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Board Pay Preview

Results of the 2008-2009 NACD/PM&P Director Compensation Study

Today's Speakers

Jannice L. Koors, Managing Director
Pearl Meyer & Partners, Chicago

Jan Koors, Managing Director and head of PM&P's Chicago office, has more than 20 years of experience in all areas of executive compensation.

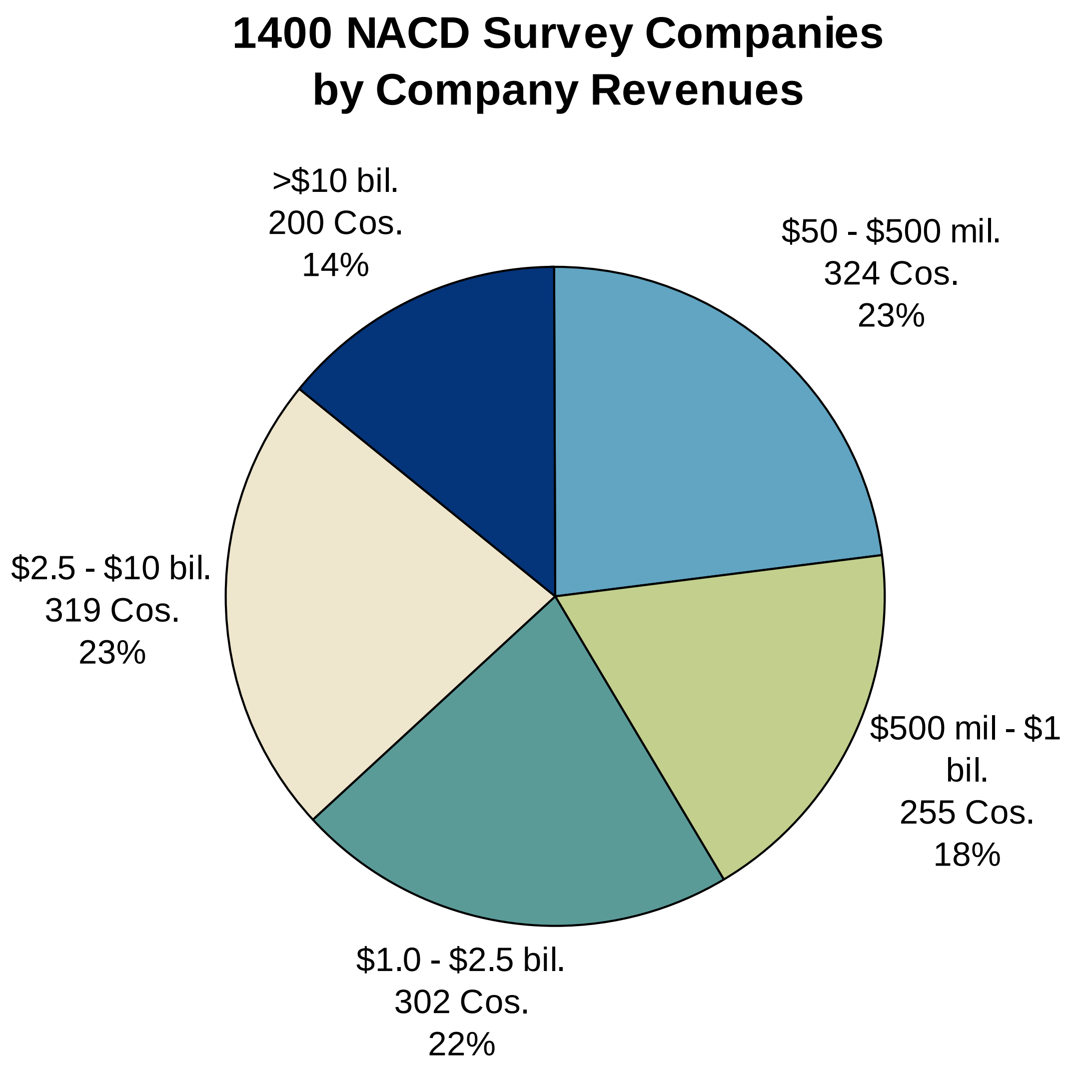
Lianne Chew, Consultant, & Matt Vnuk, Associate
Pearl Meyer & Partners, New York

Lianne Chew and Matt Vnuk serve as the Project Managers for the NACD/PM&P Director Compensation Report.

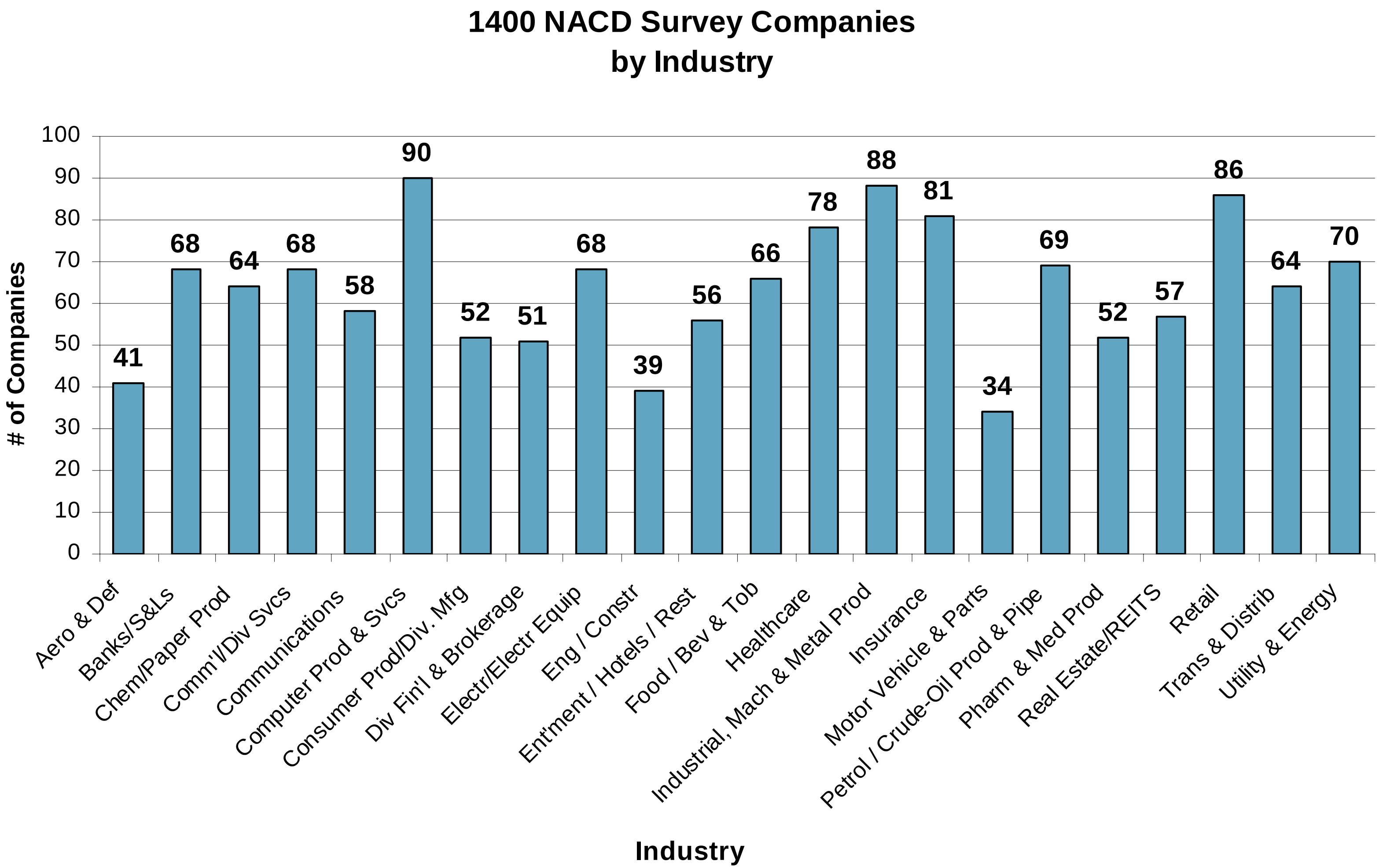
Peter R. Gleason, Managing Director and Chief Financial Officer
National Association of Corporate Directors

Peter Gleason serves as treasurer for the NACD board of directors and leads the Center for Board Leadership, the research arm of the NACD.

Study analyzes non-employee director compensation for 1400 companies, broken out into 5 revenue groups...



...and 22 industries



Companies follow the lead of Top 200 with regard to Board composition and structure

- **Data points with a notable year-over-year change or that are new to the NACD / PM&P study, have been highlighted**

Board Composition and Structure

	Smaller	Small	Medium	Large	Top 200
No. of companies	324	255	302	319	200
Median Term Length (yrs)	2	1	3	1	1
% with 1 year term	50%	51%	47%	51%	74%
% with term >1 year	50%	49%	53%	49%	27%
Median Director Age (yrs)	61	60	61	62	61
Median Director Tenure (yrs)	7.3	6.7	6.5	6.7	6.5
Retirement Age (yrs)					
Prevalence of disclosure	20%	20%	48%	65%	81%
Median Ret. Age	72	72	72	72	72
Age Range (25th-75th Perct.)	70 - 75	70 - 73	70 - 72	70 - 72	72 - 72
Median No. of Directors	8	8	9	10	11
Number of Boards	1	1	2	2	2
Board Composition (Median)					
Male	100% (a)	92%	89%	89%	83%
Female	0%	8%	11%	11%	17%

(a) On average, Boards at the Smaller companies are 93% male and 7% female.

Most Board members are still CEOs

Board Composition and Structure

Title Prevalence:	Smaller	Small	Medium	Large	Top 200
CEO/Top Executive	25%	28%	26%	27%	31%
COB (non-CEO)	9%	7%	8%	10%	11%
COO/President	9%	8%	8%	9%	7%
CFO	3%	3%	3%	2%	2%
Bus Unit Head	2%	1%	1%	2%	1%
GC	1%	2%	1%	1%	1%
Other Exec	14%	12%	12%	9%	9%
Retired	16%	22%	25%	24%	24%
Academic	4%	3%	5%	5%	7%
Military	0%	0%	0%	0%	1%
High Interest Representative	0%	1%	2%	1%	0%
Other	16%	14%	8%	11%	7%

As expected, 2008 growth was modest

Historical Year-over-Year Trends Total Direct Compensation (TDC) by Company Size								
				Prior Year-to-Year Trends				
Company Size	TDC 2008	TDC 2007	2008 vs. 2007	2007 vs. 2006	2006 vs. 2005	2005 vs. 2004	2004 vs. 2003	2003 vs. 2002
Smaller	$78,698	$81,951	-4 %	7 %	16 %	11 %	36 %	-10 %
Small	116,625	114,000	2	2	7	15	20	11
Medium	133,470	132,699	1	5	2	16	23	9
Large	166,250	156,818	6	7	8	16	22	7
Top 200	213,899	205,759	4	5	12	11	14	1

(a) Director compensation methodology was modified in 2007. Values are based on Old Methodology for comparable year-over-year growth rates.

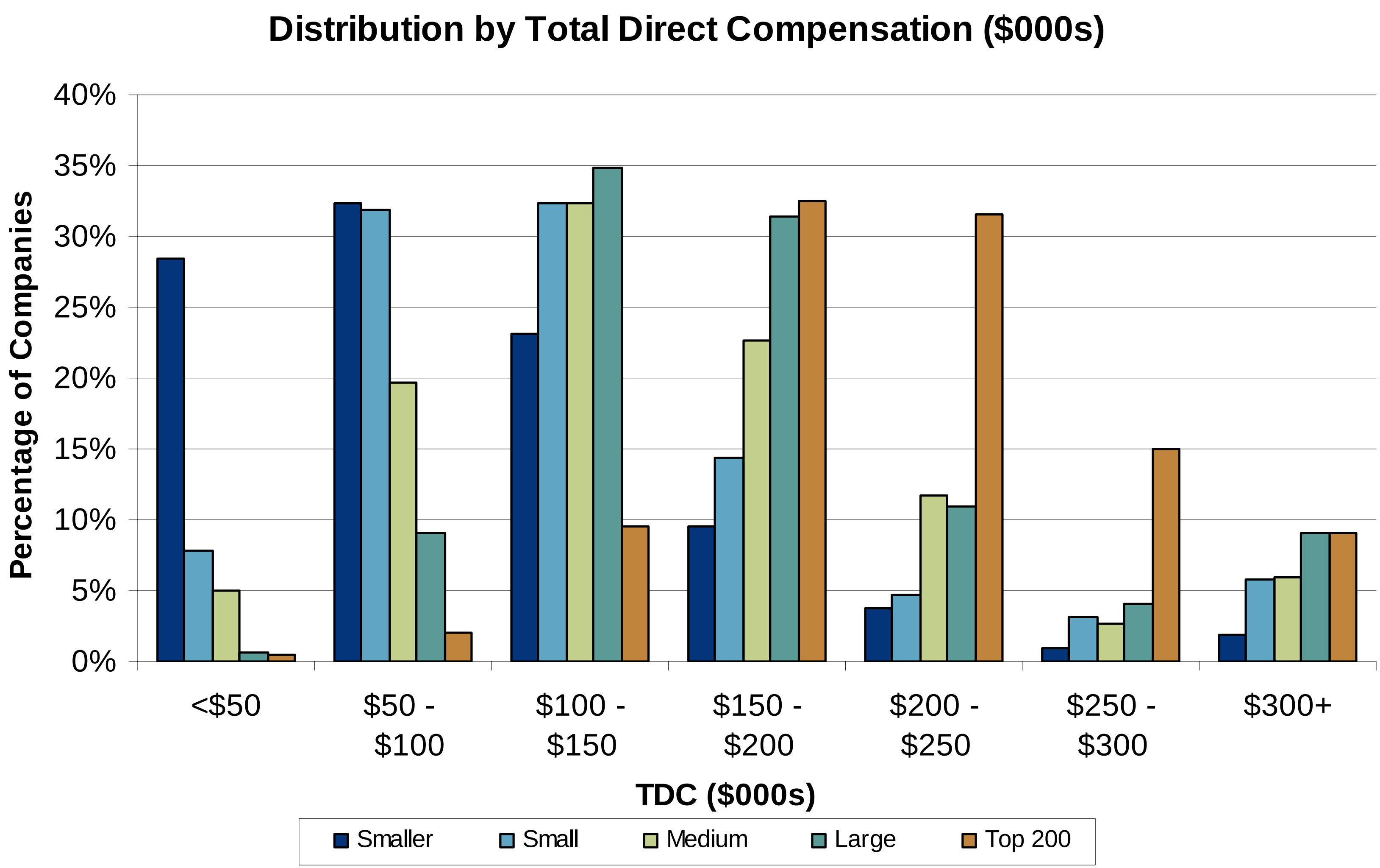
(b) Prior studies (2005 and earlier) reported average data rather than median; year-to-year changes represent change in average compensation levels.

Chart below reflects Board compensation by pay element

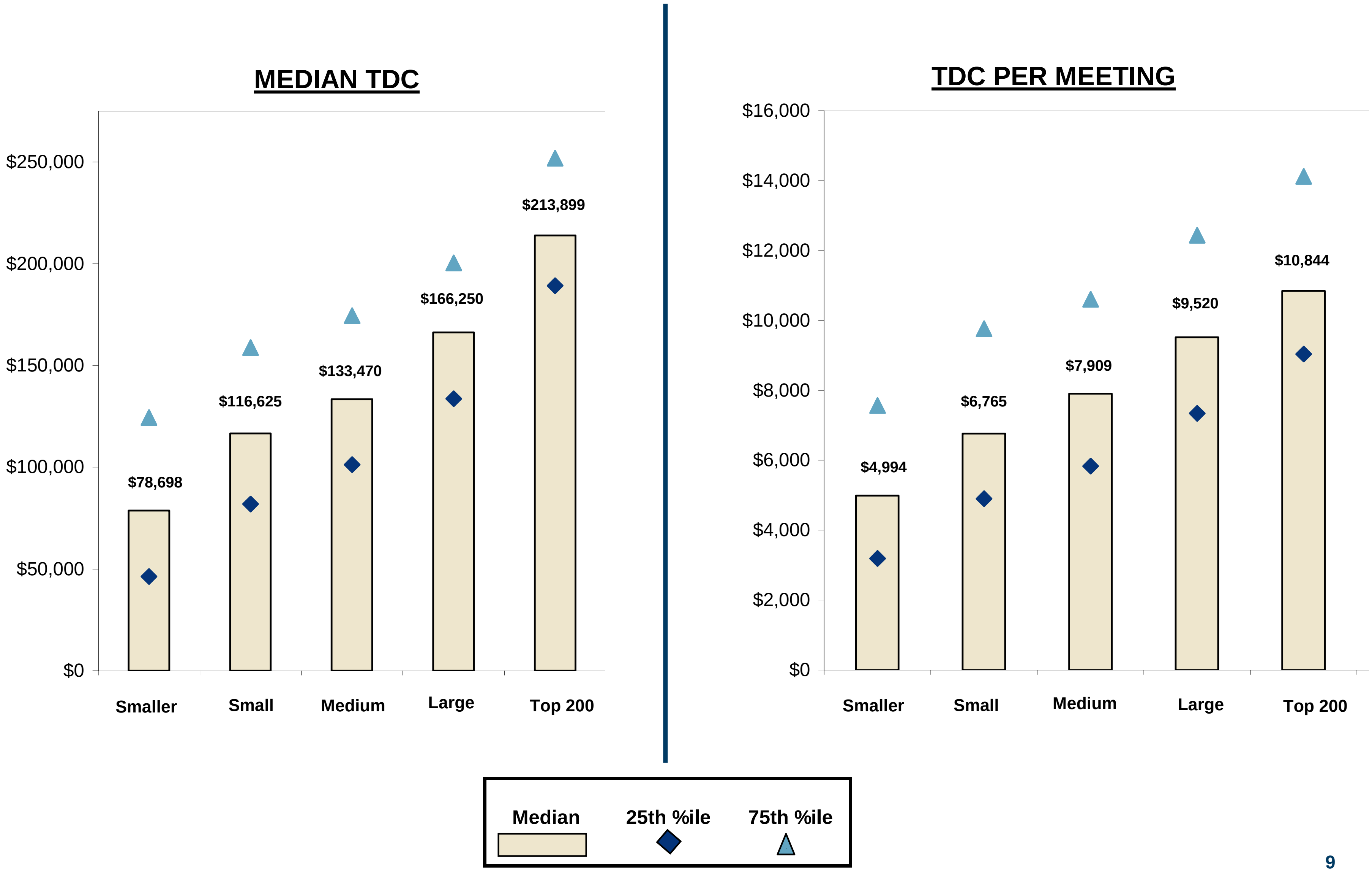
Median Total Direct Compensation and Year-over-Year Comparison by Company Size										
	Smaller		Small		Medium		Large		Top 200	
	2008	2008 vs. 2007	2008	2008 vs. 2007	2008	2008 vs. 2007	2008	2008 vs. 2007	2008	2008 vs. 2007
Board Compensation										
Cash Retainer	$25,000	0 %	$31,200	4 %	$40,000	14 %	$50,000	11 %	$70,000	17 %
Board Meeting Fees (a)(b)	10,000	0	10,500	0	12,000	(11)	14,500	16	16,000	0
Total Stock Award (c)	$32,798	(6) %	$52,111	(10) %	$65,000	(10) %	$85,000	2 %	$120,000	9 %
Stock Options (a)	*34,658*	*(9)*	*35,501*	*(29)*	*53,007*	*(10)*	*62,500*	*(6)*	*69,813*	*3*
Full-Value Share (a)	*39,188*	*4*	*52,400*	*(3)*	*56,486*	*4*	*75,000*	*7*	*110,000*	*10*
Total Board Compensation (c)	**$68,009**	**(3) %**	**$98,000**	**2 %**	**$116,084**	**(3) %**	**$149,886**	**5 %**	**$190,000**	**0 %**
Committee Compensation										
Total Committee Fees (b)	**$9,333**	**7 %**	**$12,813**	**6 %**	**$14,469**	**2 %**	**$15,625**	**2 %**	**$14,165**	**(17) %**
Total Direct Compensation (c)	**$78,698**	**(4) %**	**$116,625**	**2 %**	**$133,470**	**1 %**	**$166,250**	**6 %**	**$213,899**	**4 %**
TDC Per Meeting	**4,994**	**(1)**	**6,765**	**5**	**7,583**	**(5)**	**9,520**	**5**	**10,844**	**6**
Total Board Cost	**470,816**	**5**	**827,750**	**5**	**1,068,368**	**0**	**1,434,500**	**4**	**2,233,463**	**10**
Total Board Cost (% of Median Rev.)	**0.20%**	**6**	**0.12%**	**7**	**0.07%**	**4**	**0.03%**	**0**	**0.01%**	**10**

(a) Board meeting fees, stock options and full-value share awards reflect median of those companies using pay component (i.e., summary data excludes zeros).
(b) Includes board meeting fees and committee fees paid in cash and / or stock.
(c) Median figures are non-additive.

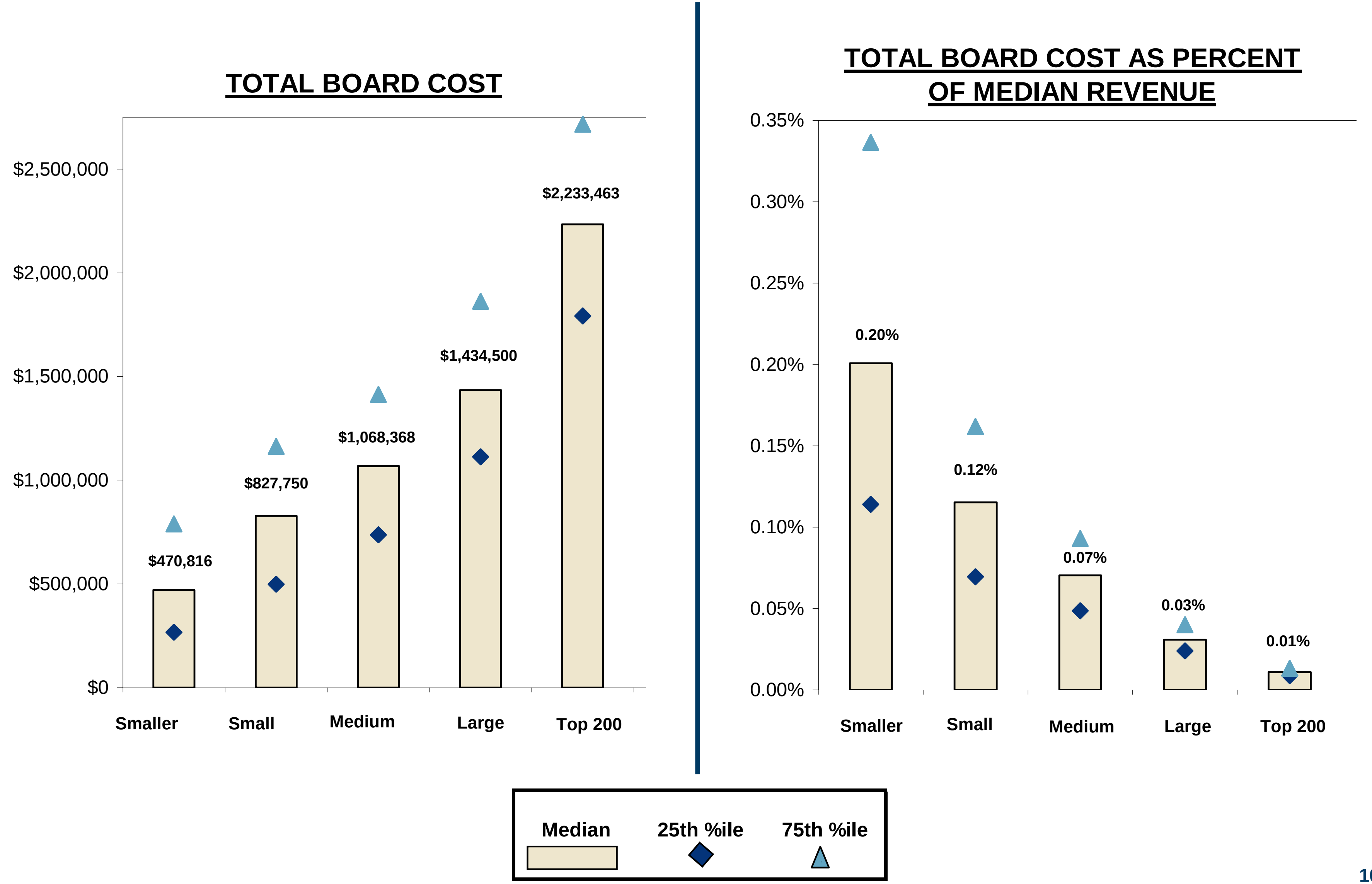
Distribution of total direct compensation is widespread across all 1400 companies



TDC and TDC per meeting correlate with revenue size

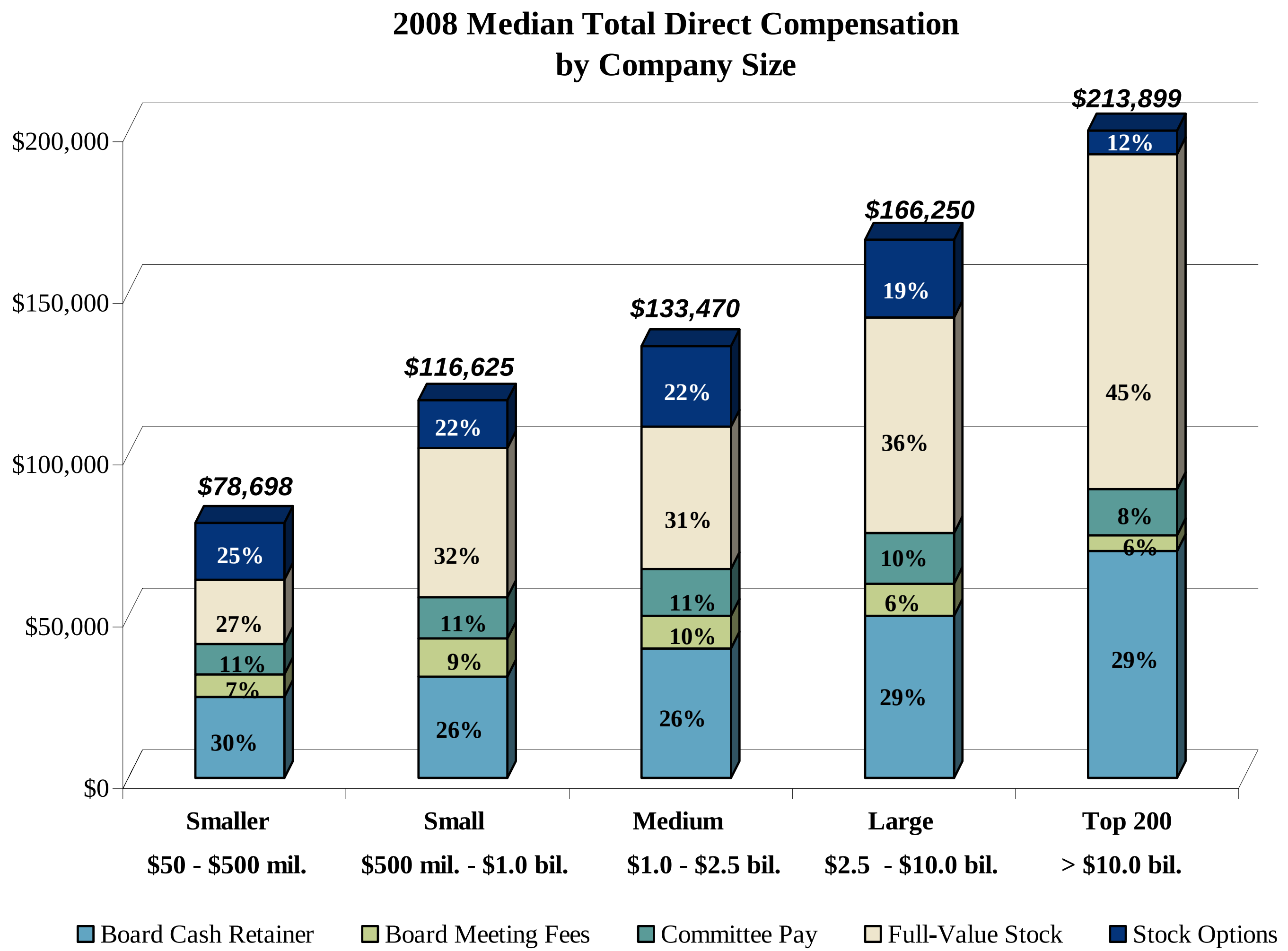


Total Board Cost increases with size, but decreases as a percentage of revenues



Similar to last year's findings, the resulting pay mix is fairly consistent across size groups

- **One notable difference: as company size increases, pay is more heavily weighted towards equity in the form of full-value shares**



Smaller companies follow the lead of Top 200 with regard to pay structure

- **Decline in Board meeting fee prevalence among all size groups**
- **Increased use of full-value shares; decreased use of options**
- **Committee pay remains a significant component of total direct compensation among all revenue groups**

2008 Prevalence of Pay Elements by Company Size

	Smaller	Small	Medium	Large	Top 200
Board Compensation					
Annual Cash Retainer	94%	95%	98%	98%	97%
Board Meeting Fees (a)	68%	73%	71%	60%	41%
All Stock Awards (b)	82%	90%	93%	97%	100%
Full-Value Shares	*48%*	*73%*	*72%*	*85%*	*92%*
Stock Options	*48%*	*34%*	*43%*	*37%*	*30%*
Committee Compensation (a)					
Member Fees / Retainers (b)	81%	84%	84%	83%	74%
Member Retainer	*30%*	*25%*	*28%*	*37%*	*39%*
Member Meeting Fees	*63%*	*69%*	*70%*	*62%*	*50%*
Chair Fees / Retainers (b)(c)	94%	96%	98%	97%	98%
Additional Chair Retainer	*79%*	*88%*	*90%*	*92%*	*94%*
Additional Meeting Fees	*7%*	*8%*	*11%*	*6%*	*5%*

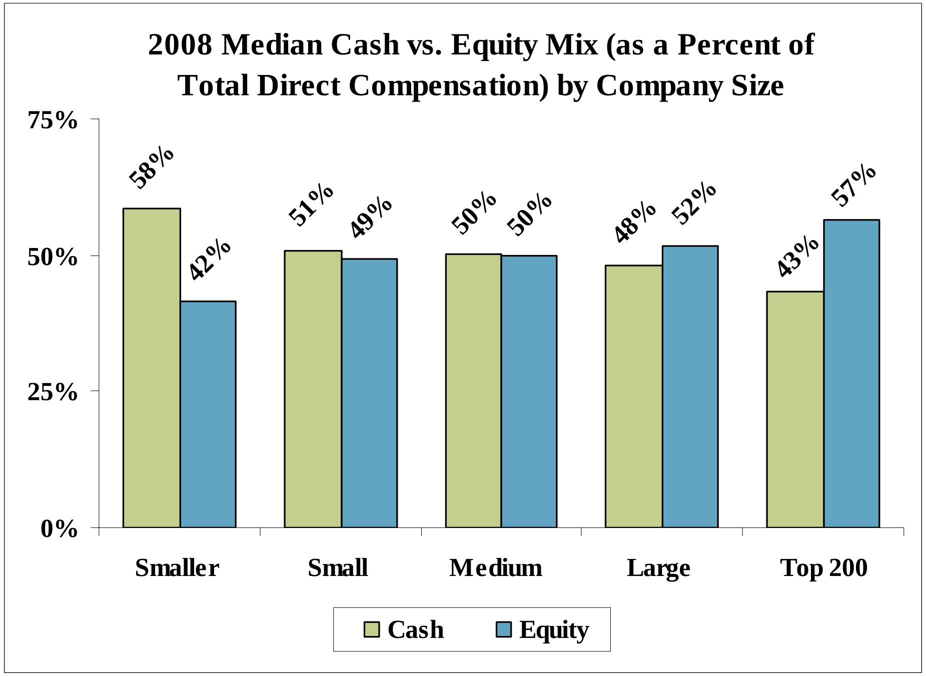
(a) Includes Board meeting fees and committee fees paid in cash and / or stock.

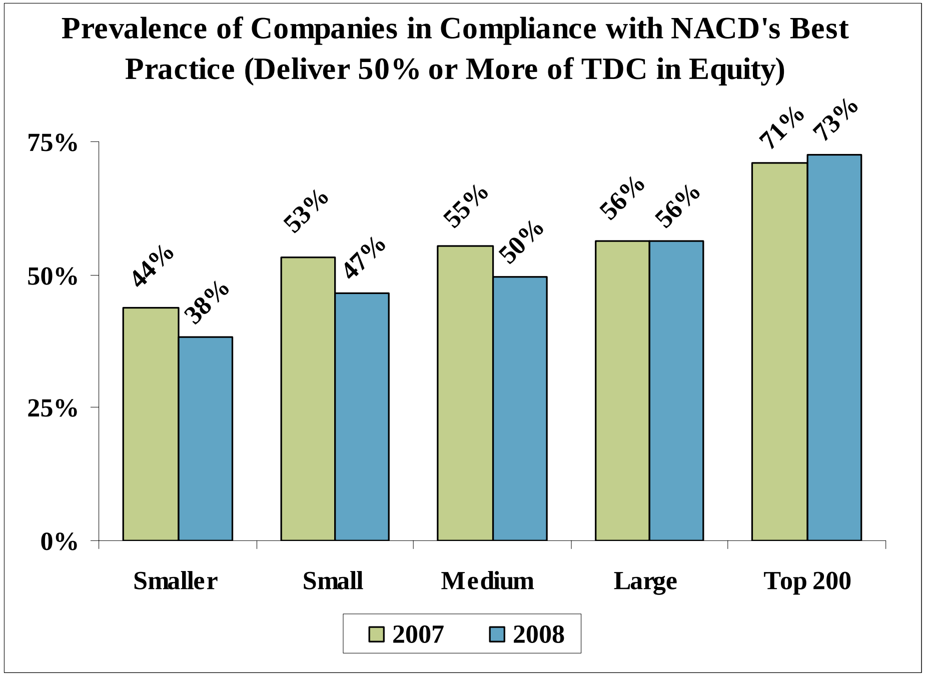
(b) Median figures are non-additive.

(c) Reflects total prevalence of meeting fees and / or retainers paid to committee chairs (includes member fees / retainers paid to committee chairs plus additional chair fees / retainers).

More companies are delivering a greater portion of compensation in equity . . .

- **Except for the Smaller and Small size cuts, the majority of companies in each size cut is in compliance with NACD's Best Practice of providing at least 50% of director compensation in equity**

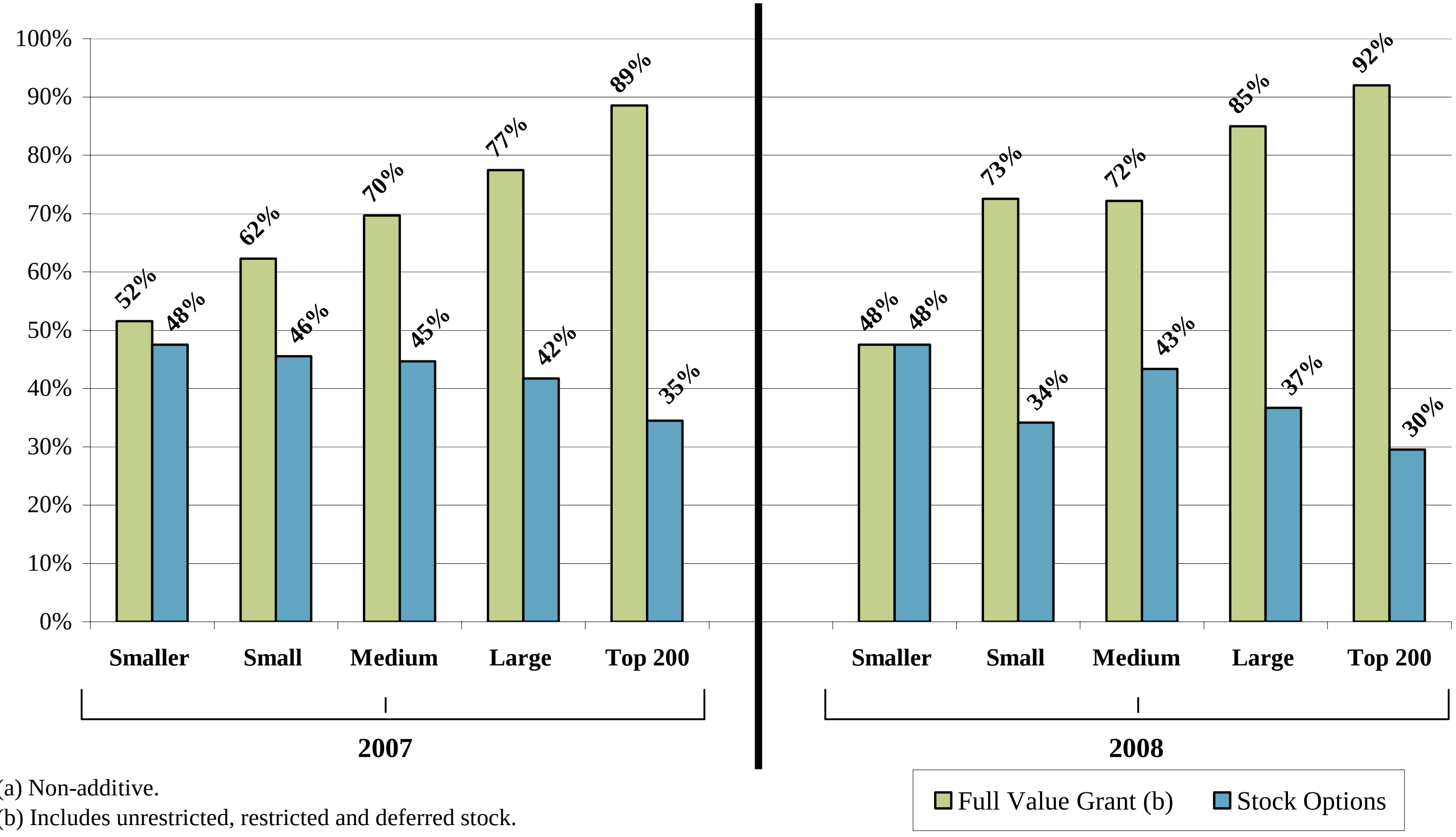




. . . and generally full-value share prevalence is greater than 50%

- **From 2007 to 2008, use of full-value shares remained relatively flat, while option use decreased**

2007 and 2008 Prevalence of Full Value Stock and Stock Options by Company Size (a)



(a) Non-additive.
(b) Includes unrestricted, restricted and deferred stock.

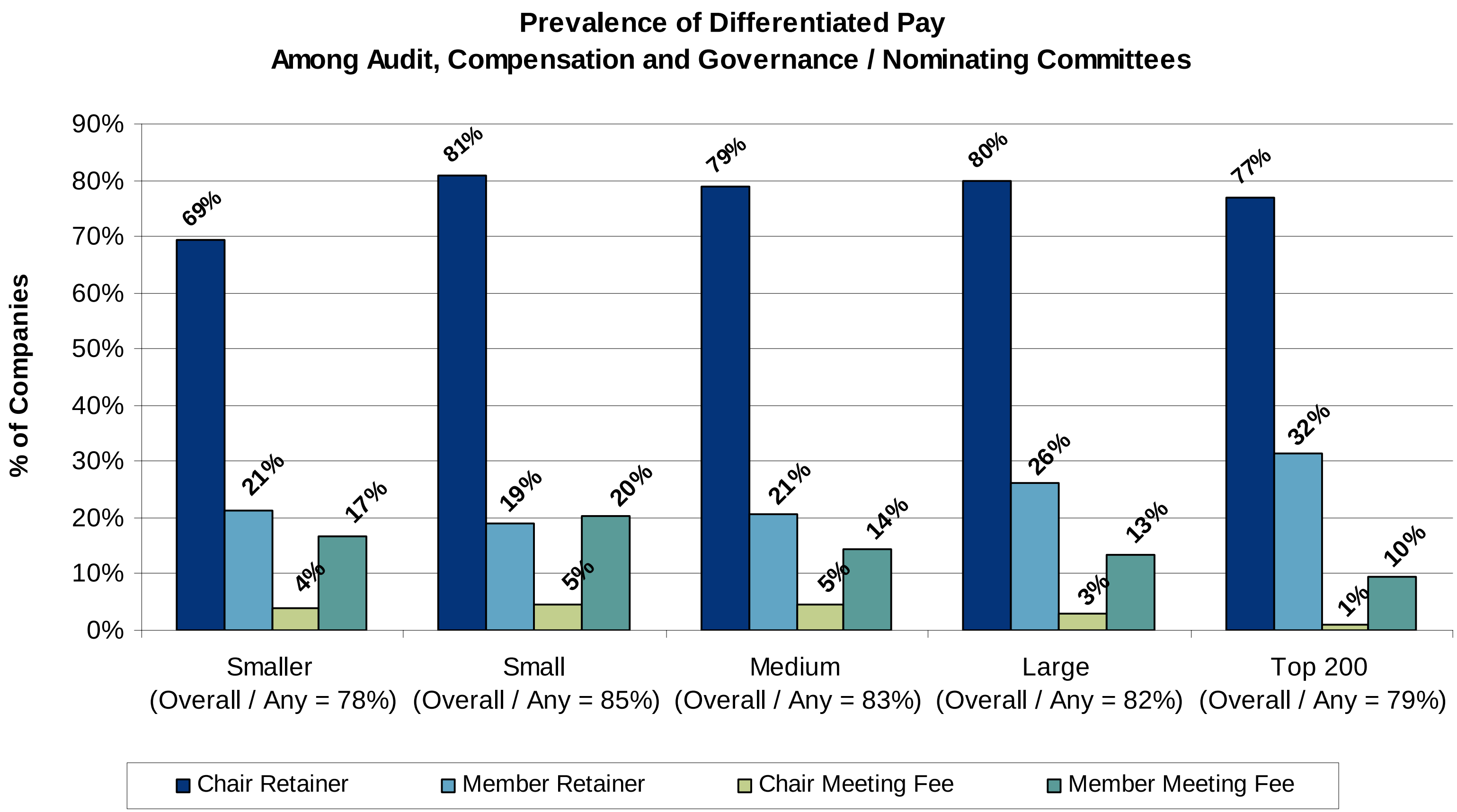
Audit, Compensation and Governance / Nominating remain the most prevalent standing committees

Prevalence of Standing Committees

Committee	Smaller	Small	Medium	Large	Top 200
Audit	100%	100%	100%	100%	100%
Compensation	99%	99%	100%	99%	100%
Governance / Nominating	87%	93%	89%	94%	99%
Finance	9%	13%	19%	27%	48%
Executive	24%	26%	29%	39%	50%
Public Issues / Policy	3%	4%	9%	9%	27%
Environment / Health / Safety	0%	4%	2%	6%	3%
Technology	2%	2%	2%	4%	7%
Strategic Planning	7%	7%	6%	5%	4%
Investment	3%	3%	1%	4%	4%
Nuclear	0%	0%	0%	1%	4%
Risk	0%	2%	2%	3%	3%
Special	2%	2%	2%	3%	2%
Pension	1%	1%	3%	2%	4%
Acquisitions	2%	1%	0%	2%	2%

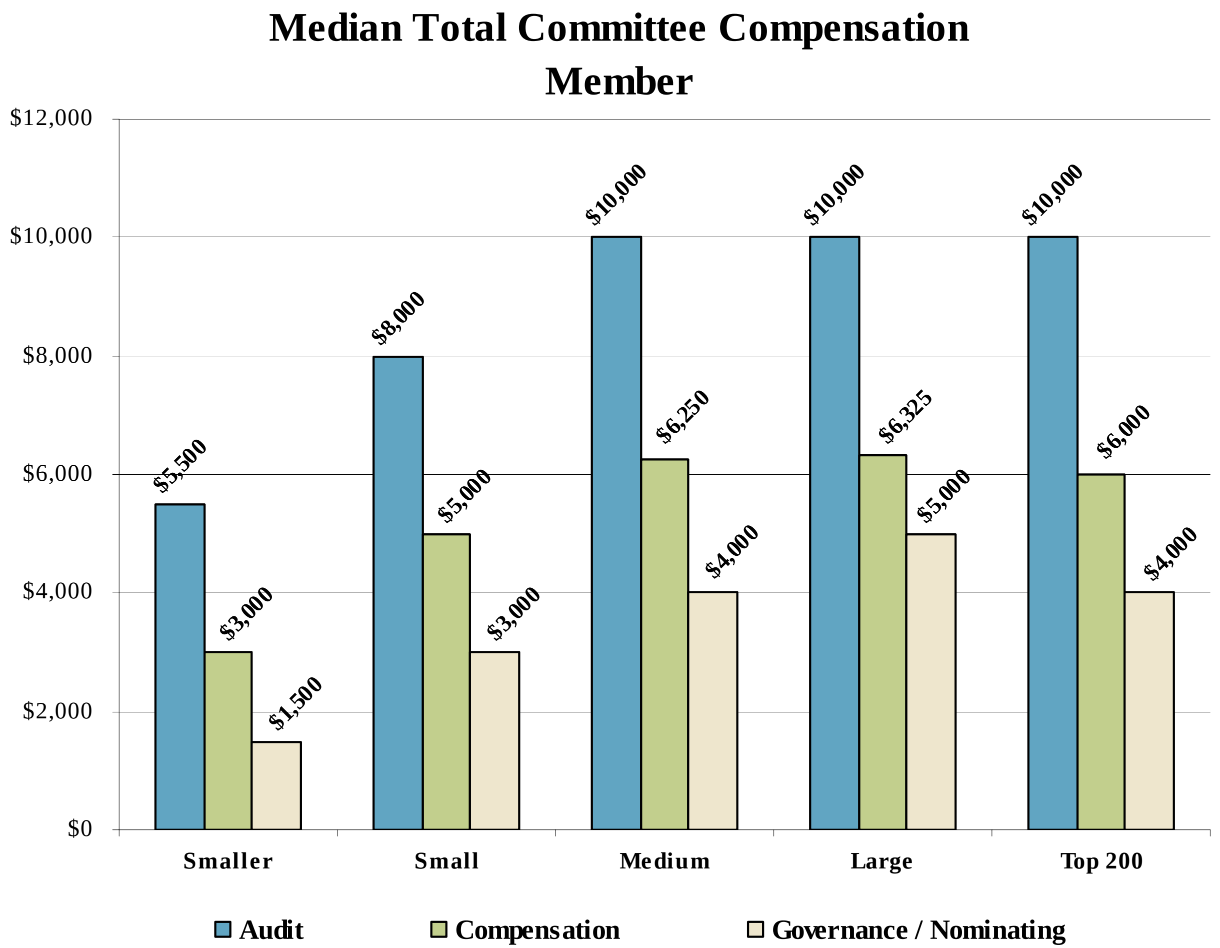
Differentiated committee pay continues to be majority practice among all size groups

- **Overall, modest increase in prevalence of differentiated pay compared to recent past**
- **Most often, differentiation is expressed in Committee Chair pay**



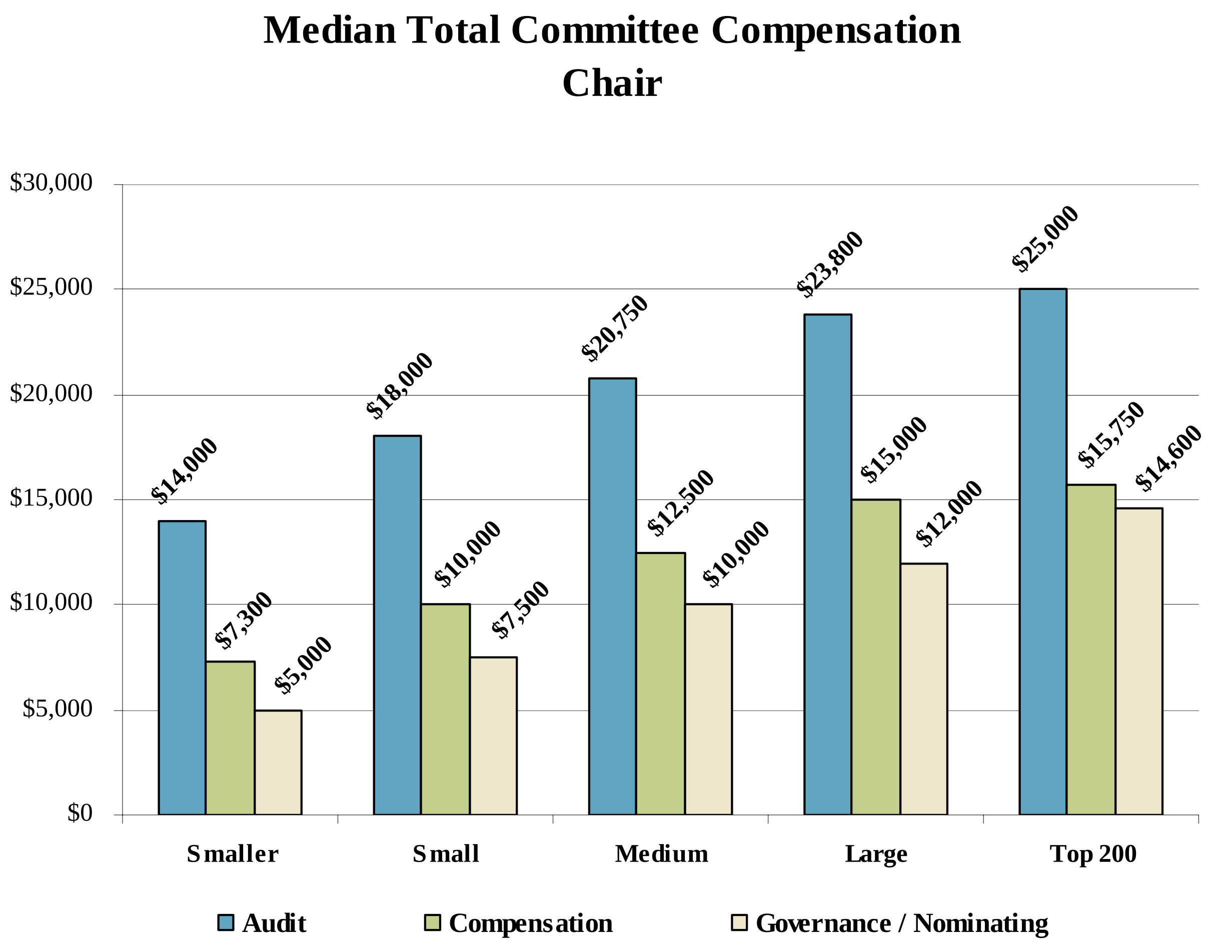
Audit Committee members earn a meaningful premium over members of other committees . . .

- **Differentiation between the Audit and Compensation Committees continues to decline**



. . . as do the Audit Committee Chairs

- **Committee Chair compensation levels were generally equal to or greater than last year**



Premium pay for board leadership appears to be consistent across all size cuts

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- **Non-Executive Chairs are paid 42% to 68% more than other Board members, while Lead Directors receive 7% to 14% more than other Board members**
- **Differentiation by title continues to be significant**

Non-Executive Chair / Lead / Presiding Director Compensation

		Multiple Above Other NEDs Total Director Compensation (a)			
		Non-Executive Chairs		Lead / Presiding	
Size Cut	Prevalence of Premium Pay for Board Leadership	Average	Median	Average	Median
Smaller	28%	1.92	1.46	1.32	1.12
Small	41%	1.62	1.42	1.11	1.07
Medium	44%	1.96	1.47	1.54	1.12
Large	49%	1.67	1.59	1.19	1.12
Top 200	52%	1.83	1.68	1.16	1.14

(a) NEDs stands for non-executive directors.

Ownership guidelines generally continue to increase

- **Reflects shares deferred to retirement in addition to formal guidelines**

Prevalence of Stock Ownership Guidelines				
Year-Over-Year Comparison				
2008 Study				
Smaller	Small	Medium	Large	Top 200
33%	44%	56%	71%	90%
2007 Study				
Smaller	Small	Medium	Large	Top 200
23%	32%	51%	74%	84%
2006 Study				
Smaller	Small	Medium	Large	Top 200
12%	22%	33%	56%	81%

Board perquisites and benefits are more prevalent and more likely to be disclosed at larger companies

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Prevalence of Perquisites / Benefits							
Co. Size	**% of Companies Disclosing Perquisites**	**Gift Matching / Charitable Gifts**	**Life / Health Insurance**	**Company Products, Services & Discounts**	**Car-Related**	**Aircraft or First / Business Class**	**Other Perquisites / Benefits**
Smaller	**10%**	1%	4%	0%	0%	1%	5%
Small	**14%**	3%	6%	0%	0%	1%	5%
Medium	**27%**	11%	8%	2%	2%	3%	14%
Large	**44%**	17%	8%	6%	1%	5%	20%
Top 200	**65%**	42%	19%	12%	2%	14%	35%

Items for Discussion

Current Economic Situation:

What is the likely impact of a troubled economy on director pay programs?

Equity Grants:

Fixed value vs. fixed shares?

Shift in Trends?

Potential Obama administration legislation could cause a shift in trends? Which ones?

Outlook?

Near-term changes we foresee in director compensation program design.

Thought of a Question After the Presentation?

Please direct additional questions regarding the data in this presentation to:

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Key Committee Forums

Take a deeper dive into compensation issues by attending our Key Committee Forums.

The Next Forum:

February 9, 2009
Phoenix, Arizona

CDE Credit Information

Holders of the NACD Certificate of Director Education will receive 2 CDE Credits.

More than 1100 directors and executives have obtained the NACD Certificate designation and maintain it annually through continuing director education. If you would like to know more about the Certificate of Director Education, please visit our website at www.nacdonline.org.

If you have any CDE questions, contact

Lindsey Smith, (202) 775-2100 or lmsmith@nacdonline.org

To learn more about the National Association of Corporate Directors, visit www.nacdonline.org.

Our Next Webcast:

Tuesday, December 16, 2008 – 2:00 pm ET

Determining Equity Award Grant Levels
The Final Step Toward "Getting it Right"

Presenters:

Joe Mallin, Managing Director, Pearl Meyer & Partners
Greg Stoeckel, Managing Director, Pearl Meyer & Partners

For more information visit: www.nacdonline.org

Thank You!

A copy of these slides will be posted after the webcast at www.pearlmeyer.com/nacd2008.

The audio archive will be available for download at the site on Monday. The slides and audio also will be available at www.nacdonline.org or pearlmeyer.com.