Preliminary CEO Pay Survey

Executive Summary

By Paul Hodgson
Senior Research Associate
April, 2007
EXECUTIVE SUMMARY

CEO Pay 2006—Preliminary Survey

A preliminary analysis of CEO compensation in 2006 by The Corporate Library suggests that total compensation growth slowed for the second year running. Based on data from The Corporate Library’s Board Analyst database and a review of the 1,048 proxy statements that have been filed since our September 2006 survey, including 568 that have been filed in 2007, the median increase in total compensation was 9.29 percent (See Table 1 for details). This compares to a median increase in total compensation between 2004 and 2005 of 15.98 percent in last year’s CEO Pay Survey and 11.29 percent found by last year’s Preliminary CEO Pay Survey.

In a reversal of last year’s preliminary findings, CEOs in the S&P 500 appear to have fared the best of all, with a median increase in total compensation of 23.78 percent, compared to 10.85 percent for MidCap CEOs and 7.72 percent for SmallCap chief executives. This analysis of increases is based on a matched sample of 657 CEOs who were in the job for the full 24-month period covered by the last two fiscal years.

For the new survey, and for the total compensation figures presented in Board Analyst and used as headline figures by The Corporate Library, total compensation continues to represent compensation that has actually been received by the CEO, rather than any notional estimates, accounting costs, or other uncertainties. For this reason, The Corporate Library’s figures will differ from those of many other commentators and pay survey producers. Our figures also differ from the total summary compensation figures provided by companies in the Summary Compensation Table, which represents an accounting cost, rather than actual compensation received or receivable. While other figures have value for certain purposes, The Corporate Library continues to be more interested in outcomes rather than outputs, real compensation rather than estimated compensation.

Table 1: All CEO compensation increases 2005/2006 (Source: The Corporate Library)

<table>
<thead>
<tr>
<th></th>
<th>Increase in base salary</th>
<th>Increase in annual compensation</th>
<th>Increase in total compensation (less equity and pensions)</th>
<th>Increase in total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>657</td>
<td>657</td>
<td>657</td>
<td>657</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Maximum</td>
<td>95.76</td>
<td>526.80</td>
<td>7,930.28</td>
<td>7,930.28</td>
</tr>
<tr>
<td>Upper quartile</td>
<td>9.69</td>
<td>27.43</td>
<td>49.89</td>
<td>73.90</td>
</tr>
<tr>
<td>Average</td>
<td>7.37</td>
<td>19.36</td>
<td>70.04</td>
<td>82.95</td>
</tr>
<tr>
<td>Median</td>
<td>4.55</td>
<td>7.60</td>
<td>6.45</td>
<td>9.29</td>
</tr>
<tr>
<td>Lower quartile</td>
<td>0.00</td>
<td>(4.11)</td>
<td>(19.95)</td>
<td>(17.34)</td>
</tr>
<tr>
<td>Minimum</td>
<td>(100.00)</td>
<td>(83.31)</td>
<td>(115.60)</td>
<td>(99.94)</td>
</tr>
</tbody>
</table>
Total compensation in the present survey includes:

- base salary;
- bonus;
- non-equity incentive compensation;
- all other compensation;
- change in pension and NQDC;
- value realized on exercise of options;
- value realized on vesting of other equity; and
- any payments from a vested retirement benefit plan.

Additional amounts may be included by some companies in the new all other compensation and change in pension and NQDC figures that were not disclosed at all previously. This could also have the effect of increasing total compensation figures, but it is likely that any increase generated by this increased disclosure will be counterbalanced by potential decreases in total compensation occasioned by the inclusion of the vesting value of restricted stock rather than the upfront grant date value.

In case these disclosure changes affected our increase analyses, an additional analysis was completed, removing the change in pension and NQDC figures and the value realized on vesting from the 2006 figures and the LTIP payout and restricted stock from the 2005 figures. Tables 1 and 2 also include, therefore, increase in total compensation (less equity and pensions) figures. While this appears to make little difference to the level of compensation growth for S&P 500 CEOs, it has a considerable effect on the increases calculated for CEOs in MidCap and SmallCap companies. This could point to several conclusions: the first being that the stock option’s dominance of long-term incentive compensation continues to wane. Secondly, it is very possible that the newly disclosed compensation amounts representing perks and retirement income increases are

<table>
<thead>
<tr>
<th></th>
<th>Increase in base salary</th>
<th>Increase in annual compensation</th>
<th>Increase in total compensation (less equity and pensions)</th>
<th>Increase in total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>140</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Maximum</td>
<td>78.95</td>
<td>404.66</td>
<td>1,374.67</td>
<td>1,413.94</td>
</tr>
<tr>
<td>Upper quartile</td>
<td>8.20</td>
<td>39.85</td>
<td>96.51</td>
<td>136.71</td>
</tr>
<tr>
<td>Average</td>
<td>6.50</td>
<td>32.34</td>
<td>89.31</td>
<td>104.24</td>
</tr>
<tr>
<td>Median</td>
<td>4.00</td>
<td>13.48</td>
<td>22.37</td>
<td>23.78</td>
</tr>
<tr>
<td>Lower quartile</td>
<td>0.00</td>
<td>0.04</td>
<td>(8.46)</td>
<td>(13.36)</td>
</tr>
<tr>
<td>Minimum</td>
<td>(100.00)</td>
<td>(74.63)</td>
<td>(99.94)</td>
<td>(99.94)</td>
</tr>
</tbody>
</table>
very much higher for S&P 500 CEOs than they are for CEOs of smaller companies.

**Base salary and annual compensation increases**

Increase figures for *base salary* and *total annual compensation* (*salary, bonus, non-equity incentive compensation and all other compensation*) are generally more moderate than they are for *total compensation*, though still well ahead of wage growth for other employees. This shows that, as ever, it is the vesting, payment and/or exercise of long-term incentives that is driving pay growth. Pay growth for *base salary* continues to hover around the 4.5 percent mark, with lower growth in the S&P 500 than in smaller companies. *Total annual compensation* increases were higher, at double and triple the rates for *base salary* in the S&P MidCaps and the S&P 500, respectively. It might be claimed that some *total annual compensation* increases could be being driven by greater disclosures under *all other compensation*, except that this would only be true for just over half of the sample that disclosed under the new regulations.

**Highest increases**
The highest increase in *total compensation* was experienced by Thomas Oland, CEO of biotech company Techne Corporation (TECH), whose compensation went up by almost 8,000 percent, due to profits on stock options in 2006 of almost $21 million. Oland did not exercise any stock options during 2005. While Techne’s stock price has suffered in the last 12 months, over five years it has outperformed the S&P 500 and massively outperformed its peers, many of whom saw significant value loss during the period. The highest *total annual compensation* increases were received by James Hambrick, the CEO of Lubrizol (LZ); Brian O’Hara, CEO of XL Capital (XL); and Patrick Hassey, CEO of Allegheny Technologies (ATI)—each of whom received significantly higher annual bonuses in 2006 than in 2005.

**New and old disclosure compensation levels**
*Table 3* shows a breakdown of compensation levels for all companies. Median *total compensation* for the 944 CEOs

<table>
<thead>
<tr>
<th></th>
<th>Total annual compensation</th>
<th>Total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>944</td>
<td>944</td>
</tr>
<tr>
<td>Maximum</td>
<td>$25,902,339</td>
<td>$118,909,037</td>
</tr>
<tr>
<td>Upper quartile</td>
<td>$1,998,258</td>
<td>$5,212,601</td>
</tr>
<tr>
<td>Average</td>
<td>$1,742,817</td>
<td>$5,370,785</td>
</tr>
<tr>
<td>Median</td>
<td>$1,003,693</td>
<td>$2,034,956</td>
</tr>
<tr>
<td>Lower quartile</td>
<td>$589,749</td>
<td>$872,466</td>
</tr>
<tr>
<td>Minimum</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Table 3: All companies aggregate total annual and total compensation (Source: The Corporate Library)*
who served for the full 12 months of the latest fiscal year was $2,034,956. This figure compares to $2,896,433 from the full survey last year, but $1,961,697 from the preliminary survey. Median total compensation has increased markedly for the S&P 500, with a figure of more than $10 million (See Table 4 for details), compared to less than $7 million from last year’s full survey and just over $5 million from the preliminary survey.

Table 4 also provides the Summary Compensation Table’s (SCT) figure for total summary compensation. Given the different processes of calculation, the similarity between The Corporate Library’s total compensation figure and the SCT figure is a surprise. Indeed, despite apparently being a gift to corporations, total summary compensation is typically higher than The Corporate Library’s figure.

**Highest paid CEOs**

While Mr. Cockwell was the “lowest” paid CEO, Leslie Blodgett, CEO of Bare Escentuals (BARE), was the highest paid. This was almost entirely due to the profit of $117,652,523 which she received from the exercise of 5,380,125 options. While no information is given as to the exercise price of these options, Ms. Blodgett received another 4 million options in fiscal 2006 with an exercise price that was twice lowered, taking it down from $1.79 to $0.71. Recapitalizations and extraordinary dividends aside, given that the company’s IPO price was $22, it is hardly surprising that Ms. Blodgett made so much money on the options that were exercised.

The highest base salary went to Keith Murdoch, CEO of News Corp (NWS), at a level of $4,508,694. Median base salary in the S&P 500 has been closing the gap on the

### Table 4: Aggregate compensation levels by S&P Index (Source: The Corporate Library)

<table>
<thead>
<tr>
<th>S&amp;P Index</th>
<th>Number</th>
<th>Base salary</th>
<th>Total annual compensation</th>
<th>Total compensation</th>
<th>Total summary compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>179</td>
<td>$1,078,953</td>
<td>$4,040,694</td>
<td>$14,783,144</td>
<td>$13,355,188</td>
</tr>
<tr>
<td>S&amp;P MidCaps</td>
<td>119</td>
<td>$735,304</td>
<td>$2,186,693</td>
<td>$5,995,115</td>
<td>$5,334,584</td>
</tr>
<tr>
<td>S&amp;P SmallCaps</td>
<td>188</td>
<td>$580,625</td>
<td>$1,167,238</td>
<td>$2,973,298</td>
<td>$2,530,720</td>
</tr>
<tr>
<td>S&amp;P Total</td>
<td>944</td>
<td>$637,084</td>
<td>$1,742,817</td>
<td>$5,370,785</td>
<td>$6,402,857</td>
</tr>
</tbody>
</table>

© 2007 The Corporate Library
This year’s complete CEO Pay Survey will be available in August, 2007. In the meantime, be sure to check out our latest Analyst Alert series on executive compensation, 2007 Proxy Season Insights:

2007 Proxy Season Insights #1: Executive Perks: Have shareholders been paying all along and just didn’t know about it?
To determine what effect the SEC’s new executive compensation disclosure regulations have had on the disclosure of the costs of executives’ benefits and perquisites, The Corporate Library examined a sample of 100 companies that have filed under the new disclosure regulations as of March 12, 2007. The analysis shows that, at most companies, poor disclosure in the past has significantly masked the levels of perquisite provision and their associated costs.

2007 Proxy Season Insights #2: A Little Nest Egg For Your Retirement
For the first time ever, shareholders have been given access to the precise amounts of savings that executives have been able to make during their career utilizing what are known as non-qualified deferred compensation (NQDC) plans.

These and all of our other research reports are available for purchase from The Corporate Library’s online store at www.thecorporatelibrary.com.

For more information about The Corporate Library and our products and services, please contact us:

877 479-7500 toll free U.S.

207 874-6921 outside the U.S.

sales@thecorporatelibrary.com

www.thecorporatelibrary.com

$1,000,000 mark for the past three years, but according to these preliminary results it has now reached that level. This means that more than half of the CEOs in the S&P 500, at least in the current sample, received salaries in excess of $1 million. The highest bonus…well, it depends what you mean by bonus. If it is the new disclosure bonus, then the highest, $18.5 million, was received by Stanley O’Neal, CEO of Merrill Lynch (MER). If it is non-equity incentive compensation, the highest, just over $14.7 million, was received by Chad Dreier, CEO of The Ryland Group (RYL). On the other hand, if it is the old annual bonus, the highest was received by Lloyd Blankfein, CEO of Goldman Sachs (GS), who was awarded a bonus worth just over $27.2 million. In other words, Mr. Blankein received the highest bonus. •
EXECUTIVE PERKS: HAVE SHAREHOLDERS BEEN PAYING ALL ALONG AND JUST DIDN’T KNOW ABOUT IT?

The Corporate Library Finds Revelations in New SEC-Mandated Disclosures

PORTLAND, MAINE; MARCH 15, 2007 — Research from The Corporate Library shows that the new benefits disclosures suggest that many executive perks may have been hidden previously from shareholders’ view.

The study shows that the disclosed costs of providing executive benefits and perquisites has increased on average by more than 130% between the 2005 disclosures and those made in 2006.

“It isn’t so much that shareholders didn’t know how much these perks were costing them – they didn’t even know they were being provided,” said Paul Hodgson, The Corporate Library’s senior research associate for executive compensation.

Analysis is based on figures taken from the 2006 and 2007 proxy statements of 100 companies which have recently filed under the new SEC disclosure regulations. It clearly shows that, at most companies, poor disclosure in the past has significantly masked the levels of perquisite provision and their associated costs.

To identify what lay behind some of the increases, Mr. Hodgson examined in detail the disclosures at Merck (MRK), Applied Materials (AMAT), T. Rowe Price (TROW) and NSTAR (NST) among others. Although in some cases there was a specific reason for the increase, in general the rise in cost appears to be due to incomplete disclosures in the prior year.

The complete analysis is available from The Corporate Library’s online store at www.thecorporatelibrary.com.

###

About The Corporate Library
The Corporate Library, headquartered in Portland, Maine, is the leading independent resource for corporate governance and compensation information and analysis of public U.S. corporations. Founded in 1999, it continues to be the authority on corporate governance matters, as evidenced by the frequency with which key media, business and government leaders seek its unique insight and objective perspectives. Additional information on The Corporate Library and its suite of online corporate governance data and analysis products can be found on its website at www.thecorporatelibrary.com.

Contact:
Melanie Bond
Media Manager, The Corporate Library
mbond@thecorporatelibrary.com
207 874-6921
ANOTHER HIDDEN EXECUTIVE BENEFIT SEES LIGHT OF DAY THANKS TO NEW SEC DISCLOSURE RULES

New Study by The Corporate Library Reveals Details of Little-Known Perks

PORTLAND, MAINE; MARCH 22, 2007 — A new report by The Corporate Library shows that instead of waiting until CEOs retire or are fired to find out what their non-qualified deferred compensation (NQDC) plan accounts hold, shareholders are now being provided with this information every year, thanks to the new SEC disclosure regulations.

The study of more than 280 companies reporting under the new regulations shows more than two-thirds of CEOs have investments in a NQDC plan. The average balance in such plans is more than $5 million.

In addition, the study indicates that the increased disclosures call into question the continued provision of defined benefit pension plans for executives. Over three-quarters of the CEOs with NQDC balances also have supplemental executive retirement plans (SERPs).

“This begs the question whether CEOs and other executives who have amassed very large sums in non-qualified savings accounts really do need additional retirement benefits in the form of a non-qualified defined benefit plan,” said Paul Hodgson, The Corporate Library’s senior research associate for executive compensation. “Executive compensation is the last bastion of defined benefit plans, and while most other employees must make do with a 401(k), it appears that compensation committees think the majority of executives cannot make do without both forms of retirement pay.”

Some of the largest NQDC balances were found at U.S. Bancorp, where former CEO Jerry Grundhofer had amassed more than $86 million. Also, Alexander Cutler, CEO of Eaton Corp., and William Weldon, CEO of Johnson & Johnson each held around $40 million.

The Corporate Library’s analysis is based on figures taken from the 2007 proxy statements of 283 companies which have recently filed under the new SEC disclosure regulations.

###

About The Corporate Library
The Corporate Library, headquartered in Portland, Maine, is the leading independent resource for corporate governance and compensation information and analysis of public U.S. corporations. Founded in 1999, it continues to be the authority on corporate governance matters, as evidenced by the frequency with which key media, business and government leaders seek its unique insight and objective perspectives. Additional information on The Corporate Library and its suite of online corporate governance data and analysis products can be found on its website at www.thecorporatelibrary.com.

Contact:
Melanie Bond
Media Manager, The Corporate Library
mbond@thecorporatelibrary.com
207 874-6921
WHEN IS A BONUS NOT A BONUS?

The Corporate Library Analyzes the Difference Between Bonuses and Non-Equity Incentive Compensation

PORTLAND, MAINE; APRIL 13, 2007 — In its third 2007 Proxy Season Insight, The Corporate Library examines company practices and SEC policy in the now-confusing realm of reporting annual incentive payments.

The SEC’s new executive compensation disclosure rules require companies to make the distinction between bonus and non-equity incentive compensation (NEIC) in order to provide a clearer picture of why the award was granted. Bonuses, under the new rules, are generally discretionary payments, while NEIC awards are payments based on the achievement of specified performance measurements.

The Corporate Library’s study, based on 606 proxies released in 2007 under the new disclosure requirements as of late March, determined that more companies appear to be reporting annual incentive payments under the NEIC column than under the bonus column in their Summary Compensation Tables. Not only that, NEIC awards are generally worth considerably more than bonuses. The analysis also provides valuable insight into how companies are rewarding their executives — are awards based on superior performance, or merely “discretionary”?

Unfortunately, the new disclosure rules, while providing an important distinction, have also muddied the water. “The new rules of reporting have also created confusion as to what performance period is being rewarded,” said Alexandra Higgins, Research Associate at The Corporate Library and author of the report.

The complete analysis is available for purchase from The Corporate Library’s website at www.thecorporatelibrary.com.

###

About The Corporate Library
The Corporate Library, headquartered in Portland, Maine, is the leading independent resource for corporate governance and compensation information and analysis of public U.S. corporations. Founded in 1999, it continues to be the authority on corporate governance matters, as evidenced by the frequency with which key media, business and government leaders seek its unique insight and objective perspectives. Additional information on The Corporate Library and its suite of online corporate governance data and analysis products can be found on its website at www.thecorporatelibrary.com.

Contact:
Melanie Bond
Media Manager, The Corporate Library
mbond@thecorporatelibrary.com
207 874-6921