committee, Seaboard Corporation; Vice President – Group General Manager, Northeast Region (since 2001), Vice President – Sales and Marketing, Northeast Region (1999-2001), Vice President of Special Projects (1998-1999), Dean Foods Company, a dairy specialty-food processor and distributor.	1995
Douglas W. Baena	61	Director and Member of Audit Committee, Seaboard Corporation; Chief Executive Officer (since 1997), CreditAmerica, Inc., venture capital company; Chief Executive Officer (1999-2001), Ameristar Capital Corporation, financial services company.	2001
Kevin M. Kennedy	44	Director and Member of Audit Committee, Seaboard Corporation; President and Chief Investment Officer (since 2001), Great Circle Management LLC, a private equity fund; Managing Director (Head Marine Financing) (1999-2001), Vice President (Head of Marine Financing) (1997-1999), GE Capital Services Structured Finance Group, Inc., a provider of structured financial products.	2003

Mr. H. Harry Bresky is the father of Mr. Steven J. Bresky, our Senior Vice President, International Operations. There are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was nominated.

In case any person or persons named herein for election as directors are not available for election at the annual meeting, proxies may be voted for a substitute nominee or nominees (unless

the authority to vote for all nominees or for the particular nominee who has ceased to be a candidate has been withheld), as well as for the balance of those named herein. Management has no reason to believe that any of the nominees for the election as director will be unavailable.

Our Board of Directors recommends that you vote for the election as directors of the five persons listed above.

## **MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES**

### **Meetings of the Board**

Our Board of Directors held six meetings in fiscal 2003, two of which were telephonic meetings. Other actions of our Board of Directors were taken by unanimous written consent as needed. Each director attended more than 75 percent of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board on which he served.

Our Company does not have any policy requiring directors to attend our Company's annual meeting of stockholders, although, generally, the directors have attended our Company's annual stockholders' meetings. Five directors attended the 2003 annual meeting, including the director who was first elected to our Board at that meeting. The director not standing for re-election at the 2003 annual meeting did not attend the meeting.

### **Committees of the Board**

Our Company's Board of Directors has established an Audit Committee. Members of the Audit Committee currently are David A. Adamsen, Douglas W. Baena and Kevin M. Kennedy. The Audit Committee selects and retains independent auditors and assists the Board in its oversight of the integrity of our Company's financial statements, including the performance of our independent auditors in their audit of our annual financial statements. The Audit Committee meets with management and the independent auditors as may be required. The independent auditors have full and free access to the Audit Committee without the presence of management. Our Board of Directors has determined that Kevin M. Kennedy is an "audit committee financial expert" and is "independent," each within the meaning of the rules and regulations of the Securities and Exchange Commission. Mr. Kennedy became a financial expert through his experiences in obtaining a Masters Degree in Business Administration, and in working as a bank officer for Bank of New York, where he conducted financial analysis and managed a corporate loan portfolio, as an officer for GE Capital Services Structured Finance Group, Inc., where he supervised the financial analysis of potential customers and structured complex transactions, and as President and Chief Investment Officer of Great Circle Capital LLC, where he is a member of the management committee, responsible for financial reporting of a private equity fund. The Audit Committee held six meetings in fiscal 2003, four of which were telephonic meetings.

Our Company has no nominating or compensation committees, or committees performing similar functions. Our Board of Directors believes it is not necessary to have a separate

nominating committee because of the low turnover of Board of Director seats and because the entire Board of Directors participates in the consideration of director nominees.

### Compensation of Directors

Each non-employee director receives \$7,500 quarterly and an additional \$2,000 per quarter for service on the Audit Committee of the Board. The Chairman of the Audit Committee also receives an additional \$1,000 per quarter.

### EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following table shows all compensation earned, during the fiscal years indicated, by the Chief Executive Officer and the four other highest paid executive officers of our Company (the "Named Executive Officers") for such period in all capacities in which they have served:

		<i>SUMMARY COMPENSATION TABLE</i>			
		<i>Annual Compensation</i>			
<i>Name and Principal Position</i>	<i>Year</i>	<i>(1)</i>	<i>(2)</i>	<i>Other<sup>(3)</sup></i>	<i>(4)</i>
		<i>Salary</i>	<i>Bonus</i>	<i>Annual Compensation</i>	<i>All Other Compensation</i>
		<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
H. Harry Bresky	2003	945,000	800,000	24,223	28,127
President	2002	900,000	800,000	27,051	23,949
Chief Executive Officer	2001	800,000	800,000	27,053	14,948
Steven J. Bresky	2003	397,000	300,000	2,977	17,820
Senior Vice President,	2002	379,000	300,000	-	19,927
International Operations	2001	345,539	300,000	-	15,796
Robert L. Steer	2003	397,000	300,000	-	20,755
Senior Vice President,	2002	379,000	300,000	-	20,163
Treasurer and	2001	344,577	300,000	-	16,517
Chief Financial Officer					
John Lynch	2003	356,600	125,000	22,765	6,000
President, Seaboard	2002	340,100	200,000	28,502	5,100
Marine Ltd.	2001	335,677	200,000	32,534	5,100
Rodney K. Brenneman <sup>(5)</sup>	2003	325,900	200,000	3,779	12,000
President, Seaboard	2002	310,727	200,000	4,189	11,100
Farms, Inc.	2001	249,583	200,000	5,810	5,100

<sup>(1)</sup> Salary includes amounts deferred at the election of the Named Executive Officers under our Company's 401(k) retirement savings plan and under our Company's Investment Option Plan described below under "Benefit Plans."

- (2) Reflects bonus earned for each fiscal year presented and includes compensation reduced at the election of the Named Executive Officers under our Company's Investment Option Plan described below under "Benefit Plans."
- (3) Other Annual Compensation represents benefits earned under the Supplemental Executive Benefit Plan described below under "Benefit Plans." In addition, for J. Lynch, the amount includes imputed taxable interest of \$6,103, \$10,102 and \$17,449 for 2003, 2002 and 2001, respectively, on the employee loan described under "Compensation Committee Interlocks and Insider Participation."
- (4) All Other Compensation represents our Company's contributions to our 401(k) retirement savings plan and Investment Option Plan on behalf of the Named Executive Officers. The amounts for fiscal 2003 are as follows: (i) 401(k) retirement savings plan: H. Bresky \$6,000, S. Bresky \$6,000, R. Steer \$5,593, J. Lynch \$6,000 and R. Brenneman \$6,000; and (ii) Investment Option Plan: H. Bresky \$22,127, S. Bresky \$11,820, R. Steer \$17,820 and R. Brenneman \$6,000. The amounts for fiscal 2002 are as follows: (i) 401(k) retirement savings plan: H. Bresky \$5,100, S. Bresky \$4,495, R. Steer \$5,001, J. Lynch \$5,100 and R. Brenneman \$5,100; and (ii) Investment Option Plan: H. Bresky \$18,849, S. Bresky \$15,432, R. Steer \$15,162 and R. Brenneman \$6,000. The amounts for fiscal 2001 are as follows: (i) 401(k) retirement savings plan: H. Bresky \$5,100, S. Bresky \$4,714, R. Steer \$4,775, J. Lynch \$5,100 and R. Brenneman \$5,100; and (ii) Investment Option Plan: H. Bresky \$9,848, S. Bresky \$11,082 and R. Steer \$11,742. Excludes perquisites and other benefits, unless the aggregate amount of such compensation exceeds the lesser of either \$50,000 or 10 percent of the total of annual salary and bonus reported for the Named Executive Officer.
- (5) Mr. Brenneman was promoted to President of Seaboard Farms, Inc. in June, 2001.

## **BENEFIT PLANS**

### **Executive Retirement Plan**

The Seaboard Corporation Executive Retirement Plan (the "Executive Retirement Plan") provides retirement benefits for a select group of our officers and managers, including the Named Executive Officers. Effective January 1, 1997, the Executive Retirement Plan provides that participants will accrue a benefit in an amount equal to 2.5 percent of the final average remuneration (salary plus bonus) of the participant multiplied by the participant's years of service from January 1, 1997. This amount will be reduced by the amount such participant has accrued under the Seaboard Corporation Pension Plan (described below). Benefits under the Executive Retirement Plan are unfunded. As of December 31, 2003, all of the Named Executive Officers were fully vested as defined in the Executive Retirement Plan. Payment of Plan benefits begin at normal retirement. In the case of a married participant, the benefit is paid pursuant to a "50 Percent Joint and Survivor Annuity." This means the participant will receive a monthly annuity benefit for his/her lifetime and an eligible surviving spouse will receive a lifetime annuity equal to 50 percent of the participant's benefit. The payment of the benefit for an unmarried participant is pursuant to a "Single Life Annuity." The Plan allows for optional forms of payment

under certain circumstances. The table below shows annual benefits by remuneration and years of service beginning with fiscal 1997.

**EXECUTIVE RETIREMENT PLAN TABLE**  
**YEARS OF SERVICE FROM JANUARY 1, 1997**

<u>REMUNERATION</u>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
\$ 125,000	28,800	38,300	47,800	57,500	67,000
\$ 150,000	33,800	45,000	56,300	67,500	78,800
\$ 175,000	38,800	51,800	64,800	77,700	90,600
\$ 200,000	43,900	58,500	73,200	87,800	102,400
\$ 225,000	53,300	71,000	88,800	106,600	124,300
\$ 250,000	62,700	83,500	104,500	125,300	146,200
\$ 300,000	81,400	108,500	135,700	162,800	189,900
\$ 400,000	118,900	158,500	198,200	237,800	277,400
\$ 450,000	137,700	183,500	229,500	275,300	321,200
\$ 500,000	156,400	208,500	260,700	312,800	364,900

**Frozen Executive Retirement Plan Benefit**

Mr. H. Bresky is 100 percent vested in an Executive Retirement Plan, frozen effective December 31, 1996, in which he has accrued an annual benefit of \$22,500 upon his retirement. Under this Plan, the automatic form of benefit payment is pursuant to a "Ten-year Certain and Continuous Annuity." This means Mr. Bresky will receive a monthly annuity benefit for his lifetime and, if Mr. Bresky dies while in the ten-year certain period, the balance of the ten-year benefit will be paid to his designated beneficiary. If Mr. Bresky dies while employed by our Company or after retirement, but before the commencement of benefits, monthly payments would be made to Mr. Bresky's beneficiary in the form of a 100 percent joint and survivor benefit. The Plan allows for optional forms of payment under certain circumstances.

**Seaboard Corporation Pension Plan**

The Seaboard Corporation Pension Plan ("the Plan") provides defined benefits for its domestic salaried and clerical employees upon retirement. Beginning in fiscal 1997, each of the individuals named in the Summary Compensation Table participates in this Plan. Benefits under this Plan generally are based upon the number of years of service and a percentage of final average remuneration (salary plus bonus), subject to limitation under applicable federal law. As of December 31, 2003, all of the Named Executive Officers were fully vested, as defined in the Plan. Under the Plan, the benefit payment for a married participant is pursuant to a "50 Percent Joint and Survivor Annuity." This means the participant will receive a monthly annuity benefit for his/her lifetime and an eligible surviving spouse will receive a lifetime annuity equal to 50 percent of the participant's benefit. The payment of the benefit for an unmarried participant is pursuant to a "Single Life Annuity." The Plan allows for optional forms of payment under certain circumstances. The table below shows benefits by remuneration and years of service.

PENSION PLAN TABLE  
YEARS OF SERVICE FROM JANUARY 1, 1997

<u>REMUNERATION</u>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
\$ 125,000	18,100	24,200	30,300	36,300	42,400
\$ 150,000	22,500	30,000	37,500	45,000	52,500
\$ 175,000	26,800	35,700	44,600	53,600	62,500
\$ 200,000	31,100	41,500	51,800	62,200	72,600
\$ 225,000	31,100	41,500	51,800	62,200	72,600
\$ 250,000	31,100	41,500	51,800	62,200	72,600
\$ 300,000	31,100	41,500	51,800	62,200	72,600
\$ 400,000	31,100	41,500	51,800	62,200	72,600
\$ 450,000	31,100	41,500	51,800	62,200	72,600
\$ 500,000	31,100	41,500	51,800	62,200	72,600

**Frozen Retirement Plan**

Each of the Named Executive Officers in the Summary Compensation Table is 100 percent vested under a particular defined benefit plan that was frozen at December 31, 1993. A definitive actuarial determination of the benefit amounts was made in 1995. The annual amounts payable upon retirement after attaining age 62 under this predecessor defined benefit plan are as follows: H. Bresky, \$120,108; S. Bresky, \$32,796; R. Steer, \$15,490; J. Lynch, \$25,872; and R. Brenneman \$6,540. Under this Plan, the payment of the benefit for a married participant is pursuant to a "Ten-year Certain and Continuous Annuity." This means the participant would receive a monthly annuity benefit for his/her lifetime and, if the participant dies while in the ten-year certain period, the balance of the ten-year benefit would be paid to his/her designated beneficiary. The payment of the benefit for an unmarried participant is pursuant to a "Single Life Annuity." If the participant dies while employed by our Company or after retirement, but before the commencement of benefits, monthly payments would be made to the participant's beneficiary in the form of a 100 percent joint and survivor benefit. The Plan allows for optional forms of payment under certain circumstances.

**Supplemental Retirement Plans**

The Supplemental Executive Benefit Plan provides for discretionary investment options under the Investment Option Plan (described below) and for cash compensation payable to J. Lynch and R. Brenneman in 2003, 2002 and 2001 in an amount equal to 3 percent of the participant's annual compensation in excess of \$200,000. Additionally, the cash compensation amounts paid pursuant to this plan are grossed up to cover 100 percent of a participant's estimated income tax liability on the benefit. The amounts of benefits payable, including the gross up for taxes, under the Supplemental Executive Benefit Plan is reported in the Summary Compensation Table above.

In addition to the Supplemental Executive Benefit Plan, our Company has agreed to provide a supplementary pension benefit to Mr. H. Bresky. Mr. H. Bresky is entitled to receive a supplementary annual pension in the amount of \$410,088 per year. Under this Plan, the benefit payment is pursuant to a "Ten-year Certain and Continuous Annuity." This means Mr. Bresky

will receive a monthly annuity benefit for his lifetime and, if Mr. Bresky dies while in the ten-year certain period, the balance of the ten-year benefit will be paid to his designated beneficiary. If Mr. Bresky dies while employed by our Company or after retirement, but before the commencement of benefits, monthly payments would be made to Mr. Bresky's beneficiary for a period of ten years. Under these plans, payment of benefits commences with the executive's retirement from our Company.

#### **Investment Option Plan**

The Investment Option Plan allows executives to reduce their compensation in exchange for options to buy shares of certain mutual funds and/or pooled separate accounts. In addition, our Company may grant discretionary investment options under the Investment Option Plan, which do not require a reduction to executive compensation. The exercise price for each investment option is established based upon the fair market value of the underlying investment on the date of grant.

#### **Executive Deferred Compensation Plan**

The Executive Deferred Compensation Plan requires the deferral of salary and bonus on a pre-tax basis for executives whose compensation exceeds \$1 million, the maximum allowable deductible amount under Section 162(m) of the Code.

None of the benefits payable under the aforementioned plans contain an offset for social security benefits.

### **REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION**

The following information is to provide stockholders and other interested parties with a clear understanding of our Company's philosophy regarding executive compensation and to provide insight behind fundamental compensation decisions.

Our Company maintains the philosophy that determination of compensation for its executive officers by the Board of Directors is primarily based upon a recognition that these officers are responsible for implementing our Company's long-term strategic objectives. Our Company's goals with respect to its executive compensation policies described below are to attract and retain top executive employees.

Base compensation, increases thereto, and bonus compensation for executive officers as presented in the Summary Compensation Table herein are determined by the following factors:

- Competitive compensation ranges at or above the average of a select group of comparable companies in an independent market assessment which included peer group analysis and comparison of national survey data. As most of the peer group companies offer their executives long-term stock incentives, in addition to base and bonus compensation, while Seaboard does not, our Board also considers this factor in its compensation decisions. This peer group is comprised of comparable sized firms in the

food processing and grain industries. While this group contains some of the same firms listed in the peer group index in the total return graphs herein, it is not identical.

- The diversity and complexity of our Company's businesses.
- Compensation decisions for the Chief Executive Officer and other executive officers are not principally based on Company performance.

As Chief Executive Officer, Mr. H. Bresky's base compensation and bonus are also determined based on a survey of the select group of firms referenced above. An analysis of the data presented in this survey shows that the typical total cash compensation for Chief Executive Officers of these entities is comparable to the base compensation and bonus paid to Mr. H. Bresky.

Discretionary bonuses for executive officers, including the Chief Executive Officer, may not exceed 100 percent of each executive's base compensation.

Pursuant to Section 162(m) of the Internal Revenue Code, compensation in excess of \$1 million paid to Mr. H. Bresky is not deductible by our Company. Our Board of Directors has considered the effect of Section 162(m) of the Code on the Corporation's executive compensation. As such, to assure that our Company does not lose deductions for compensation paid, the Board of Directors has adopted the Executive Deferred Compensation Plan described above, requiring the executive to defer receipt of any compensation in excess of \$1 million that is not deductible. In 2003, 2002 and 2001, no deferral was required as Mr. Bresky elected under the Investment Option Plan to reduce his compensation below \$1 million.

The foregoing report has been furnished by the Board of Directors:

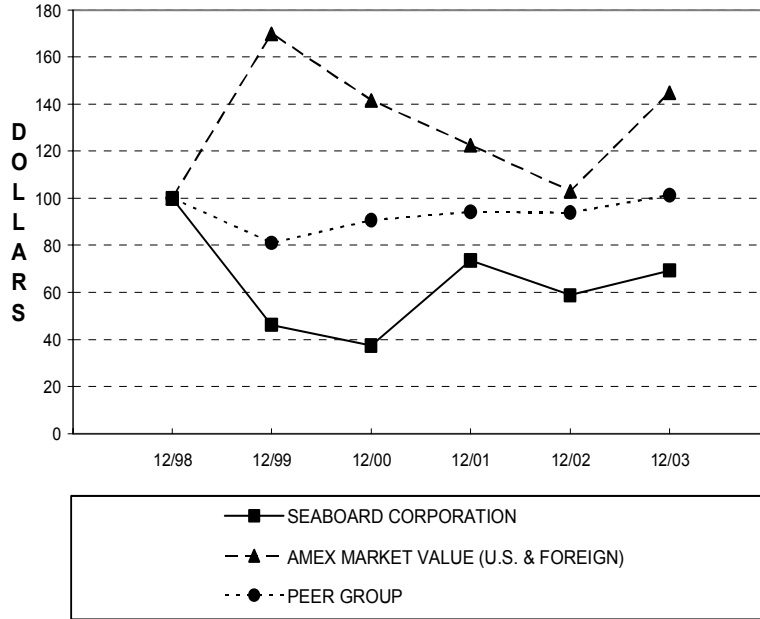
H. Harry Bresky	Joe E. Rodrigues	David A. Adamsen
Douglas W. Baena	Kevin M. Kennedy	

#### **COMPANY PERFORMANCE**

The Securities and Exchange Commission requires a five-year comparison of stock performance for our Company with that of an appropriate broad equity market index and similar industry index. Our Company's common stock is traded on the American Stock Exchange, and one appropriate comparison is with the American Stock Exchange Market Value Index performance. Because there is no single industry index to compare stock performance, the companies comprising the Dow Jones Food and Marine Transportation Industry indices were chosen as the second comparison.

The following graph shows a five-year comparison of cumulative total return for our Company, the American Stock Exchange Market Value Index and the companies comprising the Dow Jones Food and Marine Transportation Industry indices weighted by market capitalization for the five fiscal years commencing December 31, 1998, and ending December 31, 2003. The information presented in the performance graph is historical in nature and is not intended to represent or guarantee future returns.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
 AMONG SEABOARD CORPORATION, THE AMEX MARKET VALUE (U.S. & FOREIGN) INDEX  
 AND A PEER GROUP



\* \$100 invested on 12/31/98 in stock or index-including reinvestment of dividends.

The comparison of cumulative total returns presented in the above graph was plotted using the following index values and common stock price values:

	<u>12/31/98</u>	<u>12/31/99</u>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/03</u>
Seaboard Corporation	\$100.00	\$46.21	\$37.32	\$73.54	\$58.77	\$69.36
AMEX Market Value (U.S. & Foreign)	\$100.00	\$169.96	\$141.55	\$122.47	\$103.02	\$144.90
Peer Group	\$100.00	\$80.98	\$90.68	\$94.23	\$93.89	\$101.30

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Our Board of Directors has no compensation committee. Mr. H. Bresky is a member of the Board of Directors of our Company and participates in decisions by the Board regarding executive compensation.

On February 2, 2000, our Company loaned Mr. Lynch \$400,000 to purchase his primary residence. The promissory note is payable on demand, bears no interest and is secured by a mortgage on the home. In accordance with Internal Revenue Service regulations, Mr. Lynch's annual compensation includes an amount for imputed interest, as reported in the Summary Compensation Table above.

Upon Mr. Rodrigues' retirement as Executive Vice President and Treasurer in February 2001, our Company entered into a consulting agreement with Mr. Rodrigues for various services related to certain of our Company's foreign investments. During 2003, 2002 and 2001, our Company paid Mr. Rodrigues \$-0-, \$10,000 and \$82,000, respectively, for consulting fees and reimbursed him \$6,708, \$6,935 and \$35,479, respectively, for out-of-pocket expenses. Also, during 2003, 2002 and 2001, our Company paid Mr. Rodrigues \$442,780, \$431,992 and \$365,532, respectively, under various retirement plans.

Seaboard Flour LLC maintains a deposit with our Company to pay for any miscellaneous operating expenses incurred by our Company on behalf of Seaboard Flour. The largest amount of on deposit during 2003 was \$39,999 on January 25, 2003. As of December 31, 2003, our Company owed Seaboard Flour \$14,939.

During 2002, our Company consummated a transaction with its parent company, Seaboard Flour LLC, pursuant to which our Company effectively repurchased 232,414.85 shares of its common stock owned by Seaboard Flour. As a part of the transaction, Seaboard Flour transferred to our Company rights to receive possible future cash payments from a subsidiary of Seaboard Flour, based primarily on the future sale of real estate and the benefit of other assets owned by that subsidiary. The right to receive such payments expires September 17, 2007. To the extent our Company receives cash payments in the future as a result of those transferred rights, our Company has agreed to issue shares of our common stock to Seaboard Flour, based on a share price equal to the ten day rolling average closing price of our shares, determined as of the twentieth day prior to the issue date. The maximum number of shares of our Company's common stock that may be issued to Seaboard Flour under this transaction is capped and cannot exceed the number of shares which were purchased from Seaboard Flour. As of December 31, 2003, our Company had not received any cash payments from the subsidiary of Seaboard Flour.

## **ITEM 2: SELECTION OF INDEPENDENT AUDITORS**

The Audit Committee of our Board of Directors has selected the independent certified public accounting firm of KPMG LLP as our Company's independent auditors to audit the books, records and accounts of our Company for the year ending December 31, 2004. Stockholders will have an opportunity to vote at the annual meeting on whether to ratify the Audit Committee decision in this regard. Our Company has been advised by KPMG LLP that neither it nor any member or associate has any relationship with our Company or with any of its affiliates other than as independent accountants and auditors.

Submission of the selection of the independent auditors to the stockholders for ratification will not limit the authority of the Audit Committee to appoint another independent certified public accounting firm to serve as independent auditors if the present auditors resign or their engagement otherwise is terminated. Submission to the stockholders of the selection of independent auditors is not required by our Company's bylaws.

A representative of KPMG LLP is expected to be present at the annual meeting. Such representative will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

**Our Board of Directors recommends that you vote for approval of the selection of KPMG LLP.**

### **Independent Auditors' Fees**

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of our Company's annual financial statements for 2003 and 2002, and fees billed for other services rendered by KPMG LLP during such years.

<u>Type of Fee</u>	<u>2003</u>	<u>2002</u>
Audit Fees <sup>(1)</sup>	\$622,124	\$498,233
Audit-Related Fees <sup>(2)</sup>	191,527	51,904
Tax Fees <sup>(3)</sup>	195,717	284,584
All Other Fees <sup>(4)</sup>	1,503	5,670

<sup>(1)</sup> Audit Fees, including those for statutory audits, include the aggregate fees paid by us during 2003 and 2002 for professional services rendered by KPMG LLP for the audit of our annual financial statements and the review of financial statements included in our quarterly reports on Form 10-Q.

- (2) Audit Related Fees include the aggregate fees paid by us during 2003 and 2002 for assurance and related services by KPMG LLP that are reasonably related to the performance of the audit or review of our financial statements and not included in Audit Fees, including employee benefit plan audits and, in 2003, work related to Section 404 of the Sarbanes-Oxley Act of 2002.
- (3) Tax Fees include the aggregate fees paid by us during 2003 and 2002 for professional services rendered by KPMG LLP for tax compliance, tax advice and tax planning, including IRS audit support and transfer pricing studies.
- (4) All Other Fees represent miscellaneous services performed in certain foreign countries.

#### **Pre-Approval of Audit and Permissible Non-Audit Services**

The Audit Committee has established a policy to pre-approve all audit and permissible non-audit services. Prior to the engagement of the independent auditor, the Audit Committee pre-approves the services by category of service. Fees are estimated and the Audit Committee requires the independent auditor and management to report actual fees as compared to budgeted fees by category of service. The Audit Committee has delegated pre-approval authority to the Audit Committee chairman for engagements of less than \$25,000. For informational purposes only, any pre-approval decisions made by the Audit Committee chairman are reported at the Audit Committee's next scheduled meeting. The percentage of audit-related fees, tax fees and all other fees that were approved by the Audit Committee for fiscal 2003 is 99.6 percent of the total fees incurred.

#### **Audit Committee Report to Stockholders**

The Audit Committee of our Company is comprised of three directors who are "independent," as defined by the American Stock Exchange, and operates under a written charter. In February 2004, the Audit Committee and the Board approved a new Audit Committee charter, which is attached hereto as Appendix A.

The Audit Committee has reviewed the audited financial statements for fiscal year 2003 and discussed them with management and with the independent auditors, KPMG LLP. The Audit Committee also discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61, "*Communication with Audit Committees*," as amended.

The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, "*Independence Discussions with Audit Committees*," as amended, and have discussed with the independent auditors their independence. The Audit Committee has concluded that the independent auditors currently meet applicable independence standards.

The Audit Committee has reviewed the independent auditors' fees for audit and non-audit services for fiscal year 2003. The Audit Committee considered whether such non-audit services are compatible with maintaining independent auditor independence and has concluded that they are compatible at this time.

Based on its review of the audited financial statements and the various discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Company's Annual Report on Form 10-K for the year ended December 31, 2003.

The foregoing has been furnished by the Audit Committee:

David A. Adamsen (chair)      Douglas W. Baena      Kevin M. Kennedy

**ITEM 3: STOCKHOLDER PROPOSAL FOR INDEPENDENT DIRECTOR  
TO SERVE AS CHAIR OF THE BOARD**

**Stockholder Proposal**

Sierra Club, 311 California Street, Suite 510, San Francisco, California 94104, which owns 19 shares of our Company's common stock, proposes the adoption of the following resolution, and has furnished the following statement in support of its proposal:

RESOLVED, that the shareholders of Seaboard Corporation urge the Board to take the necessary steps to require that an independent director who is not nor was formerly the chief executive of the Company serve as Chair of the Board.

Supporting Statement: The Board's ability to scrutinize management plans may be reduced when the Board Chair is also the chief architect of the management plan in his or her capacity as chief executive officer. By requiring that the Chair be an independent Director, the Board may be able to bring to bear more critical review of basic management plans. We at the Sierra Club believe such critical review is especially important at Seaboard Corporation because of its exposure to environmental and public health liability.

Shareholders are concerned that our Company raises hogs, using practices that typically involve routinely feeding antibiotics to healthy animals. There is growing concern in the scientific and medical community about the increasing resistance of bacteria to antibiotics that are medically important for humans. The Union of Concerned Scientists estimates that 70 percent of antibiotics in the U.S. are fed to healthy livestock to promote growth and to compensate for unsanitary conditions. Some antibiotics used in meat production are also used in human medicine. (Clinical Infectious Diseases, June 1, 2002).

We believe that consumers are becoming increasingly alarmed by widespread industry use of antibiotics. A nationwide survey by Synovate in spring 2003 showed that 74 percent of those polled – regardless of age, education, income level and region - are concerned about the presence of antibiotics in meat production. <http://www.organicconsumers.org/foodsafety/beef052903.cfm>.

We believe that such consumer pressure has reached the management of our Company's competitors. According to PBS Frontline, Tyson Foods, Perdue Farms and Foster Farms recently declared their intention to greatly reduce the amount of antibiotics fed to healthy chickens. <http://www.pbs.org/wgbh/pages/frontline/shows/meat/safe>. Whereas, "Fast food giant McDonalds has banned some U.S. meat suppliers from feeding livestock antibiotic growth promoters, following concerns about the drugs' impact on human health," and we believe that our Company may be indirectly affected by that well-publicized development regarding antibiotic use in the meat industry, we believe that an independent director is better positioned to evaluate risks associated with environmental liability. <http://www.theage.com.au/articles/2003/06/19/1055828440561.html>.

The Company incurs risk if its products are determined to be contaminated or cause illness or injury. This risk includes (i) cost of, and negative consumer reaction associated with, adverse publicity and product recalls; (ii) exposure to related civil litigation; and (iii) regulatory administrative penalties, which can include injunctive relief and other civil remedies, including plant closings.

We believe that these environmental liabilities count as some of the more conspicuous, difficult challenges the Board must oversee. We think that such a Board should be led by someone distinctly independent of any plan and implementation to address these challenges.

Numerous scholars have called for greater distinction between directors and management.

For these reasons, we urge you to vote FOR this proposal.

#### **Company Response To Stockholder Proposal**

It is the Company's belief that the Board's ability to scrutinize management plans is not reduced by the fact that the Chair of the Board is not an independent director. This is especially the case with respect to our Company, where Mr. H. Harry Bresky, our Chairman of the Board, is such a large stockholder.

It is our Company's belief that the use of anti-microbials, when used judiciously, are a valuable practice to maintain a healthy herd. Our Company's use of antibiotics is under the direction of two full-time staff veterinarians and numerous outside consulting veterinarians. By strictly following label directions regarding withdrawal periods, and increasing those withdrawal periods in many cases, no detectable antibiotic residue is present in any of our Company's pork products. In fact, our Company guarantees, in its marketing of pork, that its products contain no antibiotic residues.

The pork industry, along with all of animal agriculture, continues to study the use of anti-microbials in animal agriculture and any possible cause/effect relation with drug resistant bacteria. Our Company supports the Federal Interagency Public Health Action Plan, the development of species-specific judicious-use guidelines by the American Veterinary Medical Association, the National Pork Board's Pork Quality Assurance Program and the National Pork Producer Council's Anti-Microbial Working Group.

In the past, the Sierra Club stated that by removing antibiotics from the diets of pigs, our Company will attract the loyalty of health-conscious consumers by producing and sourcing livestock without the non-therapeutic use of antibiotics. Our Company believes that it has earned the loyalty of health-conscious consumers by exercising care in the utilization of antibiotics and by guaranteeing that no antibiotic residues remain in its pork products.

Seaboard's Board of Directors believes it would be at a competitive disadvantage if it changed its practices with respect to the use of antibiotics because of increased death losses and associated herd health problems.

**For the foregoing reasons, your Board of Directors recommends a vote AGAINST the adoption of this stockholder proposal.**

#### **OTHER MATTERS**

The notice of meeting provides for the election of Directors, the selection of independent auditors and for the transaction of such other business, including consideration of a stockholder proposal, as may properly come before the meeting. As of the date of this proxy statement, our Board of Directors does not intend to present to the meeting any other business, and, except for the stockholder's proposal, it has not been informed of any business intended to be presented by others. However, if any other matters properly come before the meeting, the persons named in the enclosed proxy will take action and vote proxies, in accordance with their judgment of such matters.

Action may be taken on the business to be transacted at the meeting on the date specified in the notice of meeting or on any date or dates to which such meeting may be adjourned.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Based solely on a review of the copies of reports furnished to our Company and written representations that no other reports were required, our Company believes that during fiscal 2003 all reports of ownership required under Section 16(a) of the Securities Exchange Act of 1934 for Directors and executive officers of our Company and beneficial owners of more than 10 percent of our Company's common stock have been timely filed, except that Kevin Kennedy was late in filing a Form 4, reporting his purchase of 15 shares in November 2003.

## **STOCKHOLDER PROPOSALS**

It is anticipated that the 2005 annual meeting of stockholders will be held on April 25, 2005. Any stockholder who intends to present a proposal at the 2005 annual meeting must deliver the proposal to our Company at 9000 West 67th Street, Shawnee Mission, Kansas 66202, Attention: David M. Becker by the applicable deadline below:

- If the stockholder proposal is intended for inclusion in our Company's proxy materials for that meeting, our Company must receive the proposal no event later than November 12, 2004. Such proposal must also comply with the other requirements of the proxy solicitation rules of the Securities and Exchange Commission.
- If the stockholder proposal is to be presented without inclusion in our Company's proxy materials for that meeting, our Company must receive the proposal no event later than January 26, 2005.

Proxies solicited in connection with the 2005 annual meeting of stockholders will confer on the appointed proxies discretionary voting authority to vote on stockholder proposals that are not presented for inclusion in the proxy materials unless the proposing stockholder notifies our Company by January 26, 2005 that such proposal will be made at the meeting.

Our Board of Directors does not provide a process for stockholders to send communications to the Board because it believes that the process available under applicable federal securities laws for stockholders to submit proposals for consideration at the annual meeting is adequate.

## **FINANCIAL STATEMENTS**

The consolidated financial statements of our Company for the fiscal year ended December 31, 2003, together with corresponding consolidated financial statements for the fiscal year ended December 31, 2002, are contained in the Annual Report which is mailed to stockholders with this proxy statement. The Annual Report is not to be regarded as proxy solicitation material.

## **ADDITIONAL INFORMATION**

Any stockholder desiring additional information about our Company and its operations may, upon written request, obtain a copy of our Company's Annual Report to the Securities and Exchange Commission on Form 10-K without charge. Requests should be directed to Shareholder Relations, Seaboard Corporation, 9000 West 67th Street, Shawnee Mission, Kansas 66202. Our Company's Annual Report to the Securities and Exchange Commission on Form 10-K is also available on our Company's Internet website at [www.seaboardcorp.com](http://www.seaboardcorp.com).

## **HOUSEHOLDING OF PROXY MATERIALS**

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (including brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are stockholders of our Company may be "householding" our proxy materials. A single proxy statement may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you notify your broker or us that you no longer wish to participate in "householding." If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report in the future you may (1) notify your broker, (2) direct your written request to: Shareholder Relations, Seaboard Corporation, 9000 West 67th Street, Shawnee Mission, Kansas 66202, or (3) contact Shareholder Relations at (913) 676-8800. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report and proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered.

## APPENDIX A

# Seaboard Corporation

## Charter of the Audit Committee of the Board of Directors

### I. Audit Committee Purpose

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
- Be responsible for the appointment, compensation, retention and oversight of the Company's auditors, including resolution of disagreements between management and the auditors regarding financial reporting.
- Monitor the independence and performance of the Company's independent auditors and internal auditing department.
- Provide an avenue of communication among the independent auditors, management, the internal auditing department, and the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

### II. Audit Committee Composition and Meetings

Audit Committee members shall meet the requirements of the American Stock Exchange. The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be an independent director, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Committee shall be able to read and understand fundamental financial statements including a company's balance sheet, income statement and cash flow statement, and at least one member of the Committee shall be financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities.

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Audit Committee members shall be appointed by the Board. If an audit committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, either in person or telephonically, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the director of the internal auditing department, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee, should communicate with management and the independent auditors quarterly to review the Company's financial statements and significant findings based upon the auditors limited review procedures.

### III. Audit Committee Responsibilities and Duties

#### Review Procedures

1. Review and reassess the adequacy of the Charter at least annually. Submit the charter to the Board of Directors for approval and have the document published at least every three years in accordance with SEC regulations.
2. Review the Company's annual audited financial statements prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments.
3. In consultation with the management, the independent auditors, and the internal auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors and the internal auditing department together with management's responses.
4. Review with financial management and the independent auditors the Company's quarterly financial statements prior to filing or distribution. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors recommended in accordance with SAS 61 (see item 9).

#### Independent Auditors

5. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or recommend or approve any discharge of auditors when circumstances warrant.

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6. Approve the audit engagement letter, pre-approve all fees and other significant compensation to be paid to the independent auditors in accordance with the Audit Committee Policy.
7. On an annual basis, the Committee should review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence. The Independent Auditors shall be required to furnish the Audit Committee, each year, with a written report of all its relationships with the Company.
8. On an annual basis, the Committee will review and approve the independent auditors audit plan – discuss scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
9. Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to audit committees in accordance with AICPA SAS 61.
10. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting. Discuss certain matters required to be communicated to the audit committee regarding the critical accounting policies with management and the independent auditors. Discuss all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management by the independent auditors, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditors.

### Internal Audit Department

11. Review and approve the plan, changes in plan, activities, organizational structure, and qualifications of the internal audit department, as needed.
12. Review and approve the appointment, performance, and replacement of the senior internal audit executive.
13. Review significant reports prepared by the internal audit department together with management's response and follow-up to these reports.

### Other Audit Committee Responsibilities

14. On at least an annual basis, review with the Company's counsel, any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

## APPENDIX A

15. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including confidential, anonymous submissions by employees regarding questionable accounting or auditing matters.
16. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.
17. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.
18. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.