

Welcome to Equilar's monthly newsletter. We would like to take a brief moment to highlight key trends in executive compensation and update you on Equilar's activities.

► **RESTRICTED STOCK AWARDS TO CEOs OF S&P 1500 COMPANIES**

In light of Microsoft's recent decision to replace its stock option plans with restricted stock units, we decided to analyze the prevalence of restricted stock awards among CEOs at companies within the S&P1500 index. We analyzed restricted stock awards to CEOs as disclosed in the three most recent annual proxy filings. Below are several key findings from our analysis:

**Frequency**

**36% of the companies (537 companies) awarded at least one restricted stock award during the past three years to their CEO.** Within this time frame, the percentage of companies that awarded restricted stock to their CEO increased from 20.2% in 2000 to nearly 25% in 2002.

Year	# of Companies	% of Total
2002	373	24.9%
2001	322	21.5%
2000	303	20.2%

**Of those companies awarding restricted stock to their CEO, over 50% awarded restricted stock in at least two of the past three years.** The annual frequency with which companies awarded restricted stock to their CEO is seen in the table below:

# of Annual Restricted Stock Awards (2000-2002)	Percentage
One Award	44.5%
Two Awards	25.1%
Three Awards	30.4%

**Award Size**

**The median value of restricted stock awards to CEOs rose over each of the past three years.** Meanwhile, the top quartile (75th percentile) declined each year since 2000.

Year	Median Value	25th Percentile	75th Percentile
2002	\$812,000	\$321,400	\$2,015,125
2001	\$786,156	\$318,673	\$2,263,600
2000	\$744,450	\$251,032	\$2,306,875

**Over 50% of CEO restricted stock awards in each of the past three years have been under \$1,000,000.** Also notable was the increase in the number of restricted stock awards over \$5,000,000 in 2002, as they grew from 8.4% in 2001 to 11.8% in 2002.

Size of Restricted Stock Award	2002	2001	2000

Under \$500,000	37.6%	35.1%	41.3%
\$500,000 to \$1MM	20.6%	18.3%	14.2%
\$1MM to \$3MM	24.4%	28.9%	23.1%
\$3MM to \$5MM	5.6%	9.3%	10.2%
Over \$5MM	11.8%	8.4%	11.2%
TOTAL	100.0%	100.0%	100.0%

## Restricted Stock and Options

**In each of the last three years, over 80% of CEOs who received a restricted stock award also received a stock option grant in the same year.** Such patterns seem to indicate that restricted stock is viewed as one component of a long-term incentive compensation package. The trend of packaging restricted stock with option grants declined from 87.3% in 2001 to 82.6% in 2002.

**For those CEOs receiving both restricted stock and options, the value of their restricted stock award tends to be dwarfed by the value of their option grant.** Using our standardized Black Scholes methodology, we found the median option grant over the past three years was between 2.1 and 2.2 times larger than the restricted stock award that they received in the same year.

## Company Size

**CEOs of large cap companies (over \$5BN in market capitalization) received restricted stock more frequently than CEOs at mid (\$1-\$5BN) and small cap (under \$1BN) companies.** Our research indicates that 44.2% of large cap companies, 38.8% of mid-cap companies, and 29.9% of small cap companies have provided their CEO with restricted stock at some point over the past three years.

## Industry Sector

**Restricted stock grants to CEOs varied considerably by industry.** Companies in mature industries are more likely to include restricted stock as a component of their CEO's compensation package. The chart below shows industries where over 50% of the companies have awarded restricted stock to their CEO in at least one of the past three years:

Industry	Percentage
Household Products	75.0%
Containers & Packaging	69.2%
Real Estate	66.7%
Multi-Utilities/Power	61.9%
Electric Utilities	58.7%
Metals & Mining	56.0%
Oil & Gas	55.0%
Capital Markets	53.6%
Auto Components	52.9%
Machinery	52.9%

**To date, technology companies have rarely awarded restricted stock, making Microsoft's announcement that much more significant.** The chart below shows industries with the least frequent awards of restricted stock to their CEO over the past three years:

Industry	Percentage
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Wireless Telecom Services	0.0%
Internet Software & Services	0.0%
Semis & Semi Equipment	4.5%
Air Freight & Logistics	10.0%
Software	11.5%
Biotechnology	11.8%

## Largest Awards

### Five largest restricted stock awards during the past year.

Name	Company	Restricted Stock
John B. Blystone	SPX Corp.	\$48,850,000
Michael S. Jeffries	Abercrombie & Fitch Co.	\$27,868,408
David M. Cote	Honeywell Intl Inc.	\$25,140,500
Lee R. Raymond	Exxon Mobil Corp.	\$17,320,000
Alan B. Miller	Universal Health Services	\$16,341,914

## ▶ EQUILAR IN THE NEWS - HIGHEST PAID HR EXECUTIVES

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- [HR's Elite](#) (*Human Resource Executive*, July, 2003)

Members of the press or interested members of the public should feel free to contact us at [press@equilar.com](mailto:press@equilar.com). We would be happy to help provide data and analysis to assist you in your story.

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