

# AGENDA

## Compensation Digest

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### Executive Finds Comfort in First Class

A top executive at Ford Motor will no longer be allowed to use the corporate jet for personal reasons. But the company will still be footing the bill for his personal air travel.

Mark Fields, Ford's president of The Americas, requested the change, according to a Form 8-K filed February 9. The compensation committee approved his request and agreed instead to pay costs, including the price of first-class airfare, for his personal travel to and from his home in Florida. It will also provide "tax relief" to Fields for any imputed income that results from the new arrangement.

In 2005, Fields received \$619,000 in "other annual compensation," over a third of which was from his personal use of the corporate jet, according to Ford's 2006 proxy statement.

Depending on various factors, such as how companies determine incremental cost for jet use, the compensation cost of such usage will usually dwarf the cost of a first-class ticket.

Fields has been gaining prestige at the company since his appointment as group vice president of Ford's Premier Automotive Group in July 2002. His compensation increased enough in 2005 to make him a named executive of the company for the first time. Part of his pay for 2005 was a \$1 million "retention payment." Fields received the money in October but will forfeit the cash if he voluntarily leaves the company before October 2007.

### New Pay-for-Performance Disconnect?

With Bank of America coming off a banner year of profits and stock price growth, the board of directors recently boosted its executives' equity grants. Most executives reaped the reward, but not CEO Kenneth Lewis.

For 2006, Lewis received \$11.1 million in restricted stock as well as 400,000 options, according to a recent SEC filing. Those numbers are down from last year, when Lewis received \$11.7 million in restricted stock and 425,000 options.

This is the second year in a row that Lewis's restricted stock and option grants have decreased. The company explained last year that the grants had been reduced due to the company's middling stock price in 2005. However, in 2006 the company's stock

outpaced the banking sector. Bank of America has not yet filed its proxy statement.

### **Directors Out of Options**

OfficeMax recently amended its directors' stock compensation plan to discontinue option grants for directors, according to a Form 8-K filed earlier this month. At the same time, the board increased the annual equity award for directors from \$55,000 to \$75,000.

OfficeMax is the most recent in a line of companies to end stock option grants for directors. Stock option grants for directors declined from roughly 65% of S&P 500 companies in 2003 to just over 50% in 2005, according to Equilar. Governance groups point to other forms of equity, such as restricted stock, as better vehicles for immediately tying directors' interests with those of investors.

OfficeMax also increased the retainer for the comp committee chair from \$10,000 to \$20,000.

Last year, the company increased directors' annual equity awards from \$45,000 to \$55,000 and boosted the retainer for the audit committee chair from \$20,000 to \$30,000, according to a Form 8-K filed last February.

### **A Basic Tradeoff**

Late last month, the board of newly public Basic Energy Services eliminated CEO Kenneth Huseman's minimum annual bonus opportunity.

Huseman agreed to the move in exchange for an increase in his base salary for 2007, according to a Form 8-K filed January 29. The comp committee, "after discussion with a compensation consultant," increased his base salary from \$400,000 to \$525,000. The only other named executive officer to get a bump in base salary — from \$240,000 to \$260,000 — was CFO Alan Krenek.

Huseman has been CEO since 1999 and has been building the company largely through acquisitions.