

EXECUTIVE PAY FOR PERFORMANCE

MAY 18, 2004



COMPONENTS OF EXECUTIVE COMPENSATION

- **TOTAL COMPENSATION EQUALS:**
 - **BASE PAY**
 - **BONUS**
 - **LONG-TERM INCENTIVE**
 - **PERKS**

BASE PAY

1. **FIXED COST TO COMPANY**
2. **PAYS FOR STANDARD OF LIVING**
3. **PAY RANGE BASED ON JOB LEVEL OF RESPONSIBILITY**
4. **MARKET DATA**
5. **PAYOUT % SET BY COMPANY**

BONUS

1. **SHORT-TERM INCENTIVE, 1 YEAR**
2. **SIGNIFICANT, BUT OBTAINABLE GOALS**
3. **INDIVIDUAL, COMPANY, BOTH**
4. **CASH PAYOUT, % OF BASE**

LONG-TERM PLAN

- 1. INCENTIVE FOR PERFORMANCE OVER PERIOD OF LONGER THAN 1 YEAR**
- 2. SERVES FOR RETENTION**
- 3. FOCUSES BEHAVIOR ON MANAGING BUSINESS FOR THE FUTURE**
- 4. PAYOUT IN STOCK OR EQUIVALENT BASED ON FORMULA**

PERKS

USED TO RETAIN EXECUTIVE AND MAINTAIN COMPETITIVE POSTURE

1. CAR ALLOWANCE
2. HEALTH CLUB MEMBERSHIP
3. COUNTRY CLUB MEMBERSHIP
4. TUITION COSTS
5. LIFE INSURANCE

ADDITIONAL CONSIDERATION

- STRATEGIC ADVICE
- TACTICAL ADVICE
- WORK EFFORT
- LEADERSHIP
- TEAM PLAYER
- ATTITUDE
- FINANCIAL MANAGEMENT
- CUSTOMER SATISFACTION
- EMPLOYEE SATISFACTION
- IMPACT TO THE BUSINESS

KEY TO SUCCESS

- **SETTING OBJECTIVES**
- **COMMUNICATIONS**

EXAMPLE

● BASE	\$ 140,000
● BONUS 20%	28,000
● CAR ALLOWANCE	7,500
● HEALTH CLUB	1,000
TOTAL	\$ 176,500

EXAMPLE II

LEVEL 32, MIDPOINT IS \$153.7, TARGET RANGE IS 43%

\$140,000

X 43% = \$60,200

\$60,200 ÷ \$3.30 = 18,200 SHARES

TOTAL COMPENSATION

BASE:	\$140,000
BONUS 20%:	30,000
CAR ALLOWANCE:	7,500
HEALTH CLUB:	1,000
LONG TERM PLAN:	60,200
TOTAL COMPENSATION:	\$238,700

KEY TO SUCCESS

- **SETTING OBJECTIVES**
- **COMMUNICATIONS**