

Welcome to Equilar's January newsletter. This month we focus our attention on executive stock ownership and compensation trends for the first three quarters of 2003 for CEOs and CFOs.

▶ STOCK OWNERSHIP ANALYSIS FOR S&P 500 CEOs

Many feel executive stock ownership provides an indication that management has "skin in the game." We analyzed the beneficial ownership tables for CEOs at S&P 500 companies to answer two questions:

- How much of their ownership is in the form of vested options (which includes those vesting within 60 days)?
- Excluding vested options, what is their stock ownership as a multiple of their salaries?

The aforementioned questions generated the following answers:

- A significant amount of CEO beneficial ownership is in the form of exercisable options versus direct stock ownership. Here are the summary statistics revealing options as a percentage of total ownership (for CEOs at S&P 500 companies):

Percentile Rank	% of Total Ownership in Options
Median	74.3%
25th %ile	43.0%
75th %ile	85.8%

- We completed an earlier stock ownership analysis (October, 2003) for S&P 100 CEOs which demonstrated an increased disclosure of ownership requirements. These stock requirements ranged from three to five times their annual salary. We focused our analysis this month on a broader cross-section of CEOs (S&P 500) and looked strictly at stock ownership (excluding options). Here were the results:

%ile Rank	Stock Ownership as a Multiple of Base Salary
Median	10.1 Times Base Salary
25th %ile	3.6 Times Base Salary
75th %ile	30.0 Times Base Salary

For further information about our stock ownership analysis, please contact info@equilar.com.

▶ TOTAL DIRECT COMPENSATION DURING FIRST THREE QUARTERS OF 2003

To discern the trends in executive pay, we analyzed compensation trends for the CEO and CFO of S&P 500 companies with a fiscal year end between January, 2003 and September, 2003. Here are the patterns we found:

- Median salaries grew for both positions at roughly eight percent.
- Median bonuses grew significantly for CEOs and CFOs (45% and 49% respectively).
- The size of restricted stock awards grew significantly for CEOs and CFOs, but the number who received awards increased only slightly for both groups.
- Number of stock options granted declined for both CEOs and CFOs, leading to an overall decline in the value of those grants.

Our study of annual proxy filings for 95 companies in the S&P 500 Index revealed the following patterns in CEO compensation (median statistics):

Compensation Category	2003	2002	% Change
Base Salary	\$883,000	\$814,730	+8.4%
Cash Bonus	\$710,719	\$490,000	+45.0%
Restricted Stock Awards*	\$2,000,035	\$1,395,388	+43.3%
Long-Term Incentive Plan Payouts*	\$2,246,000	\$501,404	+347.9%
Value of Stock Option Grants**	\$3,610,640	\$5,583,480	-35.3%
Number of Stock Options Granted	300,000	322,000	-6.8%

* Note: Restricted Stock Awards and LTIP Payouts are medians among CEOs receiving such compensation. The percentage of CEOs who received restricted stock awards rose from 21.1% in 2002 to 22.1% in 2003, while CEOs who received LTIP payouts remained constant at 13.7%.

** Value of option grants based on Equilar analysis utilizing a consistent Black-Scholes methodology across all companies.

A similar study of 57 CFOs from companies in the S&P 500 Index revealed the following patterns in CFO compensation (median statistics):

Compensation Category	2003	2002	% Change
Base Salary	\$415,000	\$385,350	+7.7%
Cash Bonus	\$262,969	\$176,131	+49.3%
Restricted Stock Awards*	\$423,645	\$274,289	+54.5%
Long-Term Incentive Plan Payouts*	\$358,530	\$262,741	+36.5%
Value of Stock Option Grants**	\$1,147,560	\$1,215,761	-5.6%
Number of Stock Options Granted	69,700	85,000	-18.0%

* Note: Restricted Stock Awards and LTIP Payouts are medians among CFOs receiving such compensation. The percentage of CFOs who received restricted stock awards rose from 28.1% in 2002 to 29.8% in 2003, while the percentage of CFOs who received LTIP payouts increased from 10.5% to 14.0% in the respective years.

** Value of option grants based on Equilar analysis utilizing a consistent Black-Scholes methodology across all companies.

▶ EQUILAR INSTITUTIONAL INVESTOR ACTIVITIES



Earlier this month, the California Public Employees' Retirement System (CalPERS) launched their Pay-for-Performance web site, a quantitative model for evaluating total compensation at individual companies. To learn more about this service and see how your company ranked, please click [here](#).



On January 6, 2004, The Investor Research Responsibility Center (IRRC), the leading source of high quality, impartial information on corporate governance and social responsibility issues, announced the inclusion of Equilar's executive compensation analysis in IRRC's research. To learn more about the alliance, please click [here](#).



On January 8, 2004, Institutional Shareholder Services (ISS), the world's leading provider of proxy voting and corporate governance services, announced their inclusion of Equilar analysis in their proxy voting decision process. To learn more about these changes, please click [here](#).

▶ EQUILAR IN THE NEWS

- [Institutional Shareholder Services Announces 2004 Corporate Governance Policy Updates](#)

- ([PDF](#)) (**Press Release**, January 8, 2004)
- [CEO Bonuses to Surge as Profit Stocks Rise](#) (**Reuters**, January 8, 2004)
 - [Eisner, Semel Are in Out-of-the-Money Options](#) (**Bloomberg**, January 7, 2004)
 - [IRRC and Equilar Alliance to Offer Integrated Executive Compensation Analysis](#) (**Press Release**, January 6, 2004)
 - [Pay Package of Tyco Chief Surges to US\\$172M in Value](#) (**Reuters**, January 2, 2004)
 - [CFOs Who Focus on CEO's Pay Find It Rewarding](#) (**Bloomberg**, December 31, 2003)
 - [Alexander Is Prime Example of CEO Americanus](#) (**Bloomberg**, December 17, 2003)
 - [Higher Executive Pay Doesn't Mean Fewer Jobs](#) (**Bloomberg**, December 10, 2003)
 - [Lucent to Give Bonus to All Workers](#) (**Reuters**, December 6, 2003)

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

▶ 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), or visit us on the Web at www.equilar.com.

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