

# 2007

# CHIEF HR COMPENSATION TRENDS REPORT



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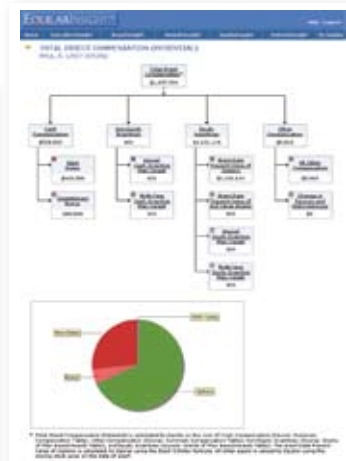
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## ABOUT EQUILAR

Based in Redwood Shores, California, Equilar is the market leader for benchmarking executive and board pay and offers an award-winning suite of online tools for analyzing executive compensation and corporate governance trends. Equilar, a NASDAQ strategic alliance partner, helps its clients make informed decisions on board-level compensation matters with independent research and analysis. EquilarInsight, voted Top 10 Product of the Year by Human Resource Executive Magazine, allows professional service organizations, corporations and the media to accurately compare individual executive and director packages across companies using actual SEC data. Equilar's clients include 19 of the 20 largest human capital firms, corporations, law firms, private equity investors and executives. Equilar's research is frequently featured in *Bloomberg*, *BusinessWeek*, *CNBC*, *The Financial Times*, *Fortune*, *The New York Times*, *Reuters*, *Time*, *The Wall Street Journal* and other leading media publications.

Executive Name	Base Salary	Target Bonus	Actual Bonus	Change in Bonus	Change in Salary	Total Compensation	Change in Total Compensation
Scott Falzone (CEO)	\$1,000,000	\$1,000,000	\$1,000,000	N/A	\$0	\$1,000,000	N/A
Other Executives	\$500,000	\$500,000	\$500,000	N/A	\$0	\$500,000	N/A
<b>Total</b>	<b>\$1,500,000</b>	<b>\$1,500,000</b>	<b>\$1,500,000</b>	<b>N/A</b>	<b>\$0</b>	<b>\$1,500,000</b>	<b>N/A</b>

Component	Amount	Change
Base Salary	\$1,000,000	\$0
Target Bonus	\$1,000,000	\$0
Actual Bonus	\$1,000,000	\$0
Change in Bonus	N/A	N/A
Change in Salary	\$0	\$0
<b>Total Compensation</b>	<b>\$1,000,000</b>	<b>\$0</b>



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# 2007 CHIEF HR EXECUTIVE COMPENSATION REPORT

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## INTRODUCTION

With the new SEC compensation disclosure rules upon us, the level of scrutiny placed on the compensation setting process by shareholders and institutional investors has significantly increased. Within this environment, Chief HR Executives fall into a uniquely challenging position. They are often actively involved in the analysis and preparation of compensation strategies while also the recipients of publicly disclosed pay packages.

To help provide senior HR professionals with practical insights into the nature and value of compensation for their peers, this report covers the following key topics:

- An analysis of year-over-year compensation trends for all 161 publicly named Russell 3000 Chief HR Executives, including base salaries, bonuses, option awards and stock awards;
- A comparison of pay levels for Chief HR Executives, CFOs and CEOs at the 161 companies disclosing all three positions;
- An analysis of equity compensation strategies for Chief HR Executives, covering equity vehicle mix and the use of performance-based stock; and
- A comparison of Chief HR Executive pay levels by market index and by number of employees.

If you have further questions about recent trends in Chief HR Executive compensation, please contact Equilar by phone at **(877) 441-6090** or by email at **[info@equilar.com](mailto:info@equilar.com)**.

## PEER GROUP OVERVIEW

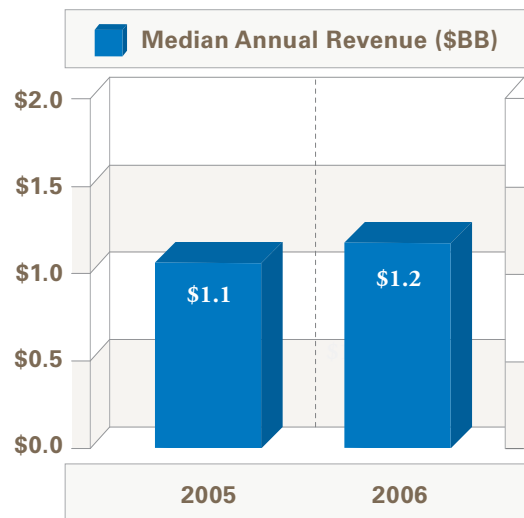
The analysis presented in Equilar's 2007 Chief HR Executive Compensation Report is derived primarily from data disclosed in fiscal year 2005 and 2006 SEC filings for publicly traded companies in the Russell 3000 index.

The specific companies covered by this analysis include the 161 Russell 3000 firms which disclosed compensation data for Chief HR Executives in 2006. To help place this project into context, the following charts summarize key financial trends for these companies over the last two fiscal years:

### ANNUAL REVENUE

In fiscal year 2006, publicly traded Russell 3000 companies with a Chief HR Executive listed in the Summary Compensation Table had median annual revenues of approximately \$1.2 billion.

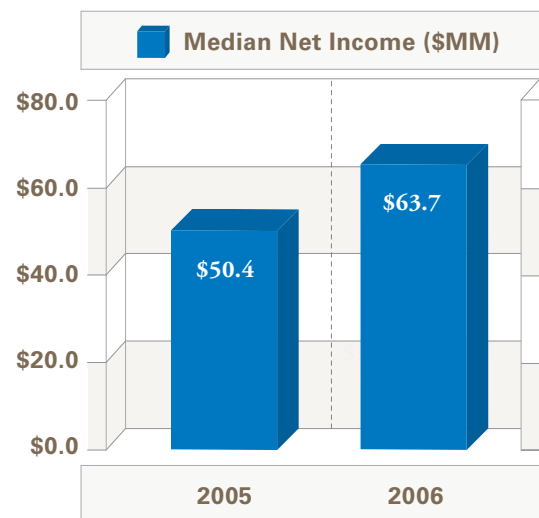
From 2005 to 2006, median annual revenues increased by 8.7 percent.



### NET INCOME

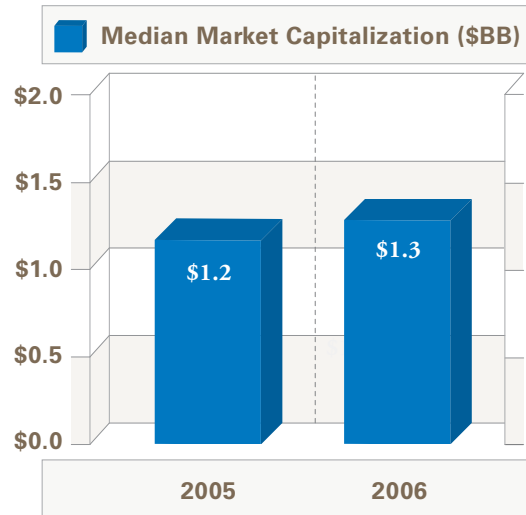
Similar to annual revenues, net income for Russell 3000 companies with a Chief HR Executive listed in the Summary Compensation Table increased from 2005 to 2006, rising by 26.5 percent.

In fiscal year 2006, these firms had a median net income of approximately \$63.7 million.



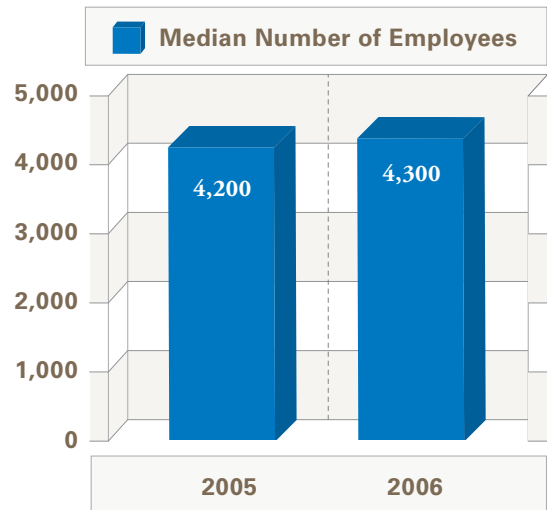
### FISCAL YEAR-END MARKET CAPITALIZATION

In 2006, Russell 3000 companies with a Chief HR Executive listed in the Summary Compensation Table had a median fiscal year-end market capitalization of approximately \$1.3 billion, up 8.3 percent from the prior year.



### EMPLOYEES

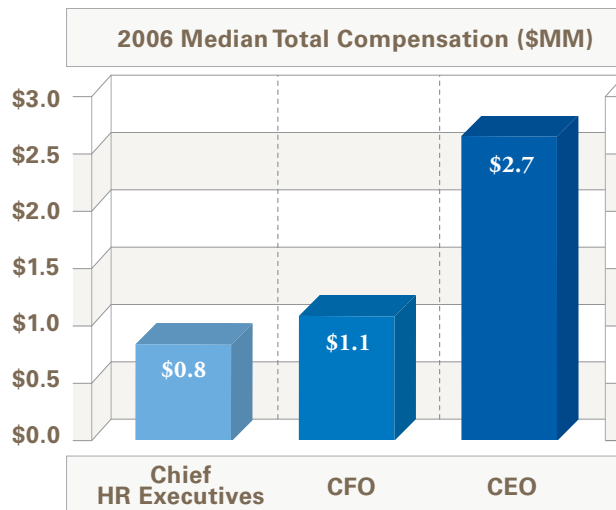
From 2005 to 2006, the median number of persons employed by Russell 3000 companies with a listed Chief HR Executive increased by 2.4 percent, rising from 4,200 to 4,300.



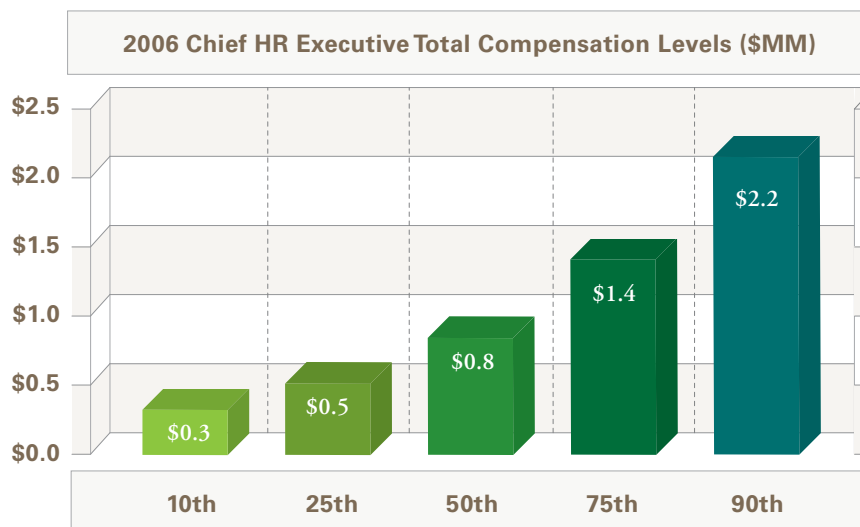
## TOTAL COMPENSATION

Median total compensation for Chief HR Executives listed as named executive officers in proxies for Russell 3000 firms reached \$845,725 in fiscal year 2006. Total compensation is calculated as the sum of base salary, discretionary bonuses, the grant-date present value of new stock and option awards, short-term and long-term cash incentive plan payouts, and other compensation.

For comparison, Chief Executive Officers and Chief Financial Officers at Russell 3000 firms with a listed Chief HR executive earned approximately \$2.7 million and \$1.1 million, respectively in 2006.



On a percentage basis, Chief HR Executives earned 75.1 percent of their CFO counterparts and 31.3 percent of their CEO counterparts. For further perspective on market pay rates, the following chart highlights Chief HR Executive compensation levels at key percentiles:

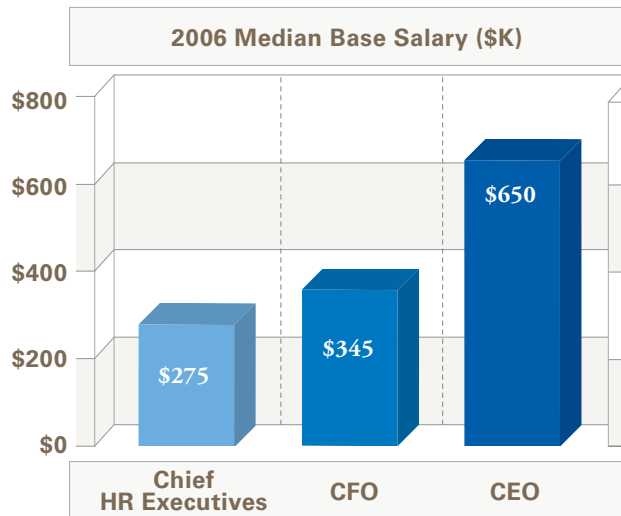


## BASE SALARY

The median base salary for all Chief HR Executives at Russell 3000 companies was \$275,000 in 2006.

Among Chief HR executives with two consecutive years of compensation data available, base salaries rose by 4.0 percent, increasing from a median of \$275,000 in 2005 to a median of \$286,000 in 2006.

The following chart provides base salary information for Chief HR Executives and their CFO and CEO counterparts in 2006:



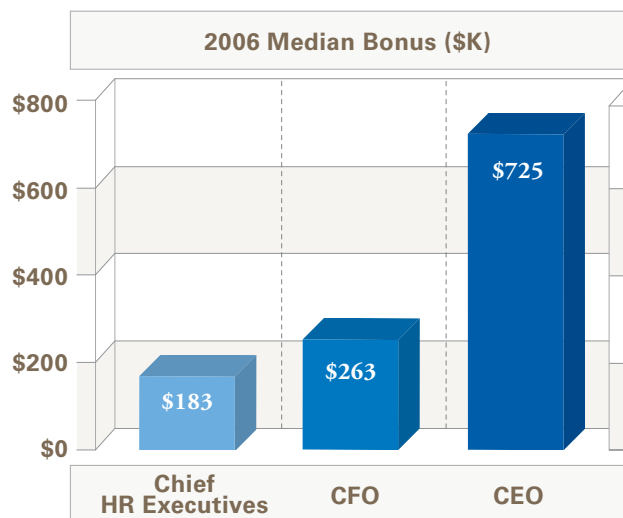
On a percentage basis, the median base salary for Chief HR Executives represents 79.6 percent of the base pay for their CFO counterparts and 42.3 percent of the base pay for their CEO counterparts.

## BONUS AWARDS

Chief HR Executives at Russell 3000 companies earned a median bonus of \$183,279 in 2006. As a result of new SEC disclosure rules, annual bonuses are now calculated as the sum of discretionary awards and short-term non-equity incentive plan compensation.

For Chief HR Executives with two consecutive years of pay information available, the median value of bonuses increased by 17.2 percent, rising from a median of \$170,000 in 2005 to a median of \$199,294 in 2006. Interestingly, among Chief HR Executives with two years of data, the prevalence of bonus awards fell from 91.6 percent in 2005 to 88.4 percent in 2006.

The following chart illustrates annual bonus levels for Chief HR Executives and their CFO and CEO counterparts in 2006:

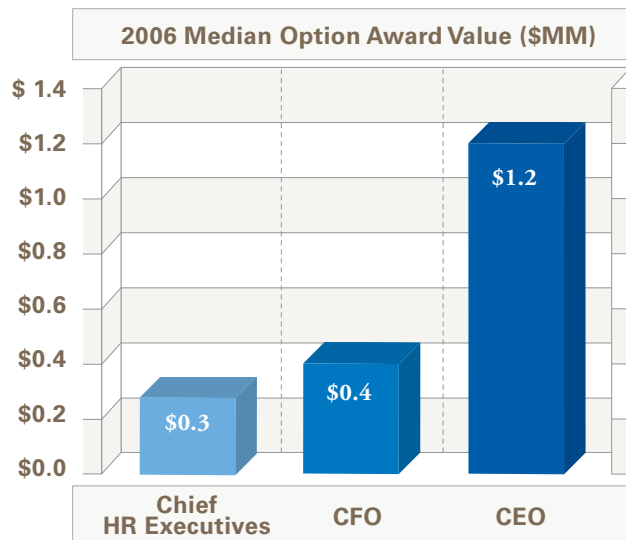


On a percentage basis, the median bonus for Chief HR Executives equaled 69.6 percent of the median bonus awarded to their CFO counterparts and 25.3 percent of the bonus awarded to their CEO counterparts.

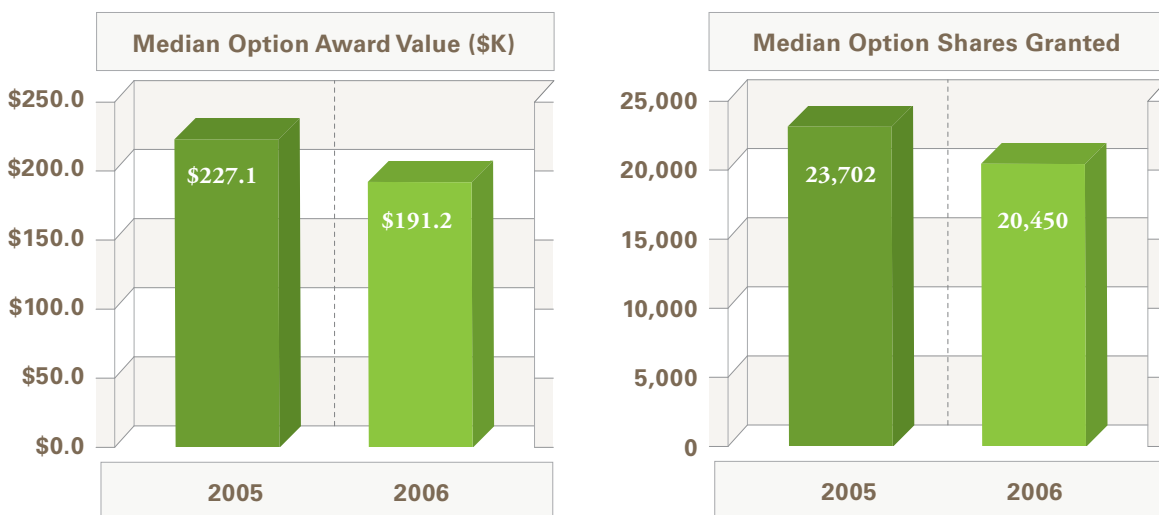
## STOCK OPTION AWARDS

Among the 64.0 percent of Chief HR Executives at Russell 3000 firms who received a stock option grant in 2006, the median grant-date value for these option awards was \$254,140. The grant-date value of stock option awards is measured using Equilar’s standard Black-Scholes formula.

While the prevalence of stock option awards for Chief HR Executives with two consecutive years of compensation data available remained flat at 62.1 percent between 2005 and 2006, the median value of option awards for these executives fell by 15.8 percent. For these executives, the median option award in 2005 was \$227,140 and the median award in 2006 was \$191,195. The following chart compares median stock option awards for all Chief HR Executives and their CFO and CEO counterparts in 2006:



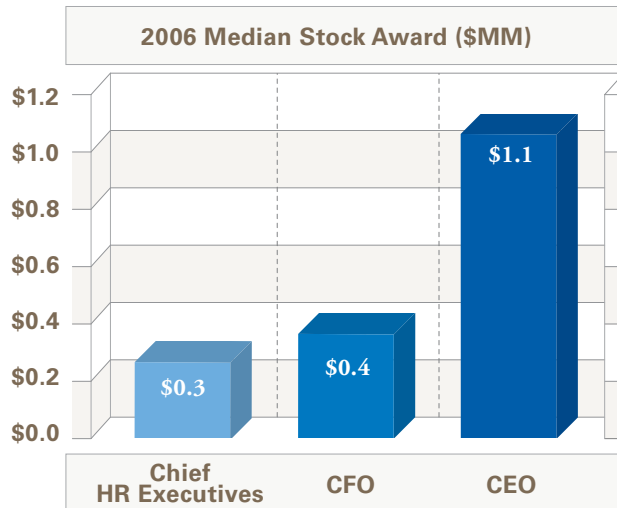
In 2006, Chief HR Executive option awards represented 61.8 percent of the value received by their CFO counterparts and 20.4 percent of the value received by their CEO counterparts. The following charts provide further information on year-over-year stock option grant trends for Chief HR Executives at Russell 3000 companies:



## STOCK AWARDS

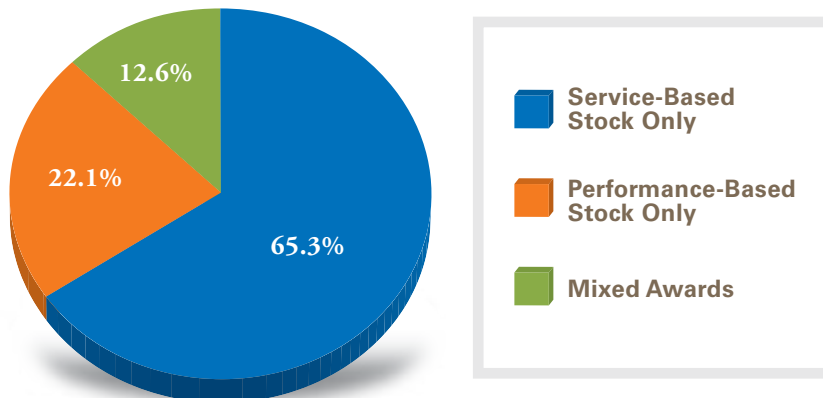
In 2006, 59.0 percent of Chief HR Executives at Russell 3000 companies received a stock award. For these executives, the median stock award had a grant-date value of \$271,362. Stock awards include stock and unit grants with service-based and/or performance-based vesting features.

The following chart compares median stock awards for all Chief HR Executives and their CFO and CEO counterparts in 2006:



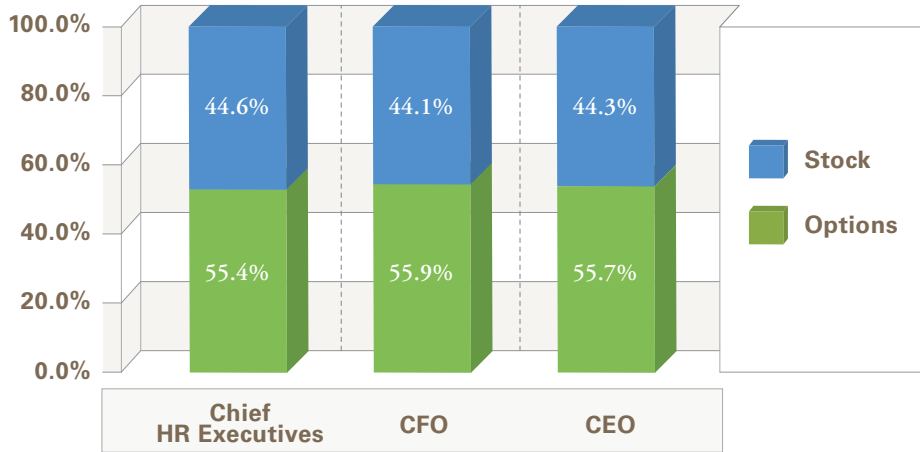
Among Chief HR Executives receiving stock awards, 65.3 percent received awards that vest solely upon the completion of service requirements. 22.1 percent of these executives received awards that vest only after the achievement of specific performance goals, and the remaining 12.6 percent received a mix of service-based and performance-based stock awards.

The following chart illustrates the breakdown of stock award types for Chief HR Executives in 2006:

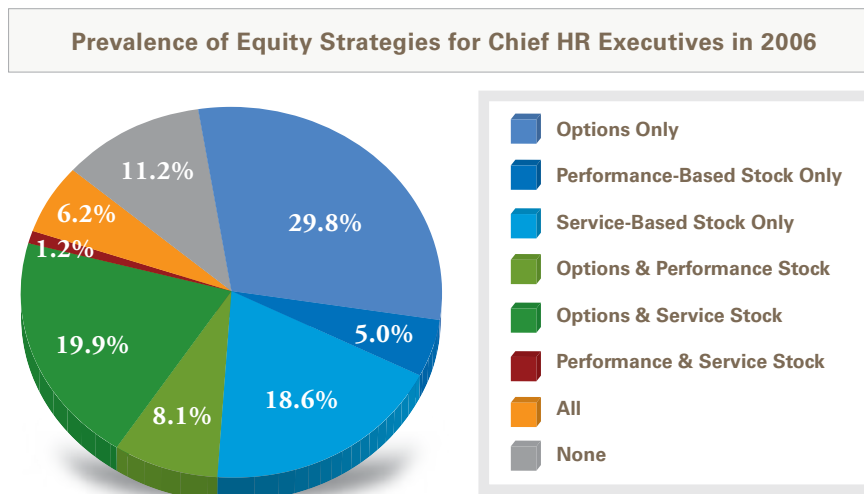


## EQUITY MIX

In 2006, among Chief HR Executives who received equity compensation, a median of 55.4 percent of the total value awarded was delivered through option awards and a median of 44.6 percent of the total value awarded was delivered in stock. As illustrated in the following chart, the weighting of stock and option awards for CFOs and CEOs is nearly identical to the weighting for Chief HR Executives:



The following chart provides a complete overview of the various equity compensation strategies employed by Russell 3000 companies with a Chief HR Executive:

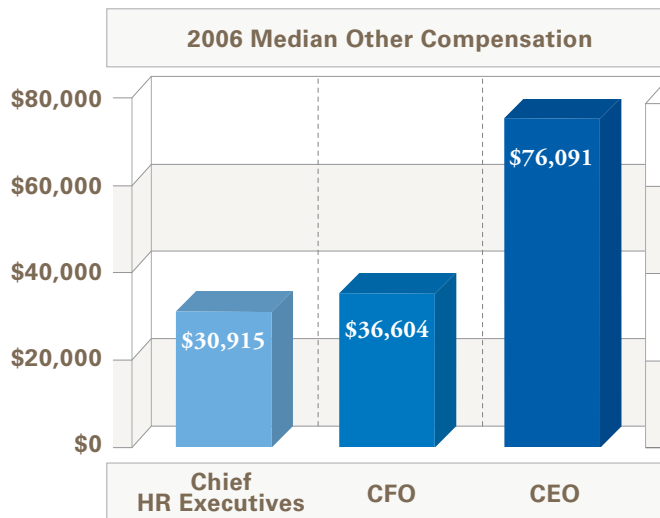


## OTHER COMPENSATION

Median other compensation for all Chief HR Executives at Russell 3000 companies was \$30,915 in 2006. Other compensation typically includes benefits and perquisites.

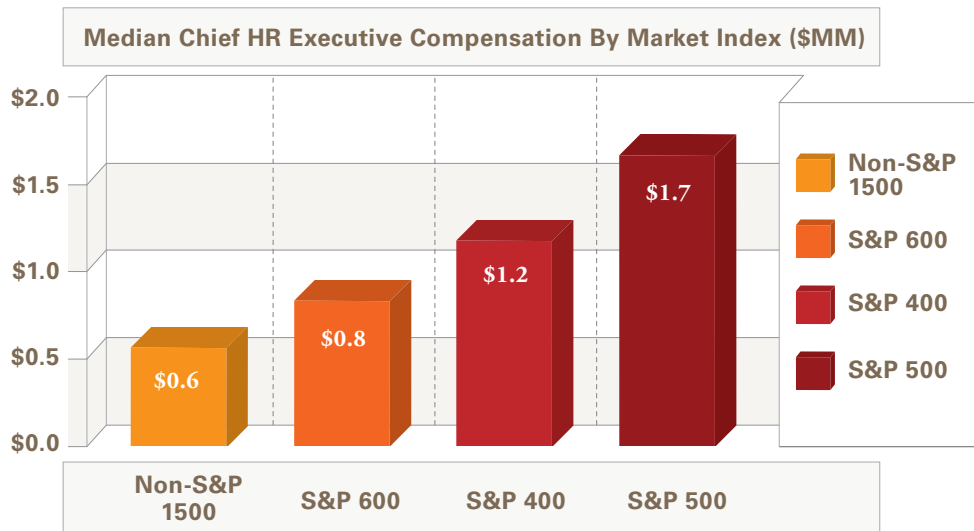
Among Chief HR executives with two consecutive years of compensation data available, other compensation rose by 58.0 percent, increasing from a median of \$20,337 in 2005 to a median of \$32,135 in 2006. The large increase in the value of other compensation is largely attributable to new SEC rules which ask companies to provide greater specificity on the perquisites provided to executives.

The following chart provides other compensation information for all Chief HR Executives and their CFO and CEO counterparts in 2006:



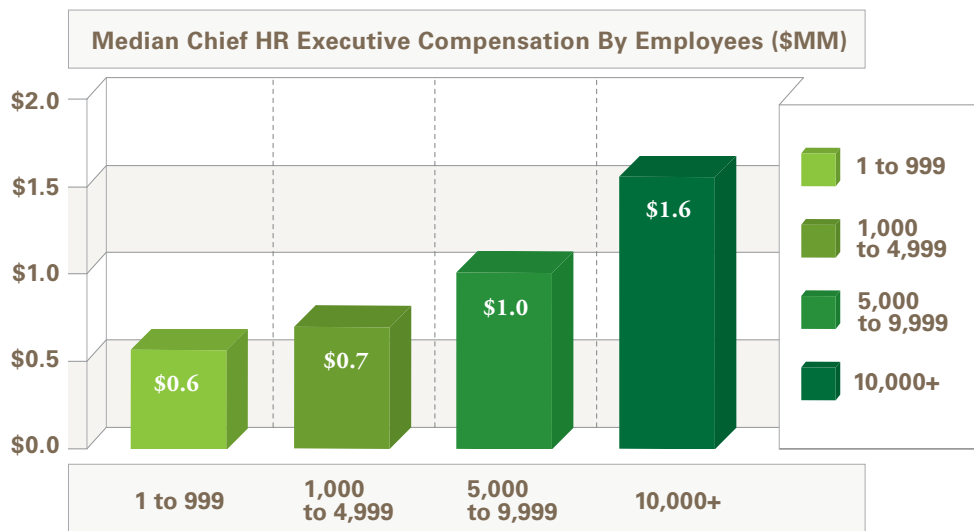
## TOTAL COMPENSATION BY MARKET INDEX

In 2006, Chief HR Executives listed as named executive officers at S&P 500 companies received a median total compensation package of approximately \$1.7 million. As expected, top HR officers at S&P 400, S&P 600, and non-S&P 1500 firms received sequentially less in median total pay for 2006. The following chart illustrates this trend:



## TOTAL COMPENSATION BY NUMBER OF EMPLOYEES

In 2006, Chief HR Executives at companies with fewer than 1,000 employees received a median total compensation package of \$614,000. As displayed in the chart below, median Chief HR Executive compensation increased by just over 2.5 times as the number of employees grew to 10,000 or more.



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