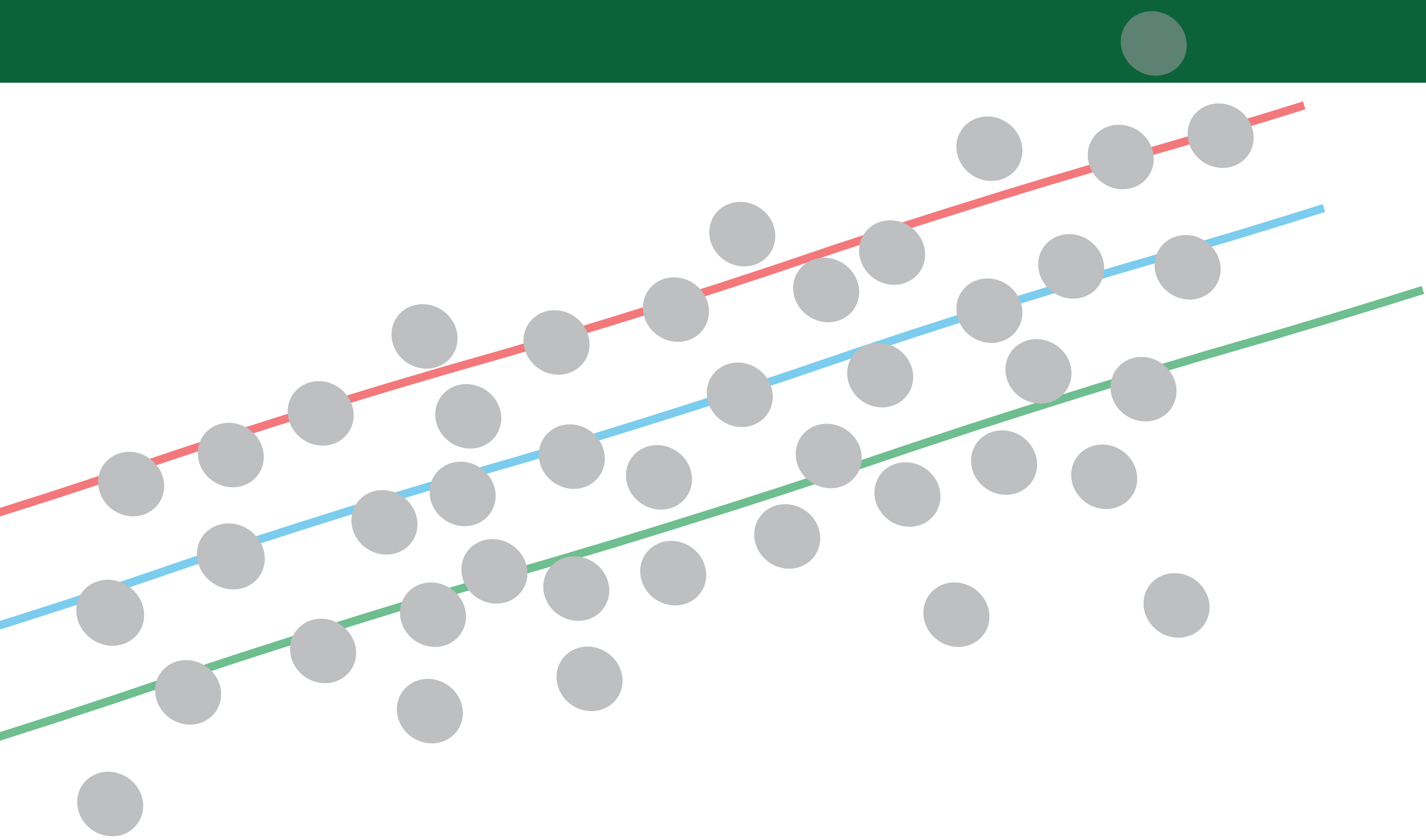
Executive Compensation Index



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About the Index

The ERI Executive Compensation Index is a quarterly report that measures trends in executive compensation using analysis of the companies included in the Russell 3000 index. The Russell 3000 is comprised of 3000 publicly traded U.S. firms that collectively represent roughly 98% of the investable equity market in the United States. The ERI Executive Compensation Index specifically highlights compensation for three executive positions:

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer

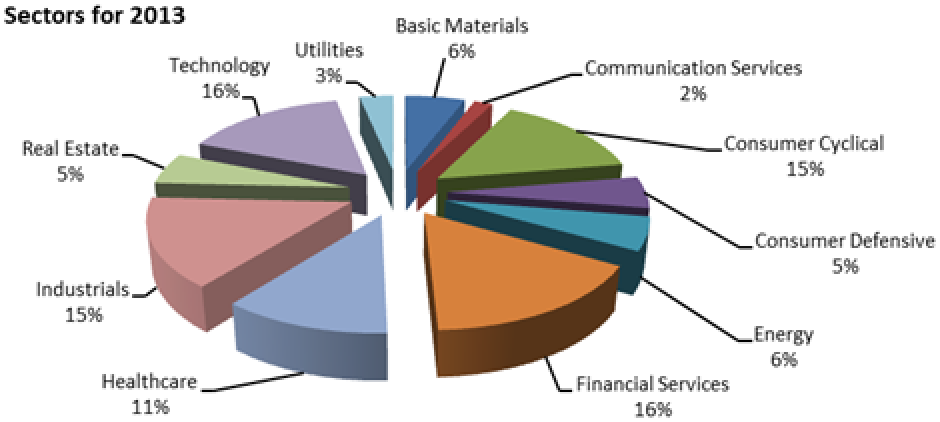
This report will also discuss the fluid landscape for the benchmark and analysis of executive compensation packages. Analysis of public company disclosures will drive this discussion.

Company-Level Data

Median revenue for the Russell 3000 increased 6.6% from 2012 to 2013. The median revenue for companies in the index was just over $787 million in 2013. From 2008 to 2009, median annual revenue dropped more than 12% for this group. Since 2009, median revenue is up more than 25%. Roughly 70% of companies in the index saw positive revenue growth in 2013, while 38% increased revenue by at least 10% over 2012.

Figure 1 illustrates the 2013 Russell 3000 by industry sector. Financial services and technology companies were the most prevalent, collectively representing 32% of the index. Industrial manufacturers and cyclical consumer goods providers each represent 15%.

Figure 1: Industry Sectors for 2013



To analyze executive pay, the Russell 3000 companies were divided into three groups by the most recent market capitalization. The market cap groups were defined as follows:

- Small Cap – less than $750 million (1,093 companies)
- Medium Cap – between $750 million and $4 billion (1,086 companies)
- Large Cap – greater than $4 billion (820 companies)

Chief Executive Officer

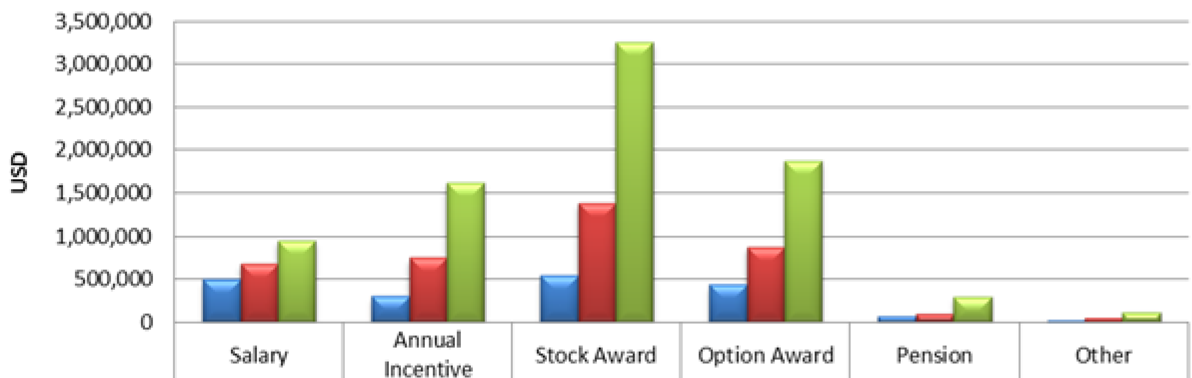
Table 1 - 2013 CEO Total Direct Compensation

Market Cap Group	Total Direct Compensation ($)		
	25th Percentile	Median	75th Percentile
1	818,767	1,349,278	2,299,465
2	1,779,375	3,053,776	4,743,986
3	4,637,262	7,251,698	11,127,000

Table 1 shows the median total direct compensation for Russell 3000 Chief Executive Officers in 2013. Total direct includes salary, annual cash incentive, and the grant-date value of stock and option awards in a fiscal year. This measure of annual compensation remained flat for the small cap group, but increased by 12% and 6% respectively for medium and large cap companies.

Figure 2 displays median values for the four components of total direct compensation. It also shows values for two other traditional summary compensation table elements. Pension refers to above-market earnings in, or direct payouts to, non-qualified or deferred compensation plans. Other refers to executive benefits and perquisites (e.g., use of the company aircraft) that are not included in one of the other categories.

Figure 2: Median CEO Compensation by Market Cap Group for 2013



	Salary	Annual Incentive	Stock Award	Option Award	Pension	Other
Small Cap	495,833	305,000	539,809	438,000	74,899	29,330
Medium Cap	685,000	750,000	1,380,197	877,798	93,603	47,075
Large Cap	950,000	1,620,000	3,262,666	1,876,491	298,934	118,554

CEO Salary

CEO salaries increased across the board in 2013. The small and medium market cap groups saw roughly 6% salary increases, while the large group median salary increased 2%. The median salary for the top executives at small cap companies was just under $500,000. Large cap CEOs earned base salaries roughly twice that of small caps on average.

CEO Annual Cash Incentive

Annual cash incentives generally increased from 2012 levels. In both 2012 and 2013, roughly 34% of CEOs received cash incentives of at least $1 million. These types of payouts typically fall into one of three categories. They can be based on individual or company performance in a reactive way, in which case the compensation committees make a somewhat subjective decision regarding payout amounts at the end of given period. They can also be proactive, where specific plan targets and performance goals, set at the beginning of a period, determine payout amounts. Lastly, they may not be based on performance at all. Examples of non-performance cash include sign-on and retention bonuses, and cash bonuses resulting from a merger agreement. Executive compensation packages often include annual cash incentives with components in more than one of these categories. When this is the case, the proactive piece is reported separately. This report refers to target-based and objective-driven cash incentives as "performance cash" and all other cash incentives as "discretionary bonuses."

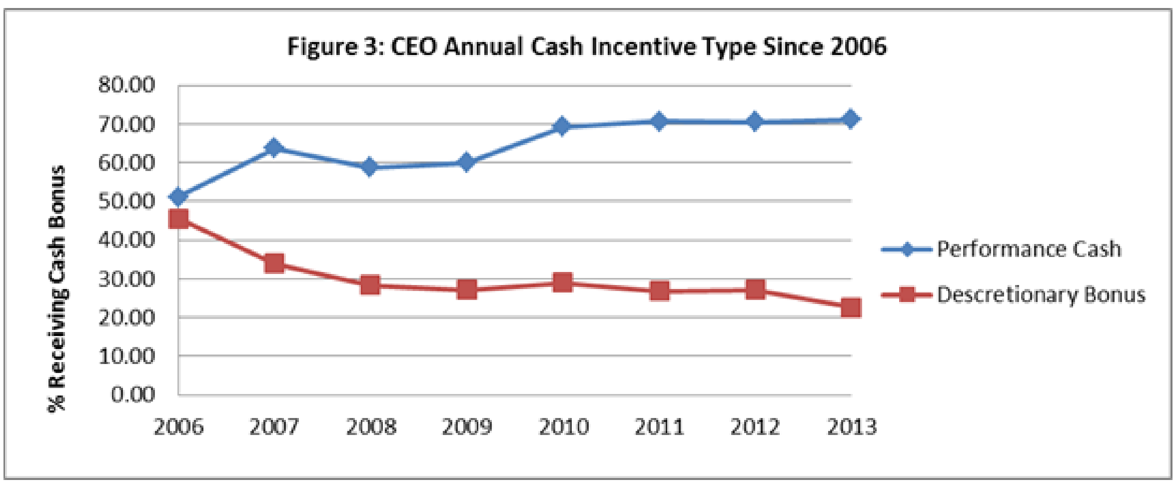
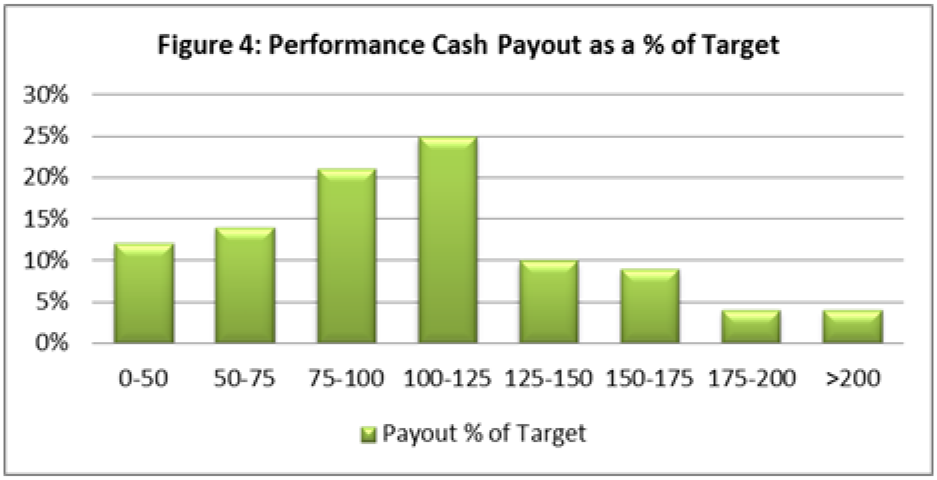


Figure 3 lays out the percentage of CEOs receiving these types of bonuses since 2006. Discretionary bonuses and performance cash payouts were equally likely in CEO pay packages in 2006. In 2013, only 1 in 5 CEO packages included discretionary annual cash, while 70% included payouts pursuant to objective predetermined performance achievement.

Figure 4 illustrates CEO payouts from performance-based annual cash incentive plans in 2013. Of those CEOs that earned performance cash in 2013, 74% received payouts that were at least 75% of the predetermined plan target. More than one third of performance cash payouts were 25% or more above target.



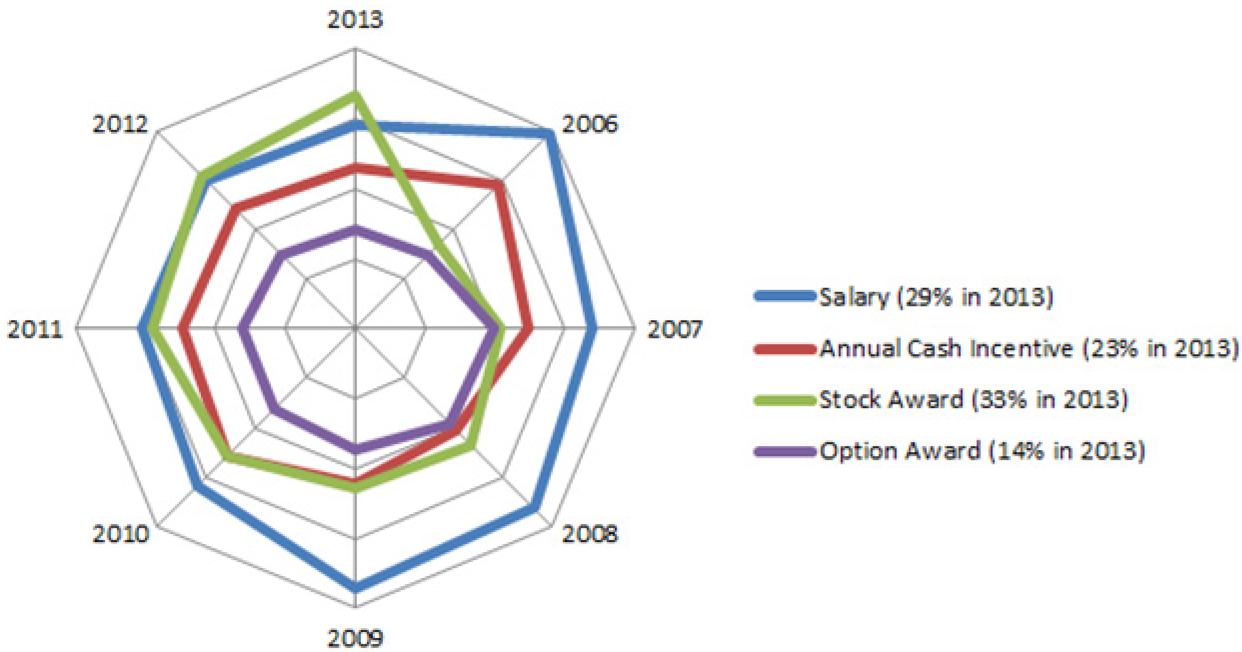
More than 70% of Russell 3000 companies reported using more than one performance measure in determining performance cash payouts in 2013. The most common plan designs included between two and five metrics. Naturally, most plan designs included measures of earnings growth and returns to shareholders, but non-financial goals were reported in about 10% of cases. Where the outcomes could be measured objectively, things like workplace safety and customer satisfaction also affected executive cash incentives. Many companies use a weighted approach, assigning more weight to those performance goals that are considered more important to overall company success.

CEO Equity Compensation

Median CEO stock and option grants increased in 2013 for all public company sizes. The full-value stock awards rose by more, however, continuing the recent trend of stock appreciation grants becoming less popular in favor of restricted stock awards or restricted stock units.

Figure 5 summarizes how the mix of CEO total direct compensation has changed since 2006. Full-value stock awards have risen from 17% to more than one third of the total value of CEO pay packages. Through the volatile years following the 2008 recession, fixed cash base salary was easily the largest component. More recently, however, more investor attention to pay-for-performance along with an improving economy has led to the increased importance of equity and variable cash.

Figure 5: CEO Pay Mix 2006 to 2013



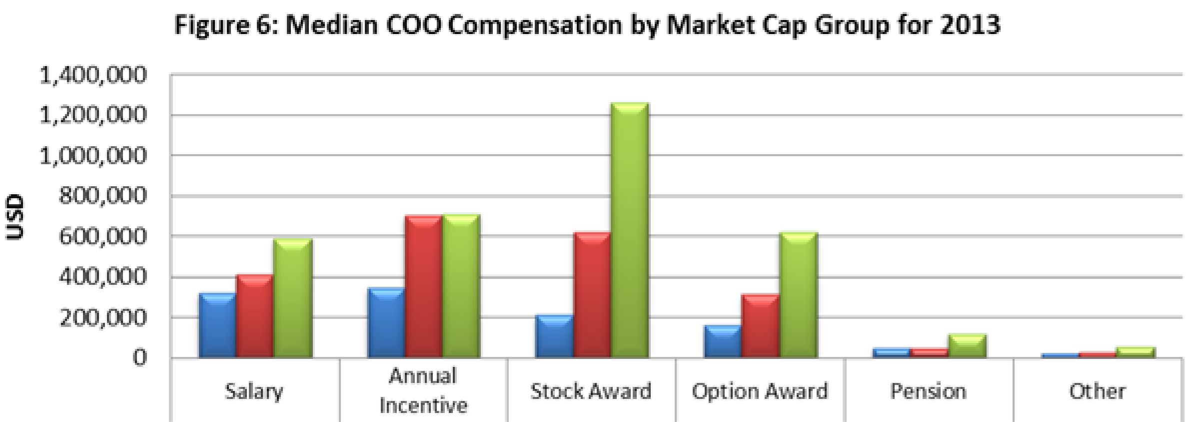
Chief Operating Officer

Table 2 shows the median total direct compensation for Russell 3000 Chief Operating Officers in 2013. Median total direct compensation increased more than 16% for medium cap COOs in 2013. Large cap COOs saw a 4% increase over 2012, and small cap COOs saw a 2.5% decrease.

Table 2 - 2013 COO Total Direct Compensation

Market Cap Group	Total Direct Compensation ($)		
	25th Percentile	Median	75th Percentile
1	432,183	690,493	1,023,838
2	919,479	1,483,981	2,244,460
3	2,038,589	3,021,173	4,717,267

Figure 6 displays median values for the four components of total direct compensation, as well as medians for the Pension and Other columns defined in the CEO section of this report. A story similar to that of public CEOs can be told for top operating officers. Large cap COOs earned about twice the salary and annual cash incentive and received a higher percentage of their total compensation via equity rather than cash.



	Salary	Annual Incentive	Stock Award	Option Award	Pension	Other
Small Cap	321,703	350,000	212,558	160,634	49,877	24,648
Medium Cap	412,159	704,530	621,267	316,756	45,625	27,852
Large Cap	588,780	712,386	1,260,743	621,423	118,114	56,775

Chief Financial Officer

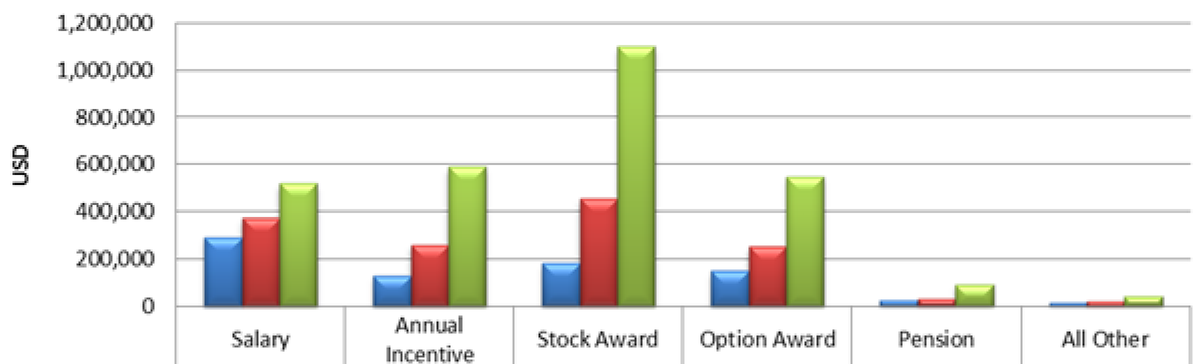
Table 3 shows the median total direct compensation for Russell 3000 Chief Financial Officers in 2013. Large cap CFOs saw the largest total direct increase over 2012 at just over 9%. Medium cap and small cap CFOs saw yearly increases to total direct of 8% and 2% respectively.

Table 3 - 2013 CFO Total Direct Compensation

Market Cap Group	Total Direct Compensation ($)		
	25th Percentile	Median	75th Percentile
1	400,000	618,304	950,000
2	781,506	1,173,368	1,668,454
3	1,721,035	2,502,294	3,766,596

Figure 7 displays median values for the four components of total direct compensation, as well as median values for the Pension and Other columns defined in the CEO section of this report. Again, large company CFOs tend to earn a majority of their pay in the form of equity awards, while CFOs at smaller companies earn a higher percentage of cash.

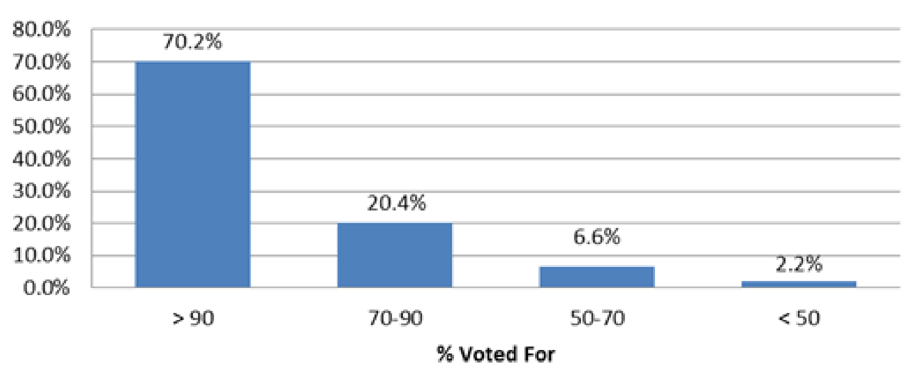
Figure 7: Median CFO Compensation by Market Cap Group for 2013



	Salary	Annual Incentive	Stock Award	Option Award	Pension	All Other
Small Cap	294,000	131,640	183,945	151,233	26,051	18,193
Medium Cap	374,791	262,930	456,972	254,576	34,993	24,609
Large Cap	520,192	590,350	1,098,382	549,980	94,001	43,834

Supplemental Information

Figure 8: 2013 Say On Pay Results



Say on Pay

Shareholder support for executive pay packages is measured by mandatory but non-binding shareholder votes for or against pay practices in general. The vast majority of companies passed this vote in 2013, with more than 70% achieving at 90% acceptance.

Peer Group Analysis

One of the inputs that public companies generally use in designing executive pay programs is benchmark comparison data based on a list of peers. In 2013, the typical comparison group included between 12 and 20 companies based on similar industries, company sizes, or both. Companies sometimes report comparison groups of up to 40 peers.

Stock Ownership Guidelines

Many companies report stock ownership guidelines as one of the methods used to align executive compensation with short-term and long-term business objectives. These guidelines are often measured in comparison to the executive's salary. As an example, Apple CEO Timothy Cook was required to maintain common stock ownership of at least ten times his base salary in 2013. As of the end of 2013, Cook's maintained the stock equivalent of about 35 times his base salary.

Using this measure of stock ownership, Russell 3000 CEOs had the highest median employer equity stake at just over 18 times base salary at the end of 2013. The median Chief Operating Officer maintained 8 times his/her base salary in employer stock, and the median Chief Financial Officer maintained a level 6.2 times higher.

Please email Matt Skrinjar at matt.skrinjar@erieri.com with questions or comments.

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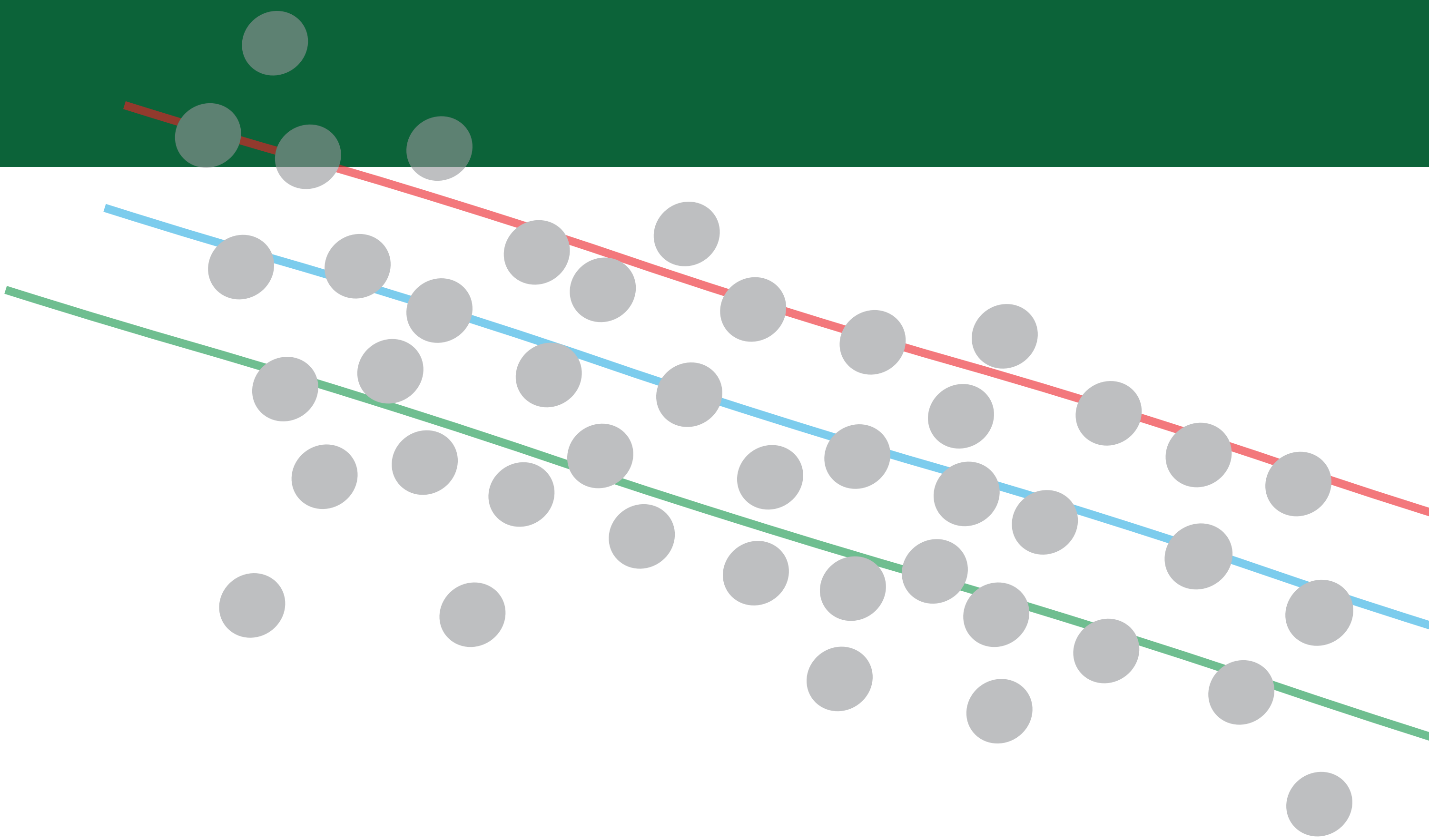

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