

October 13, 2009

Highlights of Panel Discussion

Executive Compensation Update

Proxy season is upon us, and with the increased challenge in executives' ability to forecast and deliver high performance results, one of the many related areas affected at the board level is executive compensation. A panel of three experts addressed this topic: Jack Dolmat-Connell, of Dolmat-Connell & Partners, compensation experts; Pat McGurn of Risk Metrics, which recommends shareholder voting actions; and Pamela Lenehan, public company director and compensation committee chair, of Ridge Hill Consulting.

Dolmat-Connell reviewed trends in executive compensation, including:

- Executive base salaries are generally flat as companies try to conserve cash
- Short term incentive plans for 2009 have been restructured
- Long term incentive plans continue to be reviewed
- Severance and change-in-control agreements have become conservative
- Stock ownership guidelines are becoming more prevalent

He then reviewed the Obama administration's proposals and guiding principles for executive compensation, and the U.S. Treasury Department's proposed legislation that affect say-on-pay and compensation committee independence. Dolmat-Connell also explained CD&A disclosure requirements and gave 10 top considerations for 2010.

McGurn's presentation described Risk Metrics' approach to the 2009 proxy season and a look ahead. Risk Metrics' pay for performance recommendation policy is done on a case-by-case basis, and looks at both the company's stock performance and the alignment of CEO pay. Regarding management say on pay, Risk Metrics may recommend withhold/against votes from compensation committee members for egregious compensation practices. McGurn then reviewed his company's stance on new pay shareholder proposals, including anti-gross-ups, executive death benefits, bonus banks and stock awards through retirement. McGurn commented that Risk Metrics has recommended more "for" votes for equity plan proposals than against in the past three years. He concluded his presentation with a review of option pricing/exchange recommendations.

Lenehan declared that 2009 was a very difficult year for compensation. Budgets had not anticipated the depth of the recession, and that many short term incentive plans would not reach their targets by December of 2009, with long term incentives equally as disappointing. Lenehan's outlook for 2010 foresaw continuing short-term incentive and long term incentive challenges. She closed by highlighting issues of risk management, say on pay and holding requirements.

Please follow the link [here](#) to view the speakers' slide presentations.