

Welcome to Equilar's monthly newsletter. Our second newsletter this month highlights trends in recent CEO equity awards and stock ownership requirements as well as a new product announcement.

### ▶ **EQUILAR'S AWARDSINSIGHT™: TIMELY STOCK AWARD AND OPTION GRANT DATA**

Equilar is pleased to announce AwardsInsight™, the latest in our line of award-winning Insight products. AwardsInsight™ provides compensation professionals with the most timely information on recent restricted stock awards and option grants. As a result of new disclosure requirements, companies are required to file a Form 4 within 48 hours of a new equity award (both derivative and non-derivative securities) to a Section 16 individual.

With many companies reassessing or restructuring their long-term incentive (LTI) plans, AwardsInsight™ has the advanced search capabilities necessary to find the information that you need to make timely and informed compensation decisions; you gain real-time data directly from SEC Form 4 filings.

Whether you are interested in a peer analysis, a company analysis, or just want to focus on a specific executive, AwardsInsight™ gives you the flexibility to design a customized report that will meet your needs. Here are just some of the questions that AwardsInsight™ will help you answer:

- What companies are awarding restricted stock?
- How significant is the trend towards performance-based vesting requirements?
- How large are the current awards as compared to last year?
- What is the size of awards being given to non-top 5 executives?

Contact us today at 877-441-6090 or [info@equilar.com](mailto:info@equilar.com) to schedule a brief demonstration of AwardsInsight™.

### ▶ **TRENDS IN RESTRICTED STOCK AWARDS AND OPTION GRANTS**

We decided to put our AwardsInsight™ service to the test to help us divine trends in CEO equity awards. We focused on Form 4 filings between July 1, 2003 and September 30, 2003 and analyzed all new restricted stock awards and option grants.

Here are our central findings:

**Restricted Stock Awards:** Among S&P 500 companies, 25 CEOs received restricted stock (or unit) awards in the three month period (Type A Non-Derivative Securities in Form 4 parlance).

- The median size of the restricted stock award for this cohort was \$2.64 million. Since CEOs may receive more than one grant during the course of the year, this may understate the total value awarded in the current fiscal year.
- Six of the 25 CEOs (24%) had not received a restricted stock award in the past three years (nor had the previous CEO at that company if they were recently named to the position), signifying a change in the compensation practices at these companies.
- Reflecting a trend towards performance based equity compensation, we came across four awards with the following performance criteria:
  - "Actual number of shares earned will be based on fiscal year 2006 operating profit margin."
  - "Shares will vest based upon achievement of performance criteria and a five year

period...Number of shares can be reduced to a number of shares from zero to 100,000 on 10/1/2004, depending upon the achievement of performance criteria"

- "Restricted stock units vest in full on August 31, 2006 to the extent predetermined performance targets have been achieved."
- "PARS (Performance Accelerated Restricted Stock) vest upon reaching certain performance levels or at the end of 5 years, whichever comes first."

**Option Grants:** To make the most valid year over year comparisons, we focused on 23 CEOs who received a single option grant (greater than 50,000 options) in the same three month period spanning from July to September in 2002 and 2003. We also went back three years to ensure that it was customary for each of these companies to issue option grants only once per year to these CEOs.

- There was a 15% decrease in the median number of options granted on a year over year basis: 300,000 in the months spanning from July to September of 2002 versus 255,000 in 2003. The distribution of option grants shifted towards smaller grants, as the chart below indicates.

	July-Sept, 2003	July-Sept, 2002
Median Number of Options Granted	255,000	300,000
<b>Number of Options Granted</b>		
0-249,999 Shares	43%	35%
250,000-499,999 Shares	48%	56%
Over 500,000 Shares	9%	9%

## ▶ TRENDS IN CEO STOCK OWNERSHIP GUIDELINES

An analysis of recent proxy filings for the S&P 100 indicates a trend towards increased disclosure of CEO stock ownership and holding period requirements.

- Fifty-two percent of these companies disclosed stock ownership guidelines and/or retention requirements (for stock acquired through option exercise). Among the group of 52 companies,
  - Forty companies (77%) only disclosed stock ownership requirements.
  - Eight companies (15%) provided stock ownership requirements AND retention requirements.
  - Four companies (8%) only disclosed retention requirements.
- The recent year also saw dramatic changes in this area. We found that 27 of the 52 S&P 100 companies that provided disclosure in this area had some change over the past year. Changes included:
  - Seventeen companies (62%) provided disclosure of stock ownership or retention requirements that had not been disclosed in the previous year.
  - Five companies (19%) materially changed their executive stock ownership requirements. Three of these companies increased ownership requirements while two decreased them.
  - Five companies (19%) changed the specificity of their disclosure.

For additional information about our S&P100 CEO Stock Ownership Analysis, please contact us at [info@equilar.com](mailto:info@equilar.com).

## ▶ EQUILAR IN THE NEWS

- [Lifting the Lid: Some Boards Still Shy About Meeting](#) (*Reuters*, October 17, 2003)

- [EPS, Revenue Top Metrics for Setting CEO Bonuses \(subscription required\)](#) (**Compliance Week**, October 14, 2003)
- [CEO Pay Hikes Outpace Economic Gains](#) (**National Public Radio**, October 10, 2003)
- [Women Executives Match Male Counterparts in Pay](#) (**Bloomberg**, October 8, 2003)

## ▶ CONTACT EQUILAR

---

If you would like to learn more about Equilar and how we can help you, please contact us by phone (877.441.6090), e-mail [support@equilar.com](mailto:support@equilar.com), or visit us on the Web at [www.equilar.com](http://www.equilar.com).

If you were forwarded this e-mail and wish to be included in future mailings, please send an e-mail to [support@equilar.com](mailto:support@equilar.com) with the word "subscribe" in the subject field. If you wish to remove yourself from this list, please send e-mail to [support@equilar.com](mailto:support@equilar.com) with the word "remove" in the subject field.

### DISCLAIMER

The information and analysis in this e-mail and attachments are intended to be for informational purposes only. The analysis is based on information taken from publicly filed documents and we do not represent to its accuracy. Equilar, Inc. assumes no liability for the use or interpretation of information contained herein. This publication is provided "as is" without warranty of any kind, either expressed or implied, including, but not limited to, the implied warranties of merchantability, fitness for a particular purpose, or non-infringement of third party rights.

---

---