The Seven Deadly Sins of Proxy Disclosure

WorldatWork Total Rewards Conference

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EXEQUITY

Independent Board and Management Advisors

Speakers and Publications

- Speakers
  - Edward Hauder – edward.hauder@exqty or (847) 996-3990
  - Lynn Joy– lynn.joy@exqty.com or (847) 996-3963
- Relevant Publications
  - **Preparing The New Compensation Discussion And Analysis,** Edward Hauder and Mike Sorensen, The Corporate Board, March/April 2007, pp. 10-15
  - **Alert: SEC Amends Proxy Disclosure Rules to Align Better With FAS 123R,** Edward Hauder and Mike Sorensen (December 2006)
  - **PULSE Study: Readability of CD&As Filed Under the New Proxy Disclosure Rules,** Edward Hauder (April 9, 2007)
  - **The New Proxy Disclosure Tables: What Goes Where?**, Edward Hauder, The Bureau of National Affairs' Benefits Practice Center, Executive Compensation Library, Journal Reports: Law and Policy (November 2006; Updated February 2007)
  - **The Final Proxy Disclosure Rules: Implications and Issues**, Edward Hauder, BNA's Tax Management Compensation Planning Journal, Vol. 34, No. 11, November 3, 2006, pp. 275-299.

Agenda

- The Seven Deadly Sins of Proxy Disclosure
- Suggestions (to the SEC) for Next Year's Proxy Disclosures
- Best Practices for Proxy Disclosure

The Seven Deadly Sins

1. Failing to Explain "Why?"
2. Playing "Hide the Ball"
3. Writing Too Much/Too Little
4. Disconnect Between CD&A and Proxy Tables
5. Not Making Disclosures Reader Friendly
6. Not Providing Adequate Analysis
7. Not Following the Rules

Failing to Explain "Why?"

- Most common examples:
  - Cash Fees to Directors → Why did each director get the amount shown, *e.g.*, no explanation of retainer and meeting fees
  - In the CD&A and Narrative to the Summary Compensation Table, in discussing the pay of an executive, saying that it was called for by the executive's employment agreement → Why did the Company think the terms of the employment agreement that called for such compensation were appropriate, especially given the actual performance and surrounding events during the past fiscal year?
  - Not explaining why an NEO's salary or other compensation was increased
- Suggestion:
  - Companies should ensure they address all 5Ws with their disclosures, *i.e.*, **Who**, **What**, **Where**, **When** and **Why** (and sometimes **How**)

Failing to Explain "Why?"

- Examples
  - ***Footnote to Directors Compensation Table's Fees Earned or Paid in Cash column:***

    Annual Retainers. The Company pays its non-management Directors an annual retainer of $80,000 for Board service and pays an additional annual retainer of $10,000 to members of the Audit Committee and $5,000 to members of the Compensation and Benefits Committee, including the chairs. The Company also pays an annual retainer to the chair of each of the Committees as follows: Audit $20,000; Compensation and Benefits $15,000; Nominating and Governance $10,000; and Public Responsibility $10,000. The Company pays no fees for attending meetings, but the annual retainer for Board service of $80,000 is reduced by $20,000 if a Director does not attend at least 75% of our Board meetings and meetings of any Committee on which he or she serves. All the non-management Directors, except for Messrs. A and B, deferred the total amount of their 2006 retainers into either a cash account, a share equivalent unit account, or both, under the Deferred Compensation Plan described below in note 4.
  - ***Discussion of CEO Severance pursuant to Employment Agreement***

    CEO Severance and Change in Control Arrangements

    Pursuant to his employment agreement with the Company, Mr. X is entitled to certain severance and change in control benefits if his employment is terminated. Specifically, benefits are payable upon his involuntary termination by the Company without cause or voluntary termination by Mr. X for good reason (e.g., adverse change in responsibilities, pay, reporting relationships or the Company's/successor's failure to abide by the agreement). These benefits include a cash severance payment, additional supplemental retirement benefits, health and welfare benefits continuation and vesting of certain long-term incentive awards. The cash severance payment is two times base salary plus target annual incentive or, if termination is following a change in control, payment of three times base salary and target annual incentive. In the event of a change in control, Mr. X would receive these severance benefits if his employment were subsequently terminated (by the Company or by the executive for good reason). The pay continuation levels and triggering events were set to attract Mr. X, who had a similar arrangement with his prior employer, to join the Company.

Failing to Explain "Why?"

– ***Why Was CEO's Salary Increased?***

Base Salary
Base salary is the fixed element of our named executive officer's cash compensation. We set base salaries to reflect a named executive officer's overall experience level, expected future contributions to the growth and development of our company, the requirements and responsibilities of the position, the impact and importance of the position within our organization, internal pay equity and competitive pay research. The timing and amount of base salary increases depend on the named executive officer's past performance, expected future contributions to the growth and development of our company and current market competitiveness. The Compensation Committee approves salary increases for executive officers based upon performance evaluations conducted by the Chief Executive Officer, and, in selected cases, the Chairman.

Playing "Hide the Ball"

- Most common examples:
  - Company performance goals:
    - Not disclosing them at all
    - Not disclosing them at all and not stating that they have been omitted due to competitive harm
    - Not giving a usable assessment of the degree of difficulty for the company to achieve its goals and/or the individual executive(s) to achieve his(their) goals
  - Potential Payments Upon Termination or Change-in-Control
    - Not indicating all that someone would receive, e.g., leaving out those amounts that are currently vested
    - Not quantifying the cost and/or value of any benefits to be provided
    - Giving a single number for each type of termination with little explanation of what it is comprised of or how those constituent amounts were calculated or determined
  - Companies that benchmark compensation not telling readers where actual compensation paid in the last fiscal year places NEOs versus the comparator group companies and/or targeted levels

Playing “Hide the Ball”

- Examples
  - ***Performance Goal Disclosure***

The Compensation Committee establishes specific criteria to assist it in determining the annual bonuses for the Chief Executive Officer and other executives. As described above, at the beginning of 2006, the Committee established a target bonus for each executive, which represent the amount the Company would expect to pay the executive each year for satisfactory performance. …

Then, in early 2007, the Compensation Committee assessed how the Company and each executive performed against the pre-established goals and targets. In evaluating the Company’s performance and each individual executive’s 2006 performance, the Compensation Committee determined that the Company and its executives generally met or exceeded the financial and individual goals that were established for 2006. With respect to the Company’s financial goals regarding amounts of Adjusted OIBDA and free cash flow achieved, the Company met or exceeded its main financial targets. The Company achieved 11% growth in Adjusted OIBDA in 2006 compared to 2005 and generated $4.8 billion of free cash flow.

Playing “Hide the Ball”

- ***CIC and Termination Payments and Benefits***

CHANGE IN CONTROL SEVERANCE PLAN

Name	Estimated net present value of change in control severance and benefits	Potential excise tax liability and gross up for excise taxes	Total
	$ 10,608,865	—	$10,608,865
	$ 4,046,514	$1,745,250	$ 5,791,764
	$ 4,507,989	$1,981,751	$ 6,489,740
	$ 4,669,298	$2,402,520	$ 7,071,818
	$ 5,394,570	$2,688,446	$ 8,083,016
	$ 4,179,252	$1,943,506	$ 6,122,758

EXECUTIVE SEVERANCE AGREEMENTS

Name	Estimated net present value of cash severance payments	Estimated net present value of additional pension credits	Estimated net present value of continued health care benefits	Total
	—	—	—	—
	$ 50,000	—	—	$ 50,000
	$ 954,976	$ 284,700	$ 23,437	$1,262,199
	$ 1,034,876	$ 284,900	$ 19,671	$1,339,247
	$ 1,081,775	$ 153,600	$ 16,385	$1,251,760
	$ 1,081,775	$ 295,400	$ 56,115	$1,433,290
	$ 1,081,775	$ 174,800	$ 21,170	$1,277,745

Playing "Hide the Ball"

– ***Not telling where actual compensation for last fiscal year comes out against the comparator group and/or targeted levels***

Base Salary
The Company's executive salary structure is based on broad salary bands. Individual salary levels reflect the executive's scope of responsibility, performance and experience. Any salary increase is based on a review of competitive data relative to the Market and Industry Peers and individual performance.

The Committee benchmarks total annual compensation (base salary and annual incentive opportunities) against the Market Peers and targets annual compensation levels that are approximately at the 50th percentile when compared with the Market Peers.

In 2006, the Committee, and the independent members of the Board, did not increase the base salary for any of the named executive officers. Because base salary determines the target and maximum award opportunities under the annual and long-term incentive plans, the size of these incentive opportunities for the named executive officers did not increase for 2006.

Writing Too Much / Too Little

- Most common examples:
  - Stock ownership guidelines → Generally say too little about the policy and the state of executive stock ownership:
    - Not using a table to help present this information
    - Indicating that the guideline is a multiple of salary, but not giving a dollar amount
    - Not indicating the number of shares used the last time executives' share ownership was assessed under the guidelines
    - Not indicating the number of shares each executive owns
    - Not indicating how long each executive has been subject to the guidelines
    - Not indicating how long each executive has remaining to comply with the guidelines
    - Not indicating what is counted for purposes of the stock ownership guidelines
  - Taking 17 pages to provide the Pension Benefits Table and related narrative
  - Taking 40+ pages to cover compensation disclosures for executives and directors
  - Taking 4 paragraphs to cover compensation disclosures for executives

Writing Too Much / Too Little

- Examples
  - ***Stock Ownership Guidelines Disclosure***

Stock Ownership Guidelines
The Committee has established stock ownership guidelines for the Chief Executive Officer, other executive officers, and all other officer level employees. The guidelines were increased in 2005 to a minimum level of ownership of five times base salary for the Chief Executive Officer and were continued at the lesser of three times base salary or 50,000 shares for other executive officers and the lesser of one times base salary or 25,000 shares for all other officers. Newly appointed officers are expected to be in compliance with the ownership guidelines within five years of their appointments. We believe all officers subject to these guidelines are in compliance.

Stock Ownership Guidelines
The named executives can use their equity incentive awards to satisfy our stock ownership goals. Because we believe strongly in linking the interests of management with those of our stockholders, we instituted stock ownership goals in 1996 that require each of the named executives to own, within five years of the date of assuming a senior management position, common stock worth a multiple of base salary. For the chief executive officer, the goal is seven times salary. For the other named executives, the goal is four times salary. Each of the named executives continued to exceed his respective goals as of the end of 2006. In accordance with our policy on insider trading, the named executives are prohibited from engaging in transactions with respect to any securities issued by XYZ or any of its subsidiaries that might be considered speculative or regarded as hedging, such as selling short or buying or selling options, puts or calls.

Writing Too Much / Too Little

- ***Too Little?***

Compensation Discussion and Analysis
XYZ's program regarding compensation of its executive officers is different from most public company programs. Mr. A's compensation is reviewed annually by the Governance, Compensation and Nominating Committee ("Committee") of the Corporation's Board of Directors. Due to Mr. A's desire that his compensation remain unchanged, the Committee has not proposed an increase in Mr. A's compensation since the Committee was created in 2004. Prior to that time Mr. A recommended to the Board of Directors the amount of his compensation. Mr. A's annual compensation has been $100,000 for over the last 25 years and he would not expect or desire it to increase in the future.

The Committee has established a policy that: (i) neither the profitability of XYZ nor the market value of its stock are to be considered in the compensation of any executive officer; and (ii) all compensation paid to executive officers of XYZ be deductible under Internal Revenue Code Section 162 (m). Under the Committee's compensation policy, XYZ does not grant stock options to executive officers. The Committee has delegated to Mr. A the responsibility for setting the compensation of XYZ's two other executive officers.

Like Mr. A, Mr. B has been paid an annual salary of $100,000 for over the last 25 years. Mr. A does not anticipate that Mr. B's compensation will be increased in the future. Both Mr. A and Mr. B will on occasion utilize XYZ personnel and/or have XYZ pay for minor items such as postage or phone calls that are personal. Mr. A and Mr. B reimburse XYZ for these costs by making an annual payment to XYZ in an amount that is equal to or greater than the costs that XYZ has incurred on their behalf. During 2006, Mr. A reimbursed XYZ $50,000 and Mr. B reimbursed XYZ $5,500. Mr. A and Mr. B do not use Company cars or belong to clubs to which the Company pays dues. It should also be noted that neither Mr. A nor Mr. B utilizes corporate-owned aircraft for personal use. Each of them is personally a fractional [jet] owner, paying standard rates, and they use XYZ owned aircraft for business purposes only.

Factors considered by Mr. A in setting Mr. C's salary are typically subjective, such as his perception of Mr. C's performance and any changes in functional responsibility. Mr. A also sets the compensation for each of the CEO's of XYZ's significant operating businesses. He utilizes several different incentive arrangements, with their terms dependent on such elements as the economic potential or capital intensity of the business. The incentives can be large and are always tied to the operating results for which a CEO has authority. These incentives are never related to measures over which the CEO has no control.

Disconnect Between CD&A & Proxy Tables

- Most common examples:
  - Code Section 162(m)-qualified annual bonus described in the CD&A → Annual bonus then disclosed in the “Bonus” column of the Summary Compensation Table (and not the Non-Equity Incentive Compensation” column)
  - CD&A lists multiple types of awards that were granted during the last fiscal year, but the Grants of Plan-Based Awards Table only has a single line for each NEO and the details of each grant are not reported

Disconnect Between CD&A & Proxy Tables

- Example
  - ***CD&A text and Summary Compensation Table regarding annual bonus***

Tax Deductibility of Compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a $1 million limit on the amount that a public company may deduct for compensation paid to the company’s CEO or any of the company’s four other most highly compensated executive officers who are employed as of the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for “qualifying performance-based” compensation (i.e., compensation paid only if the individual’s performance meets pre-established objective goals based on performance criteria approved by shareowners). For 2006, the grants of stock options, RSUs and PSUs and the payments of annual bonuses and long-term performance awards were designed to satisfy the requirements for deductible compensation.

Summary Compensation Table

Name and Principal Position	Year	Salary[1]	Bonus	Stock Awards[2]	Option Awards[4]	Change in Pension Value and Nonqualified Deferred Compensation Earnings[5]	All Other Compensation[6]	Total
Chairman of the Board and Chief Executive Officer	2006	$3,300,000	$5,000,000	$7,404,209[3]	$ 574,322	$ 1,036,908	$ 548,013	$17,863,452
Chief Financial Officer	2006	$1,225,000	$2,550,000	$2,808,919	$2,225,749	$ 1,564,398	$ 308,222	$10,682,288
Vice Chairman	2006	$1,400,000	$3,300,000	$3,906,929	$1,759,672	$ 3,032,927	$ 294,872	$13,694,400
Vice Chairman	2006	$1,400,000	$2,550,000	$4,122,437	$2,225,749	$ 2,183,677	$ 335,868	$12,817,729
Vice Chairman of the Board	2006	$2,500,000	$6,900,000	$2,516,712	$2,473,683	$ 2,422,714	$ 1,010,780	$17,823,889

Not Making Disclosures Reader Friendly

- Most common examples:
  - Using the densest text possible → long sentences, longer paragraphs, writing out numbers where tabular disclosure would improve clarity
  - Using no tables of charts in the CD&A
  - Using no sub-tables to explain amounts disclosed in the required tables
  - Not using tables, charts or graphs to convey information wherever possible
  - Not addressing the 5 Ws (Who, What, When, Where and Why [and sometimes How])
  - Not having "adequate" readability scores for your CD&A and other narrative disclosures
  - Leaving out columns from tables without letting readers know that the column has been omitted and the reason for the omission, *e.g.*, the company does not make grants of stock options to directors, so the Option Awards column has been omitted from the Directors Compensation Table
  - Not totaling amounts by executive or director in tables or sub-tables

Not Making Disclosures Reader Friendly

- Examples
  - ***Footnotes to the Summary Compensation Table that could be done in tabular format***

Amounts in this column include the following: for Mr. A: tax reimbursements of $11,143, Company contributions to defined contribution plans of $207,750, and dividend equivalents of $248,725; for Mr. B: Company contributions to defined contribution plans of $50,525, and dividend equivalents of $78,671; for Mr. C: Company contributions to defined contribution plans of $59,450, and dividend equivalents of $27,262; for Mr. D: Company contributions to defined contribution plans of $56,963, and dividend equivalents of $35,140; and for Mr. E: Company contributions to defined contribution plans of $47,438, and dividend equivalents of $47,403. Amounts in this column also include the following perquisites: for Mr. A: personal financial planning, personal travel on Company aircraft of $373,187, personal use of Company autos, personal security of $53,409 and spousal attendance at Company-related events; for Mr. C: personal financial planning, personal travel on Company aircraft of $27,696, personal security, annual executive physical, family attendance at Company-related events and other personal expense; for Mr. D: personal travel on Company aircraft, spousal attendance at Company-related events and other personal expense; and for Mr. E: personal financial planning, personal travel on Company aircraft, personal security and spousal attendance at Company-related events. See the 2006 Summary Compensation Table Narrative for a description of these items and information about aggregate incremental cost calculations.

Not Making Disclosures Reader Friendly

Summary of our CD&A Readability Study Findings:

Company	Mkt. Cap. ($ B) 4/9/2007	GICS Sector	Readability Measures: Kincaid	ARI	Coleman-Liau	Flesch Index	Fog Index	Lix	SMOG-Grading	# Words
A higher number is...			Worse	Worse	Worse	Better	Worse	Worse	Worse	Worse
Mentioned by SEC Chairman Cox			•			•	•			•
"Target" for Readability Score						60 to 70	< 12			
The Readability of Other Documents for Comparison										
Green Eggs and Ham, Dr. Seuss			-1.3	-4.3	1.9	114.9	2.7	6.9	4.2	811
Berkshire Hathaway Inc. - Warren Buffett's 2007 Letter to Shareholders			8.6	9.4	11.7	64.9	11.8	41.9	10.9	14,119
The Declaration of Independence			12.5	14.8	14.0	49.2	15.9	52.2	13.6	1,508
U.S. Constitution			13.9	16.6	12.2	51.1	16.7	54.0	13.0	4,657
U.S. Constitution with Amendments			12.3	14.2	12.2	54.1	15.3	50.7	12.6	8,439
Item 402 Proxy Rules and Instructions (without charts)			19.8	22.6	13.9	25.4	24.1	71.9	18.5	10,068
Large Cap (n = 8)										
Average	211.34		14.4	16.2	15.3	37.9	18.1	58.1	15.3	4,882
Median	180.57		14.5	16.2	15.2	37.3	18.3	57.5	15.5	5,672
Mid Cap (n = 6)										
Average	9.72		16.3	18.7	15.4	32.4	20.1	63.9	16.4	4,612
Median	8.85		16.7	19.4	15.7	32.2	20.5	64.7	16.5	4,720
Small Cap (n = 7)										
Average	3.66		14.9	16.8	15.3	35.8	18.8	59.6	15.7	4,506
Median	3.70		14.5	16.2	15.2	36.4	18.2	58.9	15.4	4,864

Source: Exequity's PULSE Study: Readability of CD&As Filed Under the New Proxy Disclosure Rules (April 9, 2007)

Not Providing Adequate Analysis

- Most common examples:
  - Conclusory statements in the CD&A that say that because of company performance, executive received $X amount, with no discussion of the company performance and how the executive assisted in achieving such performance or otherwise detailing the relationship between the company results and the compensation paid
  - Not adequately discussing how company and individual performance factor into award decisions
  - No discussion of actual individual performance assessments which lead to a change in compensation
  - No thorough discussion of the rationale for providing NEOs with severance and/or CIC protection or how this compares to what is offered salaried employees generally
  - No adequate explanation of perquisites offered to NEOs, especially tax gross-ups, is provided

Not Providing Adequate Analysis

- Examples

Base Pay
Base salaries for targeted executives are benchmarked against similar jobs at other companies within the Survey Group. Actual salaries vary by individual and are based on sustained performance toward achievement of XYZ's strategy and goals.

The Compensation Committee, in conjunction with the other independent Directors of the Board, evaluates the CEO's performance annually in light of established corporate and personal goals and objectives. Executive officer salary levels and adjustments are reviewed and approved by the Compensation Committee. Changes in base salary for the NEOs, as well as for all XYZ employees, depend on projected salary changes in the external market for similar jobs, the individual's current salary compared to the market, and the employee's contributions to XYZ's performance. Promotional increases may occur when new roles and/or responsibilities are assumed.

Base Salary
Base salary is the fixed element of our named executive officer's cash compensation. We set base salaries to reflect a named executive officer's overall experience level, expected future contributions to the growth and development of our company, the requirements and responsibilities of the position, the impact and importance of the position within our organization, internal pay equity and competitive pay research. The timing and amount of base salary increases depend on the named executive officer's past performance, expected future contributions to the growth and development of our company and current market competitiveness. The Compensation Committee approves salary increases for executive officers based upon performance evaluations conducted by the Chief Executive Officer, and, in selected cases, the Chairman.

Not Following the Rules

- Most common examples:
  - Disclosure of a Code Section 162(m) qualified annual bonus:
    - In the "Bonus" column of the Summary Compensation Table instead of the Non-Equity Incentive Compensation column
    - Not disclosing the annual bonus (as NEIP) at all in the Grants of Plan-Based Awards Table
    - Not disclosing the Code Section 162(m) maximum annual bonus amount (as NEIP) in the Grants of Plan-Based Awards Table
  - Not including a discussion of the company's stock option ***and*** equity award grant practices
  - Not including the last fiscal year in the title to the compensation tables
  - Putting all awards on a single line in the Grants of Plan-Based Awards Table
  - Not putting required supplementary columns in the proper location in the Grants of Plan-Based Awards Table

Not Following the Rules

- Examples
  - *Not Including Last Fiscal Year in Title to Tables*

SUMMARY COMPENSATION TABLE

GRANTS OF PLAN-BASED AWARDS

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

OPTION EXERCISES AND STOCK VESTED

Not Following the Rules

- *All Awards in a Single Line in the Grants of Plan-Based Awards Table & Not Placing Required Supplemental Columns in the Proper Spot in the Same Table*

GRANTS OF PLAN-BASED AWARDS TABLE

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards				Estimated Future Payouts Under Equity Incentive Plan Awards				All Other Stock Awards: Number of Shares of Stock or Units (#) (a)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price on Grant Date ($/Sh)	Date of Action by the Compensatio Committee	Grant Date Fair Value of Stock and Option Awards
	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Grant Date	Threshold (#)	Target (#)	Maximum (#)						
	1/1/2006	0	2,025,000	4,050,000	3/1/2006	0	50,000	100,000	50,000	400,000	43.68	43.96	2/9/2006	8,148,651
	1/1/2006	0	677,376	1,354,752	3/1/2006	0	16,380	32,760	16,380	134,850	43.68	43.96	2/9/2006	2,708,779
	1/1/2006	0	594,302	1,188,604	3/1/2006	0	16,380	32,760	16,380	134,850	43.68	43.96	2/9/2006	2,708,779
	1/1/2006	0	639,036	1,278,072	3/1/2006	0	16,380	32,760	16,380	134,850	43.68	43.96	2/9/2006	2,708,779
	1/1/2006	0	391,590	783,180	3/1/2006	0	9,830	19,660	9,830	80,910	43.68	43.96	2/9/2006	1,625,429
	1/1/2006	0	439,319	878,638	3/1/2006	0	7,670	15,340	7,670	63,110	43.68	43.96	2/9/2006	1,268,048

Suggestions for Next Year's Proxy Disclosures

- The SEC's Report Card Release post-proxy season will highlight those disclosures that the SEC wants companies to improve on for next year
- Disclosures under the new rules are not easy.
- To prepare good disclosures takes time, patience, an attitude of openness, and access to the necessary compensation information
- If the SEC doesn't warn companies about not disclosing performance metrics' targets and actual numbers achieved, expect more companies to disclose less about these next year
- Companies should review this presentation and the SEC's new Report Card Release (once available) when drafting their disclosures for next year

Suggestions for Next Year's Proxy Disclosures

- The SEC should address a few things to make the rules work better and result in better disclosures:
  - Consider ways to limit the length of disclosures, particularly the CD&A and termination payments/benefits disclosures
  - Require all annual bonuses to be disclosed in the "Bonus" column – keeps consistency with past rules and is more in line with how companies and shareholders think of this type of compensation
  - Consider requiring only the full grant date fair value for option and stock awards to be reported in the Summary Compensation Table and require a footnote that indicates the total accounting expense for all such awards during the last fiscal year
  - Clarify when a grant of equity earned in a prior year should be disclosed, *e.g.*, an annual bonus earned in 2007 and paid, in stock, in 2008
  - Clarify the Section 162(m) bonus pool disclosure requirements in the context of an annual bonus that has a maximum for Section 162(m) purposes that is a percent of the pool or revenue/profit, *i.e.*, should the maximum disclosed be the target award maximum communicated to the NEO or the amount generated by the Section 162(m) pool?
  - Consider having companies disclose the spread – positive or negative – of vested and unvested options in the Outstanding Equity Awards at Fiscal Year End Table

Suggestions for Next Year's Proxy Disclosures

- Consider requiring an Award Type column in the Grants of Plan-Based Awards and Outstanding Equity Awards at Fiscal Year End Tables
- Clarify how vested restricted stock units (RSUs) are to be disclosed; suggest be included in the Outstanding Equity Awards at Fiscal Year End Table after vesting and until paid out and specifically excluded from the Nonqualified Deferred Compensation Table
- Clarify whether the potential payments upon a termination or change-in-control should include vested amounts that get paid out upon such events, and whether a single dollar amount will suffice or whether the amounts of its components must be detailed
  - Consider requiring a minimum level of tabular disclosure limited to four termination events:
    - Voluntary Termination of Employment
      - Pre-CIC
      - Post-CIC
    - Involuntary Termination of Employment
      - Pre-CIC
      - Post-CIC
  - Consider standard categories for the tabular disclosure as well as an "All Other" category, which would need to be itemized and quantified if certain thresholds are met, similar to All Other Compensation in the Summary Compensation Table

Best Practices for Proxy Disclosure

- Provide a **summary of compensation decisions** made in last fiscal year

Compensation Decisions for 2006

The Committee has historically made compensation decisions for each year at its December meeting. As a result of the implementation of the new compensation framework and the requirements of the new EIP, the Committee made compensation decisions throughout the year in 2006. Over time, the Committee expects to transition to making most compensation decisions for key employees, including the named executives, in the first quarter of the following year.

Changes in direct annual compensation in 2006. The following supplemental table shows the changes from 2005 to 2006 in the amount of direct compensation from each component awarded to each named executive.

Direct Annual Compensation Decisions for 2006

				Option Award (# of AIG shares)		Performance Restricted Stock Award (# of AIG shares)		
Name	Year	Salary Rate (Year-end)	Cash Bonus (Year-end plus quarterly)	Mid-year	Year-end	2005-2006 DCPPP	2006 Partners Plan	Senior Partner Units Awarded
Martin J. Sullivan	2006	$ 1,000,000	$ 10,125,000	—	175,000	—	19,200	2,000
	2005	$ 1,000,000	$ 6,786,875	50,000	86,575	64,000	—	1,750
Steven J. Bensinger	2006	$ 750,000	$ 3,250,000	—	51,500	—	9,600	1,000
	2005	$ 750,000	$ 2,239,750	40,000	29,590	32,000	—	625
Edmund S.W. Tse	2006	$ 849,729	$ 1,838,455	—	60,000	—	19,200	1,750
	2005	$ 849,729	$ 1,558,500	55,000	60,000	64,000	—	1,750
Robert M. Sandler	2006	$ 480,000	$ 988,750	—	35,000	—	12,000	1,125
	2005	$ 460,000	$ 818,750	30,000	35,000	40,000	—	1,125
Win J. Neuger	2006	$ 942,000	$ 1,613,000	—	60,000	—	16,320	875
	2005	$ 942,000	$ 1,108,000	50,000	60,000	54,400	—	875

Source: American International Group, Proxy filed 4/6/2007, p. 31

Best Practices for Proxy Disclosure

- Better communication of **performance goals and actual performance** for each NEO

Annual Cash Incentive Award Performance Measures

Performance Measure	Target	Actual(1)	Achievement relative to threshold, target, maximum goals
Corporate-Level Performance Measure			
Adjusted operating income per diluted share	$4.90	$8.00	Exceeded maximum
Allstate Protection Performance Measures			
Growth and profit matrices	See Performance Measures	300% of target	Achieved maximum
Financial product sales (production credits)	$272.80 million	$272.67 million	Between threshold and target
Adjusted expense ratio	31.60	31.69	Between threshold and target
Customer loyalty index	8th	10th	Below threshold
Allstate Financial Performance Measures			
Adjusted operating income	$560 million	$617 million	Exceeded maximum
Expense management	$23.00 million	$28.60 million	Between target and maximum
Sales and new business return measure	$370 million	$412 million	Exceeded maximum
Investments Performance Measures			
AIC portfolio excess total return, 1-year	20.00 basis points	66.60 basis points	Exceeded maximum
AIC portfolio excess total return, 3-year	22.00 basis points	34.60 basis points	Between target and maximum
Allstate Financial excess spread	45.00 basis points	45.90 basis points	Between target and maximum
Allstate Financial high value add excess spread	60.00 basis points	68.90 basis points	Between target and maximum
Allstate Financial credit loss	$68.00 million	$3.7 million	Exceeded maximum

Source: The Allstate Corporation, Proxy filed 4/2/2007, p. 23

Best Practices for Proxy Disclosure

Refining, Marketing and Transportation ("Downstream")

Metrics apply to Mr. Heminger.

Performance Metric	Target Performance	Performance Achieved
Return on Capital Employed (d)	9 to 10%	26%
Refining Mechanical Availability	93%	94%
Controllable Operating Expenses (e)	$1.44 billion or less	$1.36 billion
General & Administrative Expense (f)	$65 million or less	$59.8 million
Product Quality Incident Cost	$2 million or less	$100,000
Downstream Safety Performance	1.00 OSHA recordable rate or less	0.73 OSHA recordable rate
Designated Environmental Incidents	100 incidents or less	83 incidents

(d) This metric is the ratio of operating profits to the amount of operating capital invested to generate those profits. It is intended to be a measure of how productively assets are used. The values used in calculating this metric are obtained from records of the Downstream segment.

(e) This metric is calculated using specific costs incurred in the operations of the Downstream segment, including those costs directly attributable to refining, marketing, distribution and transportation operations such as employee expenses, turnaround costs and advertising expense. Costs excluded are those impacted by fluctuations in hydrocarbon prices and volumes such as purchased energy and transportation costs.

(f) This metric includes a portion of the selling, general and administrative expenses reflected in the audited consolidated statement of income. It includes general and administrative expenses incurred by the Downstream segment, but not directly attributable to specific operations, for example the various expenses of maintaining and staffing a central office from which the segment is managed.

Source: Marathon Oil Corporation, Proxy filed 3/13/2007, p. 47

Best Practices for Proxy Disclosure

- Include an **explanation of the amounts reported in the Stock and Option awards columns** of the Summary Compensation Table, *i.e.*, grant date fair value vs. FAS 123R expense recognized during last fiscal year

The following table shows amounts reflected as equity awards in the 2006 Table and the SCT. Awards reported exclude any estimate of forfeitures related to service-based vesting conditions. The values of restorative options are shown in the column corresponding to the year of the original option granted.

I.B. 2006 Table and Summary compensation table reconciliation for equity awards

		Stock awards relating to:					
Name	*Table*	*2001*	*2003*	*2004*	*2005*	*2006*	*Total*
James Dimon	2006	$ 0	$ 0	$ 0	$ 0	$13,000,000	$13,000,000
	SCT	271,786	836,217	0	6,057,702	0	7,165,705
Michael J. Cavanagh	2006	0	0	0	0	3,000,000	3,000,000
	SCT	33,971	133,795	510,416	729,183	0	1,407,365
William B. Harrison, Jr.	2006	0	0	0	0	0	0
	SCT	0	950,009	0	12,600,022	0	13,550,031
Steven D. Black	2006	0	0	0	0	10,300,000	10,300,000
	SCT	0	675,004	1,414,586	5,110,013	10,300,000	17,499,603
William T. Winters	2006	0	0	0	0	10,300,000	10,300,000
	SCT	0	816,676	1,400,004	5,110,013	10,300,000	17,626,693

		Option awards relating to:							
Name	*Table*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*Total*
James Dimon	2006	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	SCT	10,772,495 (restorative options)	3,192,878 (including $2,893,087 restorative options)	0	423,074	2,964,874	0	0	17,353,321
Michael J. Cavanagh	2006	0	0	0	0	0	0	0	0
	SCT	133,240 (restorative options)	32,630	579,805 (restorative options)	63,463	618,832	651,733	142,057	2,221,760
William B. Harrison, Jr.	2006	0	0	0	0	0	0	0	0
	SCT	0	0	0	942,154	2,964,374	0	0	3,906,528
Steven D. Black	2006	0	0	0	0	0	0	0	0
	SCT	0	0	0	504,138	0	912,426	0	1,416,564
William T. Winters	2006	0	0	0	0	0	0	0	0
	SCT	0	0	0	809,923	0	912,426	0	1,722,349

Source: JPMorgan Chase & Co. Proxy filed 3/30/2007, p. 17

Best Practices for Proxy Disclosure

Restricted Stock:

	July 11, 2006 Award			March 26, 2004 Award			February 24, 2003 Award		
Name	**Shares (#)**	**Grant Date Market Value ($)**	**2006 Expense ($)**	**Shares (#)**	**Grant Date Market Value ($)**	**2006 Expense ($)**	**Shares (#)**	**Grant Date Market Value ($)**	**2006 Expense ($)**
Lundgren							100,000	12.79	319,750
Hoguet	42,000	36.44	255,080						
Cody									
Cole	50,000	36.44	303,655						
Grove	50,000	36.44	303,655	2,000	25.25	10,555			
Kronick	50,000	36.44	303,655						

Source: Federated Department Stores, Inc., Proxy filed 4/4/2007, p. 48

Best Practices for Proxy Disclosure

As shown in the following table, the values for the 2006 actual stock awards and options differ from the values disclosed in the Summary Compensation Table for the same awards due to different requirements.

	(a)	(b)		(c)	(d)	
Name	2006 Stock Award (Actual Grant) ($)	Value of Stock Awards shown in the Summary Compensation Table ($)	Difference column (b) minus column (a) ($)	2006 Options (Actual Grant) ($)	Value of Stock Options shown in the Summary Compensation Table ($)	Difference column (d) minus column (c) ($)
Andrew Liveris	4,024,651	7,811,118	3,786,467	4,124,000	5,117,892	993,892
Geoffery Merszei	1,318,476	2,316,950	998,474	1,390,304	2,283,034	892,730
Michael Gambrell	1,318,476	2,308,827	990,351	1,390,304	1,669,497	279,193
Romeo Kreinberg	1,318,476	3,211,234	1,892,758	1,390,304	1,829,116	438,812
David Kepler II	791,246	2,144,940	1,353,694	834,182	1,134,127	299,945
Luciano Respini	617,382	2,358,301	1,740,919	650,664	1,011,171	360,507

Source: The Dow Chemical Company, Proxy filed 3/23/2007, p. 20

Best Practices for Proxy Disclosure

The following table provides additional detail on SFAS 123R stock award expense recognition in 2006, including the 2006 stock awards and prior years' stock awards. The SFAS 123R grant date fair value for 2006 awards is provided for reference and is also reported in "Grants of Plan-Based Awards Table". See also "Outstanding Equity Awards at Fiscal Year-End Table".

	2006 Stock Award Expense Recognized in 2006 ($)(a)	Prior Year Stock Award Expense Recognized in 2006 ($)(b)	Total Stock Award Expense Recognized in 2006 ($)	Grant Date Fair Value of 2006 Stock Awards ($)(c)
Thompson				
Options	5,520,757	2,623,971	8,144,728	5,520,757
Restricted Stock	6,285,447	2,778,555	9,064,002	6,285,447
Total	11,806,204	5,402,526	17,208,730	11,806,204

Source: Wachovia Corporation, Proxy filed 3/9/2007, p. 26

Best Practices for Proxy Disclosure

The FAS 123R accounting value of 2006 equity grants is shown in the table that follows. Column (a) shows the accounting value of equity awards the Compensation and Benefits Committee awarded to the named executive officers in 2006. Columns (b) and (c) show the total accounting charge for compensation expense recorded by the company in 2006. These amounts are also reflected in the Summary Compensation Table under "Stock Awards" and "Option Awards." Column (d) shows the accounting value of 2006 equity awards that will be reported in future years.

FAS 123R Valuation of Equity Awards

Name	Total Accounting Value of 2006 Grants (a)	Accounting Charge Recorded in 2006 for 2006 Grants (b)	Accounting Charge Recorded in 2006 for 2004-2005 Grants (c)	Accounting Charge to be Recorded in 2007-2009 for 2006 Grants (d)
Alain J. P. Belda	$ 5,632,179	$ 5,632,179	$ 724,914	—
Joseph C. Muscari	$ 1,590,962	$ 1,590,962	$ 182,225	—
Ricardo E. Belda	$ 1,624,024	$ 1,624,024	$ 300,318	—
William F. Christopher	$ 2,730,890	$ 1,813,705	$ 192,866	$ 917,185
Bernt Reitan	$ 2,701,324	$ 720,892	$ 72,638	$ 1,980,432
Paul D. Thomas	$ 2,774,775	$ 806,890	$ 72,638	$ 1,967,885
Helmut Wieser	$ 2,608,555	$ 689,969	$ 59,006	$ 1,918,586
	$ 19,662,709	$ 12,878,620	$ 1,604,605	$ 6,784,089

Source: Alcoa Inc., Proxy filed 2/26/2007, p. 23

Best Practices for Proxy Disclosure

- Include a sub-table to the Summary Compensation Table that outlines the **components of Non-Equity Incentive Compensation**

(5) Non-Equity Incentive Plan Compensation consists of the following:

	2006 Annual Bonus Plan Awards	Performance Cash Units for Performance Period 2005-2006	Total
Ronald A. Williams	$1,612,500	$6,120,000	$7,732,500
John W. Rowe, M.D.	1,150,875	6,286,140	7,437,015
Alan M. Bennett	423,150	1,548,000	1,971,150
Mark Bertolini	465,261	900,000	1,365,261
Craig R. Callen	416,500	1,620,000	2,036,500
Timothy A. Holt	469,434	1,341,000	1,810,434

For 2006, bonus pool funding under the Annual Bonus Plan depended upon Aetna's performance against certain measures discussed in "Compensation Discussion and Analysis" beginning on page 33. The performance cash units were granted in 2005 under the Aetna Inc. 2000 Stock Incentive Plan ("2000 Stock Plan") for the performance period 2005-2006 and were paid out in cash at 180% of target level based upon the Company's attainment of specified performance criteria. Refer to "Compensation Discussion and Analysis" on page 35 for a discussion of the performance criteria.

Source: Aetna Inc., footnote 5 to Summary Compensation Table, Proxy filed 3/19/2007

Best Practices for Proxy Disclosure

- Include a sub-table to the Summary Compensation Table that outlines the **components of All Other Compensation**

(8) All Other Compensation consists of the following for 2006:

	Ronald A. Williams	John W. Rowe, M.D.	Alan M. Bennett	Mark Bertolini	Craig R. Callen	Timothy A. Holt
Personal Use of Corporate Aircraft(a)	$32,139	$194,767	$ 2,553	$12,940	$ 7,779	
Personal Use of Corporate Vehicles	6,662	4,305		15	804	
Personal Meals		570				
Personal Travel				784		
Professional Association Dues		1,612	570			$ 275
Club Dues		2,828				
Advisor Fees(b)	25,109	35,093				
Life Insurance Premiums on Policies Owned by Named Executive Officer(c)		73,500				
Consulting Agreement Payments and Related Expenses		12,432				
Dividend Equivalents on Unvested RSUs	145					
Financial Planning			5,075			10,000
Company Matching Contributions under 401(k) Plan	6,600	6,600	6,600	6,600	6,600	6,600
Total All Other Annual Compensation	70,655	331,707	14,798	20,339	15,183	16,875

Source: Aetna Inc., Proxy filed 3/19/2007, p. 41

Best Practices for Proxy Disclosure

(6) All Other Compensation amounts in the Summary Compensation Table consist of the following items:

Name	Year	Personal Use of Corporate Aircraft (a)	Leased Vehicle Payments (b)	Cash Flexible Perquisite Allowances (c)	Insurance Premiums (d)	401(k) Company Match	Miscellaneous (e)	Total
G. David	2006	$612,303	$20,901	$194,099	$83,882	$7,920	$3,603	$922,708
G. Hayes	2006	$0	$13,564	$33,436	$52,787	$7,920	$5,062	$112,769
J. Geisler	2006	$0	$13,098	$33,302	$25,554	$7,920	$3,128	$83,002
L. Chênevert	2006	$67,457	$22,744	$74,256	$38,933	$7,920	$1,358	$212,668
A. Bousbib	2006	$0	$21,623	$59,527	$44,869	$7,920	$6,178	$140,117
G. Darnis	2006	$0	$28,599	$52,551	$40,789	$7,920	$3,008	$132,867

Source: United Technologies, Inc., Proxy filed 2/23/2007, p. 17

	Company Contributions to 401(k) and Deferred Compensation Plans	Relocation -Related Expenses	Severance Benefits(a)	Perquisites and Other Personal Benefits(b)	Tax Gross-Up Payments
Mr. Forsee	11,000	—	—	241,694	2,216
Mr. Saleh	66,635	—	—	21,602	—
Mr. Kelly	33,146	—	—	—	4,971
Mr. West	1,635	27,356	—	—	—
Mr. LeFave	31,385	10,085	—	—	776
Mr. Donahue	11,000	—	7,620,223	245,448	—
Mr. Lauer	11,000	—	3,002,336	26,810	2,362

Source: Sprint Nextel Corporation, Proxy filed 4/9/2007, p. 36

Best Practices for Proxy Disclosure

The table below sets forth the amounts of these items for each of the named executive officers:

	Mr. Ulrich	Mr. Scovanner	Mr. Steinhafel	Mr. Francis	Mr. Griffith
401(k) Match	$ 11,212	$ 12,497	$ 10,783	$ 11,123	$ 11,173
EDCP Credits	396,557	75,190	103,439	56,843	48,374
Life Insurance	15,134	5,261	5,325	3,123	3,123
SPP Credits	1,952,447	193,504	300,040	152,980	77,846
Perquisites	161,129	26,595	53,392	45,608	39,601
Total	$ 2,536,479	$ 313,047	$ 472,979	$ 269,677	$ 180,117

Further detail on the perquisites provided to the named executive officers is as follows:

	Mr. Ulrich	Mr. Scovanner	Mr. Steinhafel	Mr. Francis	Mr. Griffith
Financial management expenses	$ 40,000	$ 3,660	$ 32,493	$ 13,986	$ 19,587
Commuting services	30,588	0	0	0	0
Personal use of Company aircraft	67,606	0	0	0	0
Other	22,935	22,935	20,899	31,622	20,014
Total	$161,129	$26,595	$53,392	$45,608	$39,601

Source: Target Corporation, Proxy filed 4/9/2007, p. 27

Best Practices for Proxy Disclosure

- Include a table and thorough narrative discussion of **stock ownership guidelines** that indicates, what the guidelines are, the number of shares and date calculated for the guidelines, the number of shares actually owned by each NEO, how much time is given to attain the guideline and where each NEO is in that time period, and what counts for purposes of the guidelines

Best Practices for Proxy Disclosure

Stock Ownership Guidelines

To help further align the personal interest of the company's executive officers with the interests of stockholders, effective March 20, 2007, the Compensation Committee updated the company's stock ownership guidelines for the amount of common stock which must be held by the company's executive officers.

The ownership multiple below will be used to determine a target number of shares by multiplying the executive officer's annual base salary in effect for May 7, 2007 by the applicable multiple shown below, and dividing the result by the average closing price of the company's common stock during the immediately preceding 12 months. Each executive officer must attain ownership of the required stock ownership level before March 31, 2010 (or, if later, within three years of becoming an executive officer) and maintain ownership of at least such amount of the company's common stock while they hold office or until the Compensation Committee re-establishes the ownership multiple, whichever comes first.

Position	Multiple	Time to Attain
CEO	7x Salary	3 years
Executive Vice Presidents	3x Salary	3 years
Senior Vice Presidents	2x Salary	3 years

In the event that an executive officer fails to reach a required level of stock ownership during the three-year period above, we may require any annual incentive payments to the executive officer to be paid in common stock until the applicable required level of stock ownership is obtained.

In order to meet this stock ownership requirement, an executive officer may count all shares of common stock owned by the executive officer, including common stock held in the company's 401(k) plan and any company RSUs, but excluding any RSUs that vest upon retirement.

The following table shows the value of common stock held by each of the actively serving named executive officers as of March 20, 2007 relative to the stock ownership guideline:

Executive Officer	Number of Shares Held (#)	Stock Ownership Guideline (#)	Stock Held as % of Guideline
Michael D. Fraizer	864,626	230,398	375
Thomas H. Mann	106,061	57,051	186
Pamela S. Schutz	97,380	54,857	178
Victor C. Moses	21,634	24,868	87

Source: Genworth Financial, Inc., CD&A, Proxy filed 3/23/2007

Best Practices for Proxy Disclosure

The following chart shows the stock ownership guidelines and respective holdings of the NEOs.

Executive	Compliance Date	Ownership Guideline	Holdings (as of 12/31/06)	Difference
Andrew Liveris	12/1/2008	180,000	214,874	34,874
Geoffery Merszei	8/1/2009	70,000	69,109	(891)
Romeo Kreinberg	12/1/2007	70,000	125,239	55,239
Michael Gambrell	10/1/2011	70,000	87,677	17,677
David Kepler II	12/1/2008	60,000	82,754	22,754
Luciano Respini	Not applicable (retired in October 2006)			

The NEOs and other senior executives have traditionally achieved their ownership guideline by their compliance date.

Source: The Dow Chemical Corporation, Proxy filed 3/23/2007, p. 23

Best Practices for Proxy Disclosure

Our guidelines and the compliance status of the executive officers named in this Proxy Statement as of March 14, 2007 is shown in the table below. All of our named executive officers met or exceeded their guideline.

Name	Guideline Amount	Current Amount
	(Multiple of 2006 Base Salary)	
Robert J. Ulrich	5X	74.6X
Douglas A. Scovanner	3X	12.7X
Gregg W. Steinhafel	3X	11.3X
Michael R. Francis	3X	6.7X
John D. Griffith	3X	4.7X

Source: Target Corporation, Proxy filed 4/9/2007, p. 22

Best Practices for Proxy Disclosure

- Include a description of the various grants in the Grants of Plan-Based Awards Table

Grants of Plan-Based Awards – Fiscal Year 2006

Name & Principal 2006 Positions	Award Type	Date of Committee Action	Grant Date	Est. Future Payouts Under Non-Equity Incentive Plan Awards: Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) (1)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh) (3)	Actual Closing Price on Date of Grant ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Thomas M. Ryan	Stock Options	2/16/06	4/3/06					491,761	30.035	29.500	4,000,033
Chairman of the Board, President	Annual RSUs	2/16/06	4/3/06				133,177				3,999,971
and Chief Executive Officer	Annual Cash			240,000	2,400,000	4,800,000					
	LTIP (06-08)			900,000	3,600,000	7,200,000					

Source: CVS/Caremark Corporation, Proxy filed 4/4/2007, p. 39

Best Practices for Proxy Disclosure

GRANTS OF PLAN-BASED AWARDS AT FISCAL YEAR-END 2006(1)

Name	Grant Date	Plan Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Shr)(3)	Grant Date Fair Value ($)(4)	
			Threshold ($)	Target ($)	Maximum ($)				Stock Awards	Option Awards
Mr. Liddy	Feb. 21, 2006	Long-term cash incentive, 2006-2008 cycle	364,251	1,821,256	5,463,769	84,000	410,000	53.84	4,522,560	6,244,300
		Annual cash incentive	376,120	1,455,008	4,365,025					

Source: The Allstate Corporation, Proxy filed 4/2/2007, p. 32

Best Practices for Proxy Disclosure

- Totaling amounts by NEO in tables

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2006

Name	Option Awards(1)				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable(2)	Number of Securities Underlying Unexercised Options (#) UnExercisable(3)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(4)	Market Value of Shares or Units of Stock That Have Not Vested(5)
Mr. Liddy	400,000	0	$42.00	May 15, 2011	0	0
	550,000	0	$33.38	Feb. 7, 2012	0	0
	204,000	68,000	$31.78	Feb. 7, 2013	71,000	$ 4,622,810
	136,000	136,000	$45.96	Feb. 6, 2014	40,000	$ 2,604,400
	57,460	172,380	$52.57	Feb. 22, 2015	35,083	$ 2,284,254
	0	43,576* (6)	$61.39	Aug. 14, 2007	0	0
	36,013*	108,039*	$56.96	May 18, 2010	0	0
	0	169,000	$53.84	Feb. 21, 2016	36,500	$ 2,376,515
	0	241,000	$53.84	Feb. 21, 2016	47,500**	$ 3,092,725

Aggregate Market Value
$14,980,704

Source: The Allstate Corporation, Proxy filed 4/2/2007, p. 36

Best Practices for Proxy Disclosure

III. Outstanding equity awards at fiscal year-end 2006

The following table shows the number of shares of the Firm's common stock underlying (i) exercisable and unexercisable stock options and SARs and (ii) RSUs that have not yet vested held by the Firm's Named Executive Officers on December 31, 2006.

	Option awards					*Stock awards*		
Name	*Number of securities underlying unexercised options: # exercisable (1)*	*Number of securities underlying unexercised options: # unexercisable (1)*	*Option exercise price ($)*	*Option expiration date*	*Option grant date (2)*	*Number of shares or units of stock that have not vested (#)*	*Market value of shares or units of stock that have not vested ($) (1)*	*Stock award grant date (2)*
James Dimon	660,000	—	$29.9621	08/15/2009	08/15/2003(a)	—		
	641,156	—	28.8636	03/27/2010	04/23/2001(b)	—		
	862,835	—	42.6200	03/27/2010	04/20/2006(b)	—		
	1,223,330	—	30.0606	03/27/2010	07/21/2003(b)	—		
	231,725	—	42.6200	02/09/2011	04/20/2006(b)	35,051		01/15/2002(j)
	369,600	92,400	31.2197	04/16/2012	04/16/2002(c)	64,706		01/20/2004(k)
	—	600,481	37.4700	01/20/2015	01/20/2005(d)	321,963		01/19/2006(d)
Total awards (#)	3,988,646	692,881				421,720	$20,369,076	
Market value of unexercised in-the-money options ($) (1)	$59,407,563	$ 8,081,429						

Source: JPMorgan Chase & Co., Proxy filed 3/30/2007, p. 20

Best Practices for Proxy Disclosure

- Using charts to **explain termination or change-in-control payments and benefits**

The following tables describe potential payments to the named executive officers that could be made upon termination or a change in control. All amounts assume the named executive officer terminated his employment as of December 31, 2006.

Executive Benefits and Payments Upon Termination of S.R. Rogel	**Early Retirement**	**Normal Retirement**	**Involuntary Not for Cause Termination**	**For Cause Termination**	**Change in Control (CIC) Involuntary or Good Reason Termination**	**Death**
Compensation:						
Severance	0	0	$5,200,000	0	$7,800,000	0
Bonus (AIP) Annual Incentive Plan	Based on Perf.	Based on Perf.	$1,300,000	0	$1,300,000	Based on Perf.
Performance Share Units	(A)	(A)	(B)	(B)	(C)	(A)
Stock Options/SARs	(D)	(E)	(F)	(G)	(E)	(H)
Benefits and Perquisites:						
Incremental Increase to Pension (1)	0	0	0	0	$668,761	0
Life and Health Care Insurance	0	0	$10,000	0	$75,000	0
Life Insurance Proceeds (2)	0	0	0	0	0	$700,000
Financial Planning (3)	$2,000-14,000	$2,000-14,000	$2,000-14,000	$2,000-14,000	$2,000-14,000	
Outplacement Services	0	0	$20,000	0	$20,000	0

Source: Weyerhaeuser Company, Proxy filed 3/9/2007, p. 38

Best Practices for Proxy Disclosure

Edward J. Zander
Chairman of the Board and Chief Executive Officer

Executive Benefits and Payments Upon Termination[1]	*Voluntary Termination*		*Total and Permanent Disability or Death*	*Involuntary Termination*		
	Good Reason	*Retirement*		*For Cause*	*Not For Cause*	*Change in Control*
Compensation						
Severance[2]	7,050,000	0	0	0	7,050,000	16,500,000
Short-term Incentive[3]	0	0	2,025,000	0	2,025,000	2,025,000
Long-term Incentives						
• 2005-2007 LRIP[3]	0	0	2,500,000	0	2,500,000	2,500,000
• 2006-2008 LRIP[3]	0	0	1,250,000	0	1,250,000	1,250,000
• Stock Options (Unvested and Accelerated)[4]	11,891,928	0	11,891,928	0	11,891,928	11,891,928
• Restricted Stock Units (Unvested and Accelerated)[4]	10,831,810	0	10,831,810	0	10,831,810	10,831,810
Benefits and Perquisites [5][8]						
Health and Welfare Benefits Continuation[6]	40,652	0	0	0	40,652	60,978
280G Tax Gross-up[7]	0	0	0	0	0	11,750,010
TOTAL	**29,814,390**	**0**	**28,498,738**	**0**	**35,589,390**	**56,809,726**

Source: Motorola, Inc., Proxy filed 3/15/2007, p. 53

Best Practices for Proxy Disclosure

- **Better explanations of cash fee amounts** included in the Directors Compensation Table

Director	**Role**	**Basic Annual Retainer ($)**	**Supplemental Annual Retainer ($)**	**Meeting Fees ($)**
Barbara Barrett	Chair, Public Affairs Committee (partial year)	$ 60,000	$ 2,500	$ 30,500
Vernon Clark	Director	$ 60,000	—	$ 23,500
Ferdinand Colloredo-Mansfeld	Director	$ 60,000	—	$ 26,500
John Deutch	Chair, Governance Committee (partial year)	$ 60,000	$ 3,750	$ 23,500
Thomas Everhart	Chair, Governance Committee (partial year)	$ 30,000	$ 2,500	$ 7,000
Frederic Poses	Director	$ 60,000	—	$ 26,500
Warren Rudman	Lead Director (partial year) Chair, Compensation Committee (partial year)	$ 30,000	$ 14,500	$ 12,500
Michael Ruettgers	Lead Director (partial year)	$ 60,000	$ 18,000	$ 25,500
Ronald Skates	Chair, Audit Committee	$ 60,000	$ 15,000	$ 31,500
William Spivey	Chair, Compensation Committee (partial year)	$ 60,000	$ 3,750	$ 28,500
Linda Stuntz	Chair, Public Affairs Committee (partial year)	$ 60,000	$ 3,750	$ 27,500

Source: Raytheon Company, Proxy filed 3/21/2007, p. 11, footnote to Director Compensation Table

Best Practices for Proxy Disclosure

Director	Fees Earned or Paid in Cash (1) Annual Retainer	Fees Earned or Paid in Cash (1) Committee Chair Retainer	Stock Awards (2)	Increase in Pension Value (3)	All Other Compensation (4)	Total
Armando M. Codina	$75,000	$ NA	$185,009	$ NA	$ 7,561	$267,570
Virgis W. Colbert (5)	18,750	NA	107,985	NA	1,557	128,292
Jill K. Conway	75,000	40,000	185,009	-	967	300,976
Alberto Cribiore	75,000	25,000	185,009	NA	6,586	291,595
John D. Finnegan	75,000	15,000	185,009	NA	6,794	281,803
Judith Mayhew Jonas (5)	18,750	NA	107,985	NA	25	126,760
Heinz-Joachim Neubürger (6)	24,938	NA	-	NA	33	24,971
David K. Newbigging	75,000	25,000	185,009	-	24,610	309,619
Aulana L. Peters	75,000	NA	185,009	19,014	11,537	290,560
Joseph W. Prueher	75,000	15,000	185,009	NA	16,498	291,507
Ann N. Reese	75,000	NA	185,009	NA	1,179	261,188
Charles O. Rossotti	75,000	NA	185,009	NA	6,551	266,560

NA = Not Applicable

(1) The annual cash retainer for each director is $75,000, payable in equal monthly installments. In addition, the Chair of each of the Audit Committee (Mr. Newbigging) and the Management Development and Compensation Committee (Mr. Cribiore) receives an additional annual amount of $25,000 and the Chair of each of the Finance Committee (Mr. Finnegan), the Nominating and Corporate Governance Committee (Mrs. Conway) and the Public Policy and Responsibility Committee (Adm. Prueher) is paid an additional annual amount of $15,000. The Lead Independent Director (Mrs. Conway) also receives an additional annual amount of $25,000. These additional amounts also are paid in cash in equal monthly installments. Directors have the option of deferring all or a portion of their cash compensation under the Fee Deferral Plan for Non-Employee Directors. Under this plan Directors may index deferred amounts to the performance of Merrill Lynch common stock or publicly traded mutual funds.

Source: Merrill Lynch & Co., Inc., Proxy filed 3/16/2007, p. 58