PAY DIRT 2011

A Glass Lewis Report on Executive Compensation

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"The idea should be that compensation is related to the overall value of the company ... If shareholder value has fallen, so should the value of the executive pay package. Pay should reflect company performance and align with shareholder interests."[1]

- *Charles M. Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware*

If only that were the case.

[1] Jones, Kathryn. "Who Moved My Bonus? Executive Pay Makes a U-Turn", New York Times, April 4, 2009

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Key Findings

Using our proprietary model, Glass Lewis evaluates a company's executive pay practices and corporate performance against those of the company's peers. Glass Lewis annually examines the results of this model to identify outliers – both good and bad – and to spot key trends and practices in the marketplace.

Key findings from our our report on 2010 compensation at U.S. public companies, include:

• As the economy recovered in 2010 from the global financial crisis of the previous year, so did executive pay: After experiencing a year-over-year decline, average total compensation of S&P 500 CEOs increased nearly 21%, reaching beyond pre-recession averages.

• The pay and performance disparity between our Overpaid 25 and Underpaid 25 lists is sharp. For our S&P 500 lists, at the median Overpaid CEOs earned $13.3 million, while stock price increased 8.7%; for their Underpaid counterparts, these figures were $5.1 million and 25.4%, respectively.

OVERPAID

• There were many avenues taken to end up on our Overpaid 25 lists: lack of performance-based incentive awards, poor peer group benchmarking, and the setting of unchallenging performance metrics, among others. Three examples of different problematic pay practices:

o Topping our S&P 500 Overpaid 25 list is **Molex Corp.**, which has continued to underperform its peers, a fact which the compensation committee appears to ignore. Part of the Company's pay issues can be attributed to benchmarking equity grants "at or higher than the 75th percentile" of its peer group.

o Shareholders should be wary of **CBS Corp.** as well, where base salaries increased dramatically (by as much as 75%), and discretionary bonuses of up to nearly 900% of base salary were awarded to NEOs. CEO **Leslie Moonves** ranked No. 3 on our Highest-Paid CEOs list for the year.

o At **Chesapeake Energy Corp.**, the disconnect between executive pay and corporate performance was due to the purely discretionary award determination process.

• Overpaying executives can become a hard habit to break. This report features many repeat offenders, led by **Coventry Health Care Inc.**, which has now appeared on three consecutive S&P 500 Overpaid 25 lists.

UNDERPAID

• **Amazon.com Inc.** took the top spot for the third year in a row on the S&P 500 Underpaid list, as the Company continues to demonstrate strong performance while paying executives a reasonable package of cash and restricted share units.

• All executive teams on our Underpaid 25 lists weren't paid peanuts:

o The top-paid CEO at an Underpaid 25 company is **James Young** of **Union Pacific Corp.,** who received $12.3 million – which was justified, in part, by the Company's TSR rising by 47.6%.

o At the top of the pay scale for executives was **Apple Inc.**, where the NEOs received, in aggregate, $148.4 million in pay. Of course, this was commensurate with performance, as the Company outperformed peers yet again.

How Glass Lewis' Pay-for-Performance Model Works

Glass Lewis believes management's primary duty is to maximize shareholder value through sustainable corporate performance. We view executive compensation practices as a window into the performance of that duty. We think compensation practices should align the interests of management with those of shareholders, within reasonable and ethical boundaries, and ultimately link pay to company and stock performance.

We recognize that many factors that affect company performance also affect the company's industry, which is why we define performance as a relative – rather than absolute – metric. In other words, we think compensation should be closely tied to how well a company performs relative to its peers; executives should be rewarded for their company's ability to outperform its competitors.

This relationship between relative executive compensation and relative performance is the basis of Glass Lewis' proprietary pay-for-performance model. First, the model evaluates the compensation of a company's top five executives by benchmarking their pay packages against those of the top five executives at peer companies. Then, the model compares the company's performance with that of the same peers. Finally, it compares the outcome of these analyses and determines whether the executives have been paid in line with the company's relative performance.

The model examines seven indicators of shareholder wealth and business performance that we believe are broadly applicable across all industries:

- stock price change;
- change in book value per share;
- change in operating cash flow;
- earnings per share ("EPS") growth;
- total shareholder return ("TSR");
- return on equity;
- return on assets;

These performance data points are calculated based on a weighted average of one-, two- and three-year data sets, with the larger weighting given to the annualized three-year performance data.

The model compares these seven performance and two compensation metrics – the total pay of the chief executive and of the top five executives – against those of the company's peers, which are bucketed into four groups: industry; sector of similar size; similar market capitalization; and same geographic region of incorporation. Each peer group is assigned a weight in the analysis, based principally on the market capitalization of the subject company. In most instances, geographic peer groups play a very small role in the overall calculation, while industry peers of similar size are a significant factor.

In the end, the model calculates a weighted-average executive compensation percentile (i.e., compensation relative to peers) and a weighted-average performance percentile. For example, a company might be in the 85th percentile in executive compensation and the 65th percentile in performance.

Based on these percentile scores, we calculate a final numeric score we call the "pay-for-performance gap." In the example above, the gap would be 20, representing the difference between the compensation and performance percentiles. We place the gap scores on a forced curve so that the companies with the largest gaps can be identified as those that have done a poor job of linking compensation with performance. Each company is assigned a letter grade ("A" to "F"), based on a forced grading curve, with 10% of the companies we analyze receiving an "A" and 10% receiving an "F."

Glass Lewis uses the analysis to inform our research and recommendations on compensation committee members and executive compensation matters that arise on proxies for U.S.-based companies. In effect, the grade acts as a measure of the compensation committee's performance during the previous year.

TYPES OF COMPENSATION NOT CAPTURED BY THE MODEL

We recognize that any pay-for-performance grading system will have its shortcomings and ours is no exception. Since the Glass Lewis model focuses squarely on compensation awarded in the most recent fiscal year, it fails to account for significant amounts of pay that had been awarded in prior years and accumulated in value, sometimes resulting in substantial windfalls. Pension compensation and pay realized through stock option exercises are prime examples of this deficiency in our model.

Fortunately, investor scrutiny of certain egregious severance packages granted in recent years, coupled with new SEC rules for executive compensation disclosure, seem to have reduced many of the "hidden" compensation elements that were common in past arrangements.

Also, as all of the banks that participated in the U.S. Treasury's Troubled Asset Relief Program ("TARP") had to provide advisory votes on executive compensation during the 2009 and 2010 proxy seasons, shareholders have become increasingly focused on Compensation, Disclosure and Analysis, ("CD&A") sections as a guide for aspects of compensation that are not included in most standard pay-for-performance grading systems. The specific factors of executive compensation were explicitly disclosed by most large companies, although often using complex and convoluted terms.

Our approach to estimating stock option valuations seeks to determine the cost of the awards as a compensation cost to the company, using the fair value of the awards at their grant dates. To estimate these expenses, Glass Lewis uses the Black-Scholes valuation methodology, taking into consideration the volatility of the stock and the time value of money. For consistent comparability across peers, we do not rely on company estimates for either stock option term or stock volatility but assign a 6-year term for options and use each company's historic volatility. Employing a standard option term and actual volatility also eliminates valuation fluctuations resulting from companies selecting Black-Scholes inputs favorable to executives. This model does not reflect the actual cash an executive may realize upon exercising the options, which may vary significantly.

The SEC's amended rules for executive compensation disclosure require public companies to disclose specific dollar amounts for annual stock option compensation – as well as total compensation – paid to senior executives. Nonetheless, in some instances our estimates may differ from the grant-date fair values cited by companies. Again, the data we used for calculating stock option pay accounts for only those options awarded in a company's 2009 fiscal year. It does not include any appreciation or decline in the value of stock options or restricted stock awarded in prior years.

Introduction

Glass Lewis' Pay Dirt on 2009 compensation at U.S, public companies noted that the global financial crisis of 2008 actually resulted in a decrease in average CEO pay for the first time since we began publishing this report. What a difference a year makes! A recovering market in 2010 – coupled in some cases with far-too-easily achieved performance goals – resulted in an increase in average CEO pay of nearly 21%. In fact, pay levels surpassed past pre-crisis levels; alas, 2009 may have just been an anomaly, a bump in the road for the CEO.

Average CEO Total Compensation 2006-2010

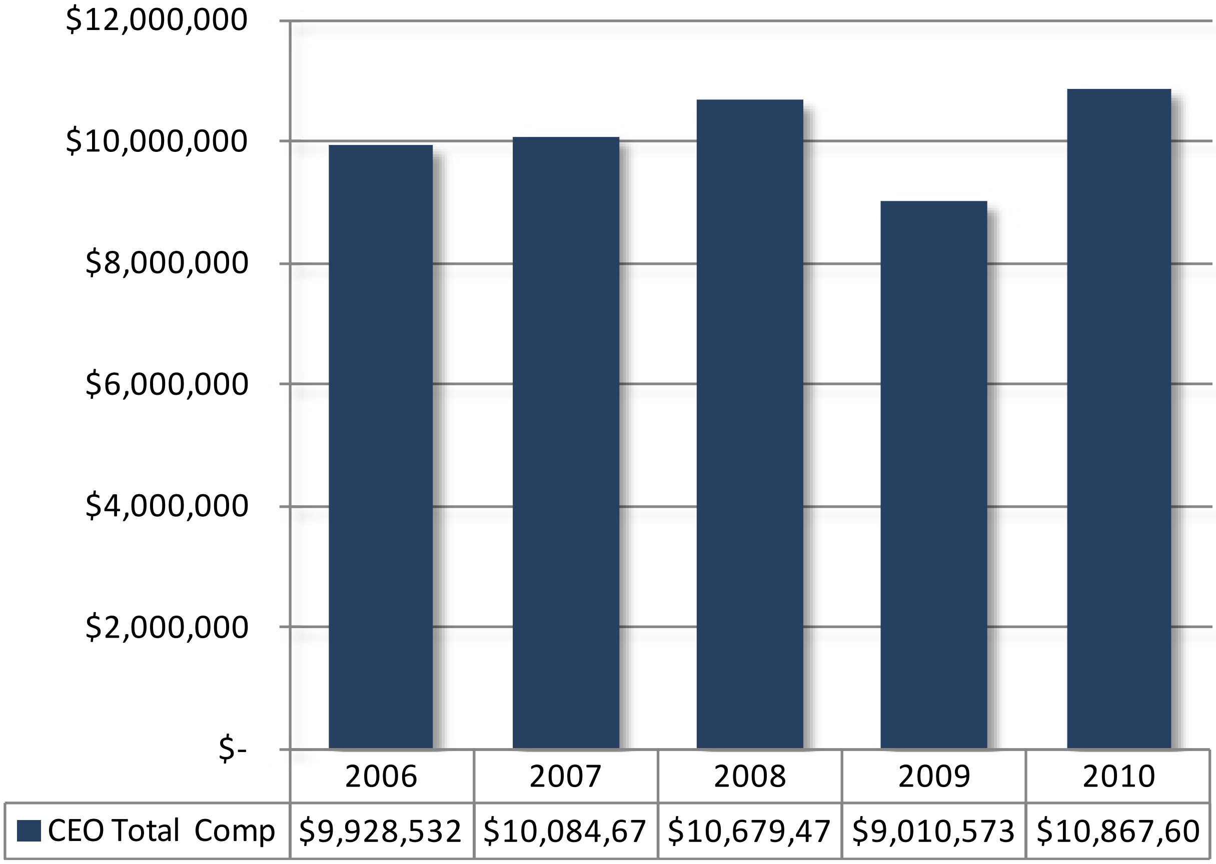

Figure A

Our last Pay Dirt report also speculated on what effects the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") would have on executive pay packages. Among the various provisions of this law, of course, is the requirement that all U.S. public companies hold an advisory shareholder vote on executive compensation at meetings occurring during the 2011 proxy season. We aksed the question: "What will happen in 2011, when every company is forced to put their pay to shareholder approval? Only time will tell, but companies should be concerned." Advisors, investors and other market observers fretted over how many companies would fail to garner majority shareholder support in 2011 – and the number, as it turns out, was extremely low, accounting for less than 1.5% of all say-on-pay votes in the 2011 proxy season.

Rising average CEO pay, when coupled together with such a low percentage of "failed" say-on-pay votes, may indicate to some that Say on Pay was an exercise in futility. However, we do not believe this is true. In fact, it is a work in progress. Whether or not executive pay levels will be restrained is debatable; the UK experience with Say on Pay over the past seven years has suggested otherwise. However, achievement

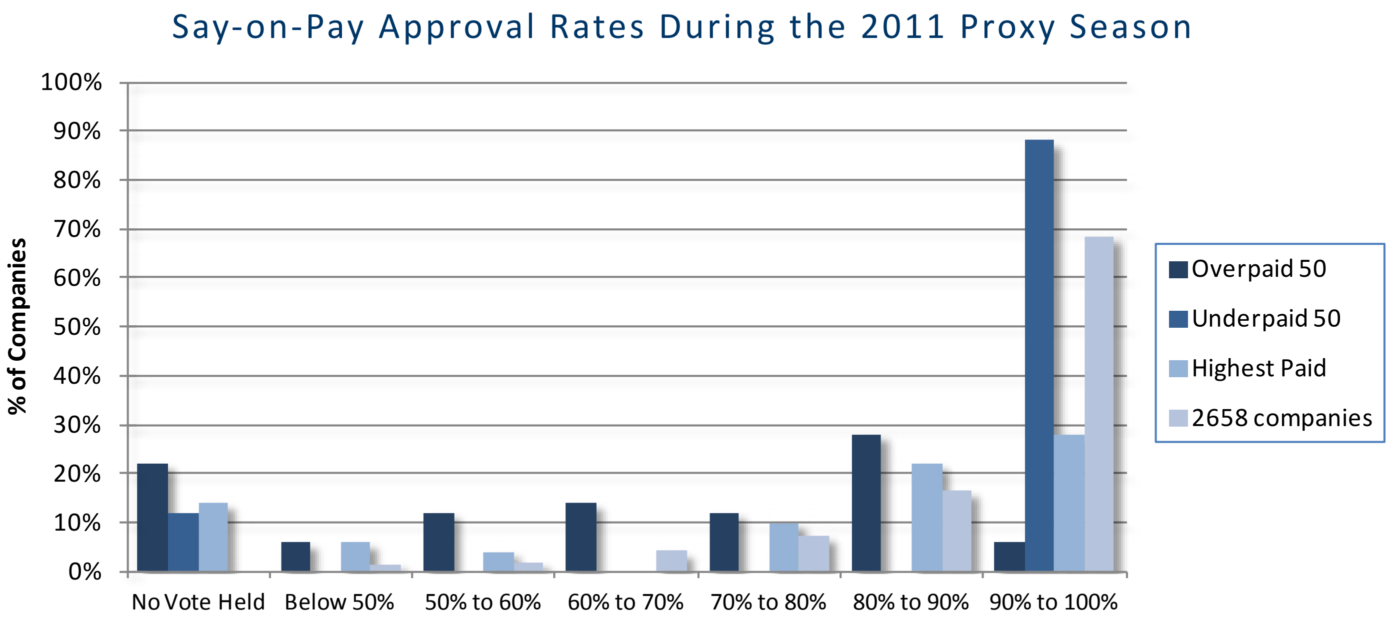

Figure B

of other objectives – such as increased shareholder engagement, improved disclosure, and increased accountability – has been successful.

The truth of the matter is that Say on Pay may not restrain executive pay as measured at the average or median levels, but it can, however, help to identify companies whose compensation practices, philosophy or pay levels are clearly outliers and warrant immediate investor attention. In fact, as proxy advisors we feel it is our responsibility to identify the outliers who are bucking the system in some way – ignoring market practices, failing to listen to their shareholders, and simply marching to their own drum – and thereby identify companies with risky compensation practices and excessive executive pay.

With that objective in mind, Pay Dirt highlights U.S. companies whose executive compensation practices exemplified some of the best and worst in corporate America. As we enter into the second year of mandatory Say on Pay, we believe clients will be quite interested in our lists of the companies in the S&P 500 and Russell 3000 indexes that had the worst pay-for-performance ratings for 2010 pay, based on Glass Lewis' proprietary algorithm and model. To counterbalance this, of course, we also have compiled the Underpaid 25 list for each index to serve, in part, as examples of companies where pay and performance are properly aligned.[1]

1 All discussion and analyses pertaining to say-on-pay votes, compensation plans and structures only apply to companies that had a say-on-pay vote in the last fiscal year.

I. Overpaid 25: The Worst in Pay-for-Performance

Although the companies on our S&P 500 and Russell 3000 Overpaid 25 lists are of varying sizes and in different sectors and industries, they all share a common negative feature: high executive compensation not linked to corresponding exceptional (or even good) performance. Representing the worst pay-for-performance offenders in their respective index, these companies lavishly compensate their executives despite poor performance. We believe these Overpaid 25 companies have failed to promote shareholder interests and minimize risk by devising appropriate pay incentives.

In this section, we analyze overarching trends and individual compensation program features that contributed to the severe misalignment of pay with performance among the Overpaid 25 companies. An examination of these companies' executive compensation programs reveals how inadequate pay-setting processes, selection of inappropriate peer groups and overly generous incentive plans often lead to unjustifiable pay levels. We also discuss shareholders' response to the say-on-pay resolutions at these companies and compare voting results to other companies in their respective indices.

The S&P 500 Overpaid 25	
MOLX	Molex Inc.
NSM	National Semiconductor Corp.
CVH	Coventry Health Care Inc.
HAR	Harman International Industries Inc.
MWW	Monster Worldwide Inc.
ATI	Allegheny Technologies Inc.
VLO	Valero Energy Corp.
JNS	Janus Capital Group Inc.
AET	Aetna Inc.
ANF	Abercrombie & Fitch Co.
KLAC	KLA-Tencor Corp.
AKS	AK Steel Holding Corp.
BK	Bank of New York Mellon Corp.
LMT	Lockheed Martin Corp.
AA	Alcoa Inc.
CBS	CBS Corp.
CHK	Chesapeake Energy Corp.
CEG	Constellation Energy Group Inc.
JBL	Jabil Circuit Inc.
JCP	J.C. Penney Co. Inc.
X	United States Steel Corp.
HIG	Hartford Financial Services Group Inc.
SWY	Safeway Inc.
PH	Parker Hannifin Corp.
FLR	Fluor Corp.

Figure 1.0

The Russell 3000 Overpaid 25	
HNSN	Hansen Medical Inc.
NCS	NCI Building Systems Inc.
SD	SandRidge Energy Inc.
AVNW	Aviat Networks Inc.
FMD	First Marblehead Corp.
PMI	PMI Group Inc.
SRZ	Sunrise Senior Living Inc.
PGI	Premiere Global Services Inc.
AHS	AMN Healthcare Services Inc.
SGMS	Scientific Games Corp.
NCR	NCR Corp.
OREX	Orexigen Therapeutics Inc.
WWON	Westwood One Inc.
EK	Eastman Kodak Co.
CSA	Cogdell Spencer Inc.
SONS	Sonus Networks Inc.
EGLE	Eagle Bulk Shipping Inc.
FBC	Flagstar Bancorp Inc.
NUVA	NuVasive Inc.
ACAS	American Capital Ltd.
GMXR	GMX Resources Inc.
CVO	Cenveo Inc.
FORM	FormFactor, Inc.
FTK	Flotek Industries, Inc.
THQI	THQ Inc.

Figure 1.1

A BIRD'S EYE VIEW ON THE OVERPAID

How overpaid are they?

Many companies justify dishing out exorbitant pay packages as necessary in order to retain, attract and incentivize executives. During the past fiscal year, however, we have found that this rationalization for high compensation simply was not the case. Below, Figure 1.2 compares total CEO compensation and performance at Overpaid and Underpaid companies with their S&P 500 and Russell 3000 counterparts. Overall, compensation committees at Overpaid 25 companies continue to pay their top executives far more than necessary to remain competitive with peers and certainly far more than warranted by their performance. Contrast this with the compensation paid to executives at the Underpaid 25, whose executives created significant shareholder returns without outsized incentives.

	S&P 500 Median	Overpaid of S&P 500 Median	Underpaid of S&P 500 Median
Enterprise value (millions)	$ 12,205.63	$ 8,109.66	$ 15,636.84
Total CEO compensation	$ 2,287,244.50	$ 13,316,290.00	$ 5,130,658.00
Stock price change (1 FY)	9.90%	8.69%	25.42%
LFY Net income (millions)	$ 618.70	$ 212.30	$ 736.16
Return on equity	14.23%	8.08%	26.89%

	Russell 3000 Median	Overpaid of Russell 3000 Median	Underpaid of Russell 3000 Median
Enterprise value (millions)	$ 1,032.67	$ 460.11	$ 1,875.72
Total CEO compensation	$ 1,330,366.50	$ 4,587,741.00	$ 816,556.00
Stock price change (1 FY)	12.14%	0.61%	43.30%
LFY Net income (millions)	$ 34.09	$ (51.92)	$ 46.36
Return on equity	9.23%	-29.48%	16.32%

Figure 1.2

Shareholder eyes should be on CBS, No. 16 on the S&P 500 Overpaid 25, as a shining example of a company overpaying its executives. During 2010, citing a review of compensation arrangements for executives with similar levels of responsibilities at peer companies, CBS increased base salaries by as much as 75%, awarded discretionary bonuses ranging up to nearly 900% of base salary and entered in a new employment agreement with CEO Leslie Moonves that provided him with $26.8 million in options and RSUs. Moreover, although 52% of the CEO's equity awards in fiscal 2009 had been performance-based, only 17.5% were performance-based in 2010. It appears that CBS had little regard for aligning pay with performance, and given Mr. Moonves' No. 3 ranking on our list of highest-paid CEOS in 2010 (see Page 25), it is hard to understand how executive pay levels at the Company were in any way linked to performance or even pay levels at peer companies.

Most Common Sectors of Overpaid companies	
Information Technology	34%
Financials	28%

Figure 1.3

Allegheny Technologies Inc., No. 6 among the S&P 500 Overpaid 25, appears on our list for the second consecutive year, continuing its trend of overpaying its executives relative to performance. In this case, the disconnect between pay and performance can be primarily attributed to incentive plan metrics that were not sufficiently challenging. The operating earnings goals set under the Company's short-term incentive plan for 2010 were far lower than the goals set during the prior fiscal year: During 2010, the threshold operating earnings goal collapsed from $125 million to $34 million and the target for operating cash flow was similarly lowered. This follows similar adjustments in 2009, when the compensation committee reduced the performance goal by 75% under its long-term program from aggregate net income of $1.2 billion for the 2008-2010 performance period to $300 million for the 2009-2011 performance period. As a result of performance goals that were far less challenging than previous years, total NEO compensation during 2010 significantly increased despite the Company's poor performance.

Topping our list at No. 1, Molex overpaid its NEOs despite severely underperforming its peers over the past three years. While fiscal year 2010 was not anomalous in terms of poor performance, the compensation was. The compensation committee awarded executives annual bonuses even higher than the set maximum under the Company's bonus program in 2010 rather than granting them no annual bonuses as it did in the previous fiscal years. According to the Company's CD&A, the value of restricted stock and stock options was benchmarked "at or higher than the 75th percentile" of the Company's peer group and was awarded based on performance that was "significantly above the 75th percentile." However, according to Glass Lewis' analysis, Molex actually underperformed peers of similar size and type (based on GICS codes) on annualized one-, two-, and three-year total return, stock price, change in operating cash flow and EPS growth.

Repeat Offenders

Old habits die hard. In Figure 1.4 are companies that have made successive appearances on our Overpaid 25 lists. Notably, 10 of the 25 companies that made our last S&P 500 Overpaid 25 list have made a repeat performance. Coventry Health Care has now been in the Overpaid 25 list for three years running.

Repeat Offenders	
Company	**Years**
S&P 500	
Coventry Health Care Inc.	3
Abercrombie & Fitch	2
Aetna Inc.	2
Alcoa Inc	2
Allegheny Technologies Inc.	2
Chesapeake Energy Corp.	2
Harman International Industries Inc.	2
Janus Capital Group Inc.	2
Lockheed Martin Corp.	2
Valero Energy Corp.	2
Russell 3000	
NCR Corp.	2

Figure 1.4

Repeat Offenders	
Company	**Years**
PMI Group Inc.	2
THQ Inc.	2

Figure 1.4

How Shareholders Responded

Most Overpaid 25 companies received majority shareholder support for executive compensation programs at their annual meetings in 2011. As seen in the Introduction, Figure 1.5 shows the distribution of shareholder approval for the compensation programs at the companies featured in our Overpaid 25, Underpaid 25 and Highest-Paid CEOs and Executives lists. While most companies across the board and in the Underpaid 25 lists received nearly full support for their for their say-on-pay resolutions, only 6% of the companies on the Overpaid 25 lists managed to receive a say-on-pay approval rate of more than 90%.

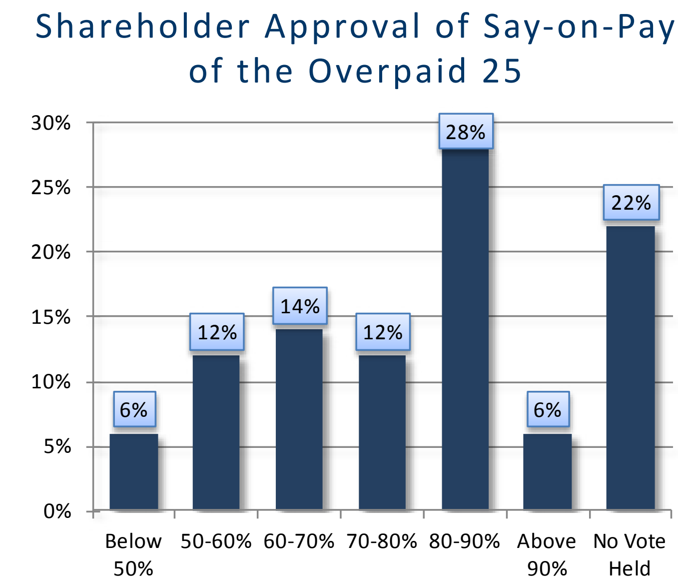

Figure 1.5

Three Overpaid 25 companies, **Janus Capital Group Inc., Constellation Energy Group Inc.** and **Premiere Global Services Inc.**, failed to earn majority approval for their say-on-pay resolutions during 2011.

The board of Constellation Energy exercises complete discretion in determining cash and equity awards. Its compensation committee bases the funding of the award pool on the achievement of certain performance metrics, or "the corporate scorecard." When it comes to actually determining individual cash bonuses, however, there is no pre-established structure guiding the compensation committee in making its individual performance assessments. According to Glass Lewis' analysis, Constellation Energy severely underperformed against its peers in the past one, two and three years in total return, stock price, change in operating cash flow and return on equity. However the apparently star-struck board decided to grant company executives compensation far above the median of the Company's peer group. Shareholders rejected these stratospheric payments, with only 38% of votes cast in support of Constellation Energy's advisory compensation vote.

At the 2010 annual meeting, both members of Premiere Global Services' compensation committee (Messrs. Coyler and Harris) received over a 50% withhold vote. In 2011, the Company's compensation continued to generate shareholder concern as Premiere Global Services got the thumbs-down from its shareholders on its executive compensation program, earning only 47.3% approval. In addition to exhibiting a severe misalignment between executive pay and performance, the Company provided through an employment agreement with **Boland Jones**, the Company's CEO, a golden parachute tax gross-up. We believe shareholders should strongly oppose tax gross-ups on severance payments, as they provide no incentive and even minor increase in change-in-control payments can lead to disproportionately large excise tax payments. It is likely Premiere Global Services will continue to face shareholder backlash in the absence of meaningful alterations to its compensation practices.

COMPENSATION PROGRAMS AND POLICIES

In our view, certain compensation practices can safeguard against the misalignment of executive pay and performance. In our scrutiny of the approaches to benchmarking pay, forming peer groups and structuring incentives at the companies in our Overpaid 25 lists, we identified certain trends.

Pay-Setting

Companies generally set compensation levels in relation to the pay levels at peer companies. A company's choice of peer group, therefore, can have a significant impact on the size and structure of compensation. Shareholders should examine whether the peer group is appropriate in terms of size and industry. Peers should not be cherry-picked for the purpose of justifying high pay. In general, Glass Lewis believes a peer group should include companies in the same or similar industry and should range from 0.5 to 2 times the market capitalization of the company.

Although most of the companies on our Overpaid 25 lists that utilized peer groups in setting their compensation levels in 2010 used them for comparison only, nearly all used a sizable number of peers that were unreasonably larger in terms of market capitalization. On average, the peer groups of 50% of the companies on our Overpaid 25 lists fell outside the market capitalization range we consider appropriate. Additionally, the average Overpaid 25 company ranked in the 27th percentile of its peer group in terms of market capitalization. In the case of most Overpaid 25 companies that used peer groups, it was more than likely that target executive compensation levels were way too high when compared to the companies' market capitalization. The chart below shows a handful of companies on our Overpaid 25 lists that used peer groups for benchmarking executive compensation during the past year. Some of these, like **Sandridge Energy Inc., Sunrise Senior Living Inc., NCR Corp.** and Chesapeake Energy, have a significant disparity between their low peer group rank in market capitalization and high rank in CEO compensation.

Overpaid Companies Against Self-Selected Peer Groups

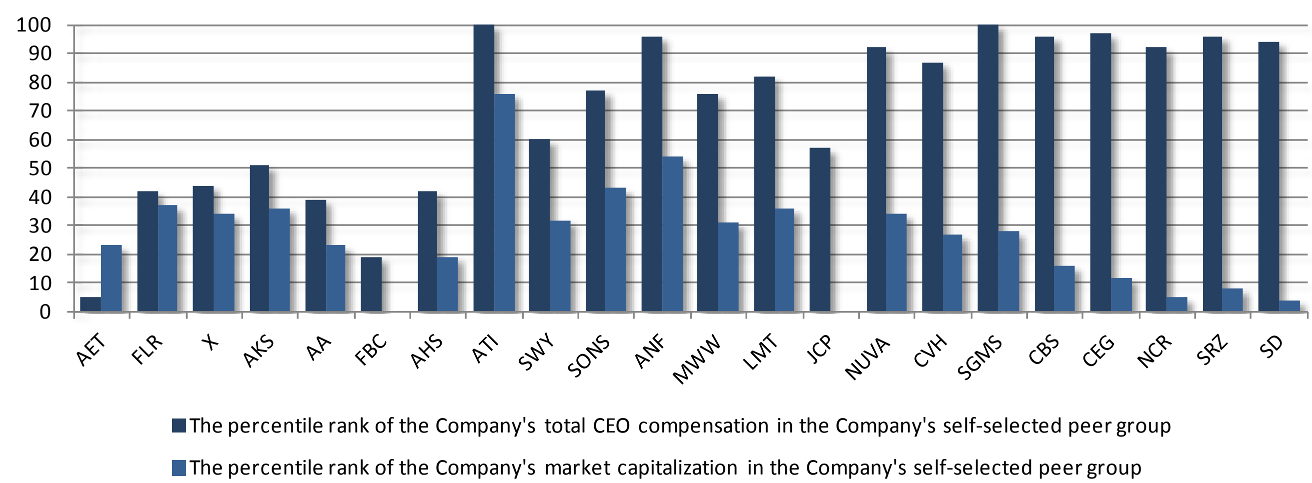

Figure 1.6

Compensation committees often engage a compensation consultant to provide advice regarding executive compensation. Consultants, therefore, can play a significant part in pay-setting processes and development of the elements of executive compensation programs. The most used outside compensation consultant in our Overpaid 25 lists was Frederic W. Cook & Co.

Overpaid's Most Common Consultants	
Frederic W. Cook & Co.	34%
Exequity	10%

Figure 1.7

Performance-Based Compensation Programs?

i. Long-Term Equity Incentives

Glass Lewis believes compensation featuring more long-term incentive awards generally discourages short-term strategies that may be too risky. Indeed, long-term incentives encourage long-term focus among executives. Overall, Overpaid 25 companies have granted a large majority of their variable compensation in equity awards. In fact, at 37 of the companies on our two Overpaid 25 lists, long-term incentives constituted at least 70% of total variable NEO compensation. Twelve of these 37 companies granted only time-vesting equity awards that were not tied to any performance criteria.

ii. Performance Metrics

We believe companies should employ performance metrics that are both challenging and achievable. In addition, the most effective plan s limit board discretion to alter metrics to make it easier to achieve performance goals. Further, we believe incentive plans based on multiple measures provide a better incentive than those based on a single metric, which may focus too much management attention on a single target that may also be easy to manipulate.

The Overpaid 25 companies use fewer performance metrics than other companies: While more than 24% of the companies we analyzed used more than one performance metric to determine long-term compensation, only 13.8% of the Overpaid 25 companies (both S&P 500 and Russell 3000) used more than one performance metric.

Number of Metrics Used in LTI Plans

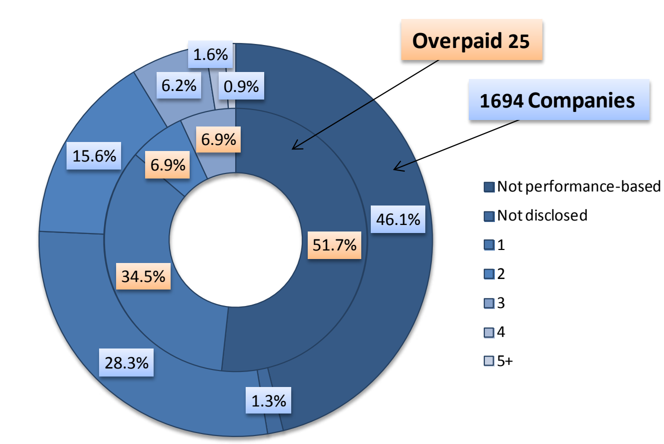

Figure 1.8

Number of Metrics Used in STI Plans

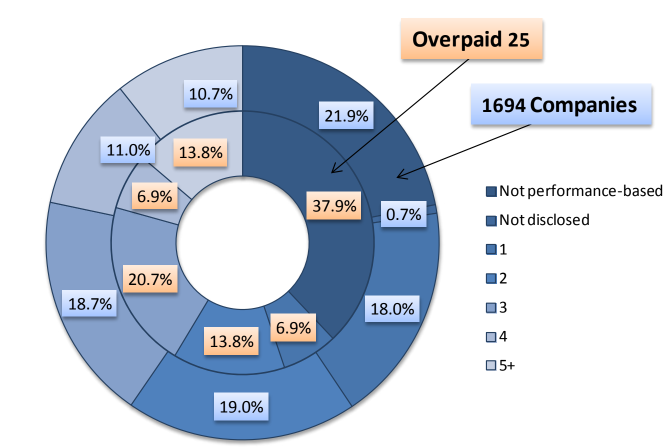

Figure 1.9

iii. Discretionary aspects of the short-term plan

We recognize compensation committees may need to exercise discretion in allotting awards to NEOs. Strict performance formulas may not always fully reflect either or both the performance of the company and the individual accomplishments of executives. However, Glass Lewis believes that for incentives to be effective they must ultimately be linked to corporate performance. To that end, we believe the board should incorporate at least a minimum level of objectivity in employee incentive plans, as well as limit the opportunity to exercise discretion to vary payout levels to extraordinary circumstances and nonrecurring events.

Overall, most Overpaid 25 companies based short-term incentive awards (e.g. annual bonuses and non-equity incentive plan payouts) on performance formulas. However, 11 companies on our Overpaid 25 lists used no predetermined performance metrics in granting short-term incentives, basing the amounts solely on board discretion.

Overpaid 25 Companies by Compensation Structure

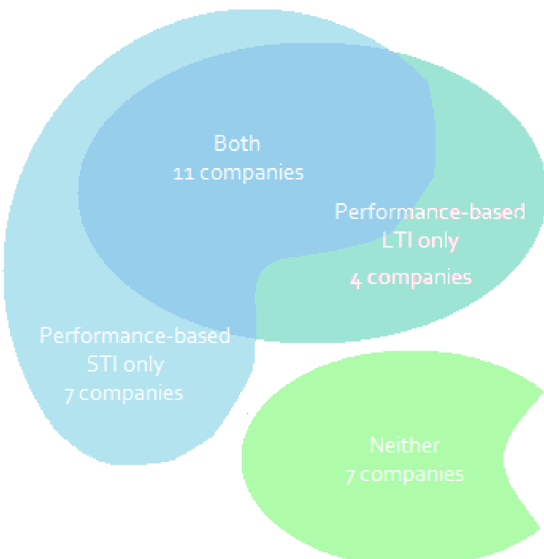

Figure 1.10

At Chesapeake Energy, the disconnect between executive pay and performance was largely due, in our view, to the purely discretionary award-determination process used by the compensation committee. Like many companies that take a discretionary approach, the Company provided a lengthy explanation in its proxy statement of why "taking a comprehensive, subjective" approach to determining executive compensation levels "best meets the [Company's] compensation objectives." The Company cited the cyclical, volatile and highly complex nature of the energy exploration and production industry as the basis for the compensation committee's subjective approach to setting executive pay. However, based on our pay-for-performance analysis, under which the Company has received an "F" grade for the past three years, it appears that this approach has failed to promote superior performance among executives, as the Company has underperformed its peers on most relevant performance metrics during the past several years. It also appears that many shareholders agreed, as the Company's say-on-pay resolution in 2011 received the approval of only 57.9% of votes cast.

However, just because a company takes a formulaic approach to setting annual awards does not guarantee that the compensation committee cannot adjust the formula in order to award larger payouts than would have been awarded under the initial terms of the bonus, or grant discretionary bonuses outside the formulaic short-term plan. **Fluor Corp., Hartford Financial Services Group Inc., Scientific Games Corp.,** Allegheny Technologies and **AMN Healthcare Services Inc.** were among companies on our Overpaid 25 lists that granted discretionary bonuses outside of their otherwise formulaic short-term incentive plans.

At Coventry Health Care, a familiar face to our Overpaid 25 list, the compensation committee exercised its discretion to increase annual awards granted to NEOs in recognition of individual accomplishments by the NEOs. While we acknowledge the Company's desire to reward its executives based on individual or business unit accomplishments, we believe the Company should provide a thorough rationale to justify these bonuses. In this case, the Company listed a multitude of general considerations and executive accomplishments for fiscal year 2010 but failed to provide any details regarding how each NEO's performance was quantified into overall payout adjustments. These short-term awards represent a whopping 35% of total NEO compensation at Coventry Health Care, the fifth-highest ratio of short-term awards to total compensation in our S&P 500 Overpaid 25 list. **Alcoa Inc.,** Allegheny Technologies, Sunrise Senior Living and Coventry Health Care were among companies in our Overpaid 25 list whose compensation committees retain discretion to adjust the number of awards upward or lower performance goals, but none did so in 2010.

Will Say-on-Pay Against Votes Lead to Better Compensation Practices?

Majority or significant votes against a company's say-on-pay proposal will likely cause companies to re-examine their compensation programs. Some companies, including **General Electric Co., The Walt Disney Co.** and **Lockheed Martin Corp.**, even changed their compensation programs during the proxy season, filing amended proxies prior to their annual meeting in an attempt to convince shareholders to support their say-on-pay proposals.

II. Underpaid 25: The Best in Pay-for-Performance

As in past years, our S&P 500 Underpaid 25 list contains a varied range of companies, each of which has implemented executive compensation plans, practices and philosophies that successfully link pay with performance. Through the use of objective, performance-based goals, the companies on our S&P 500 Underpaid 25 have driven corporate performance and delivered returns to shareholders that met or exceeded those of their peers.

The S&P 500 Underpaid 25	
AMZN	Amazon.com Inc.
MTB	M&T Bank Corp.
SWN	Southwestern Energy Co.
PSA	Public Storage
BDX	Becton, Dickinson & Co.
LIFE	Life Technologies Corp.
MKC	McCormick & Co.
CNP	Centerpoint Energy Inc.
AZO	AutoZone Inc.
ICE	IntercontinentalExchange Inc.
AMT	American Tower Inc.
MA	Mastercard Inc.
AAPL	Apple Inc.
JWN	Nordstrom Inc.
PGN	Progress Energy Inc.
PCG	PG&E Corp.
UNP	Union Pacific Corp.
ORLY	O'Reilly Automotive
SIAL	Sigma-Aldrich Corp.
CLF	Cliffs Natural Resources Inc.
BTU	Peabody Energy Corp.
UPS	United Parcel Service Inc.
FAST	Fastenal Co.
WAT	Waters Corp.
CAG	ConAgra Foods Inc.

Figure 2.0

The Russell 3000 Underpaid 25	
SIGA	SIGA Technologies Inc.
RAD	Rite Aid Corp.
VHC	VirnetX Holding Corp.
FNGN	Financial Engines Inc.
GORO	Gold Resource Corp.
CACC	Credit Acceptance Corp.
GEOI	GeoResources Inc.
URZ	Uranerz Energy Corp.
GMCR	Green Mountain Coffee Roasters Inc.
AVGO	Avago Technologies Ltd.
HNRG	Hallador Energy Co.
KRO	Kronos Worldwide Inc.
ALX	Alexander's Inc.
WLT	Walter Energy, Inc.
HTS	Hatteras Financial Corp.
NNI	Nelnet Inc.
ONNN	ON Semiconductor Corp.
SUI	Sun Communities Inc.
IPI	Intrepid Potash Inc.
ABVT	AboveNet Inc.
SATS	EchoStar Corp.
FSYS	Fuel Systems Solutions Inc.
NDN	99 Cents Only Stores
PCYC	Pharmacyclics Inc.
RBCN	Rubicon Technology Inc.

Figure 2.1

On average, the chief executives of the companies on our S&P 500 Underpaid 25 list received approximately $5.5 million in total compensation for the past fiscal year. The named executive officers of these companies received, on average, approximately $21.1 million in aggregate compensation.

At the upper end of the Underpaid 25 spectrum, the highest-paid CEO on our S&P 500 Underpaid 25 list for the past fiscal year was James Young of Union Pacific, who received approximately $12.3 million in total compensation, while the Company's TSR increased by 47.6%. The highest-paid named executive officers at companies on our S&P 500 Underpaid 25 were the executives at Apple, who received aggregate compensation of approximately $148.4 million. On the other hand, Apple's former CEO, **Steven Jobs,** was our lowest-paid CEO for the fourth consecutive year, receiving only nominal compensation of $1 for fiscal year 2010. As discussed in our previous Pay Dirt reports, the late Mr. Jobs elected to receive only minimal compensation for his role as CEO of Apple due to his significant equity holding in the company. A similar arrangement exists at Amazon.com, where CEO **Jeff Bezos** received only $81,840 in base salary and $1.6 million in security arrangements in fiscal year 2010.

As a testament to the strong pay-for-performance policies exemplified by the companies on our S&P 500 Underpaid list, no company on the list received less than 90% support for its advisory vote on executive compensation.

REPEAT PERFORMERS

For the third year in a row, Amazon.com took the top spot on our S&P 500 Underpaid 25, representing its fourth consecutive appearance on the list. In addition to Mr. Bezos's minimal compensation, Amazon.com's other named executive officers received only a minimum level of cash compensation, with restricted stock units serving as the primary mode of compensation. While the Company's compensation program is certainly atypical, Amazon.com's consistently strong corporate performance continues to earn the company the No. 1 spot on our list. The latest ranking proved no exception, as the Company finished fiscal year 2010 with one-year earnings per share growth of approximately 23.7% and a 33.8% increase in stock price.

Along with Amazon.com, 10 other companies repeated their appearances on our S&P 500 Underpaid 25 list: **Southwestern Energy Co.; Life Technologies Corp.; CenterPoint Energy Inc.; AutoZone Inc.; American Tower Corp.; MasterCard Inc.;** Apple.; **Sigma-Aldrich Corp.; Fastenal Co.;** and **Waters Corp.**

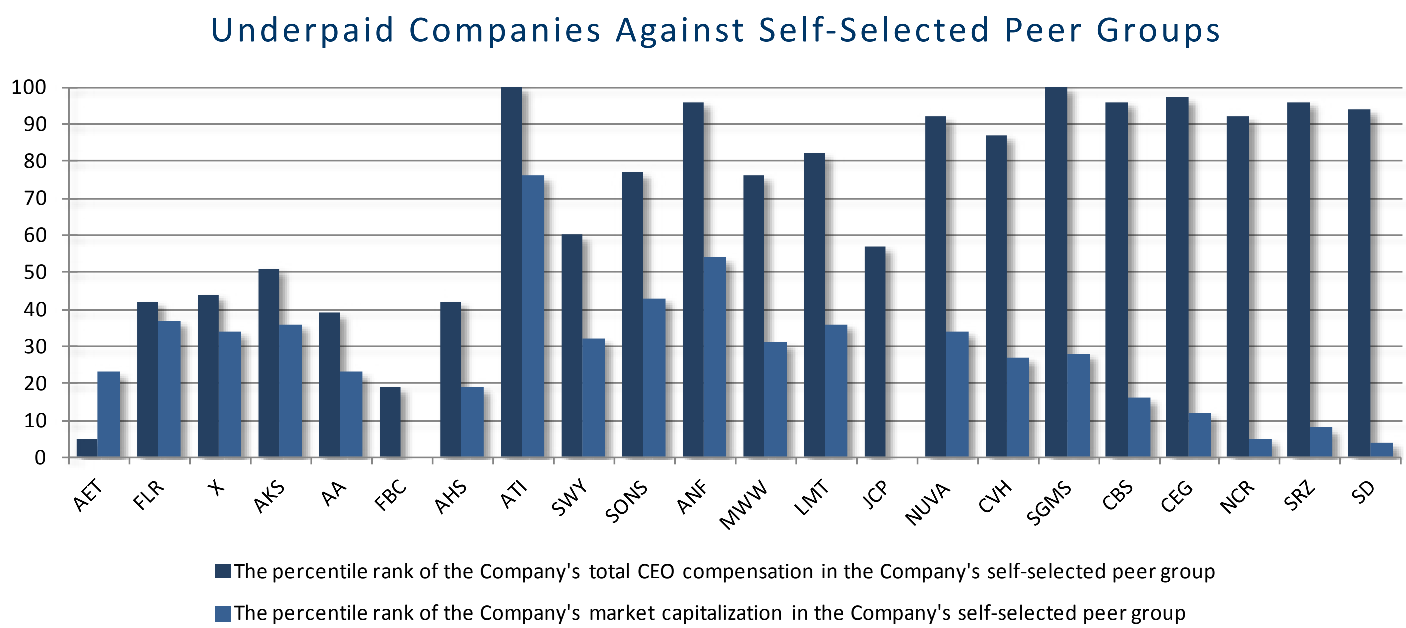

Figure 2.2

COMMON THEMES

Several companies among the S&P 500 Underpaid 25 used similar strategies and best practices in aligning pay with performance. A common theme among these companies was the use of multiple performance metrics to determine annual incentive awards. The use of several performance metrics to determine individual award amounts under these plans helped the companies ensure a broad-based focus on performance, minimizing the risk of overpayment for mediocre results.

MasterCard, which earned a spot on our S&P 500 Underpaid 25 list for the second consecutive year, continued to successfully align pay with performance in fiscal year 2010. Despite changing chief executives halfway through the year, credit the Company's use of multiple performance metrics to ensure that the Company was paying for performance. On July 1, 2010, **Robert Selander**, the highest-paid chief executive on our Pay Dirt 2010 S&P 500 Underpaid 25 list, handed over his role to **Ajay Banga**, formerly MasterCard's president and chief operating officer. MasterCard paid an aggregate of $9.7 million to these men for their service as CEOs in fiscal year 2010. MasterCard's short- and long-term incentive plans required strong corporate performance across a variety of metrics before such incentives could be paid out. Using net income and operating margin as metrics for the annual cash incentive plan, and return on equity as the metric for performance share units, MasterCard balanced the high cost of executive compensation with strong corporate performance. MasterCard ended the year with net income of approximately $1.8 billion, one-year earnings per share growth of approximately 25.7% and return on equity of 42.4%.

For the fourth year in a row, Sigma-Aldrich earned a spot on our S&P 500 Underpaid 25 list. Using multiple performance metrics, in fiscal year 2010, Sigma-Aldrich's cash bonus plan required threshold corporate performance in sales growth, operating income and free cash flow, before participants became eligible to receive awards. Sigma-Aldrich exceeded its performance targets for each of these categories, experiencing sales growth of 5.3%, operating income of $582 million and free cash flow of $424 million for the fiscal year.

AutoZone, a member of our S&P 500 Underpaid 25 list for the second consecutive year, also continued to align pay with performance though the use of multiple performance metrics and aggressive goals under its annual cash incentive plan. As part of its proxy statement disclosure, AutoZone clearly provided the performance goals for both of its annual incentive metrics for the past five years, allowing shareholders to see the year-over-year increase in performance targets.

Waters used similar practices and disclosures to AutoZone, as it returned to the S&P 500 Underpaid 25 list. For the past 15 years, Waters has utilized non-GAAP earnings per share for its cash incentive plan, with a target of 15% growth in non-GAAP EPS over previous year. By making use of aggressive goals to challenge executives to surpass the previous year's corporate performance, both AutoZone and Waters have managed to craft compensation programs that result in a consistently strong connection between pay and performance.

Another company that used multiple performance metrics to determine incentive plan awards was **IntercontinentalExchange Inc.**, which is making its first appearance on our S&P 500 Underpaid 25 list. For fiscal year 2010, IntercontinentalExchange set revenue, net income and earnings before interest, taxes, depreciation and amortization ("EBITDA") goals for its annual cash incentive plan. IntercontinentalExchange's broad-based approach helped drive strong performance over the past fiscal year, resulting in net income of approximately $398.3 million and earnings per share growth of approximately 25%. In addition to the wide performance scope of IntercontinentalExchange's annual incentive plan, two-thirds of the target equity award value for executive officers is delivered in the form of performance-based restricted stock, which vests based upon the achievement of EBITDA goals, as well as total shareholder return performance relative to the S&P 500 index.

Number of Metrics Used in LTI Plans

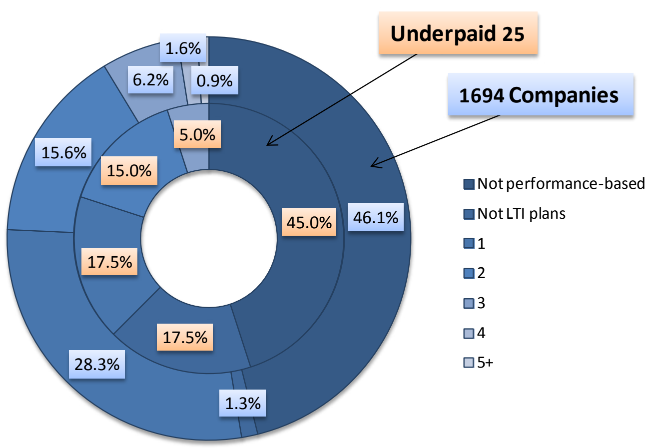

Figure 2.3

Number of Metrics Used in STI Plans

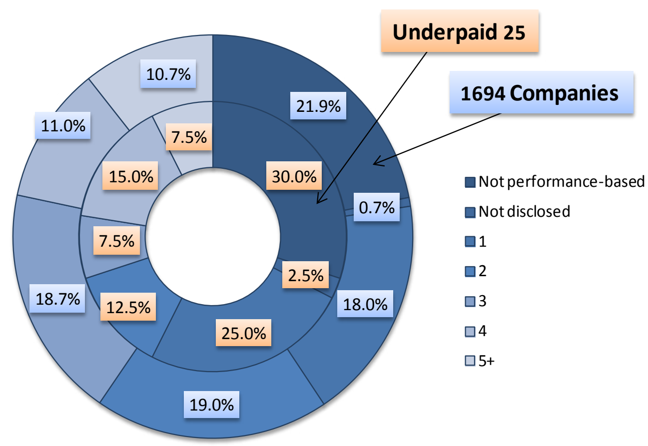

Figure 2.4

Total shareholder return served as a performance metric for the long-term compensation programs of several of our S&P 500 Underpaid 25. Along with IntercontinentalExchange, a total of 10 companies on our S&P 500 Underpaid 25 list used a relative total shareholder return metric to determine long-term incentive awards. The practice was especially prevalent with energy industry companies on the list, with Southwestern Energy, CenterPoint Energy, **Progress Energy Inc., PG&E Corp.** and **Peabody Energy Corp.** all using some form of relative total shareholder return in their long-term incentive programs.

In addition to the use of absolute performance metrics, Glass Lewis believes that relative performance metrics provide a useful tool in aligning executive pay with performance. The prevalence of relative performance metrics among the S&P 500 Underpaid 25 supports the idea that predicating executive compensation on performance against peers ensures that pay will not outstrip performance.

RUSSELL 3000 UNDERPAID 25

In contrast to the numerous repeat members of our S&P 500 Underpaid 25 list, our Russell 3000 Underpaid 25 list is populated by many newcomers, with only four companies on the last list making a return. Furthermore, in contrast to the complex executive pay structures of the members of our S&P 500 Underpaid 25 list, the companies on the Russell 3000 Underpaid 25 list are characterized by conservative pay limits and positive financial gains. As a result, these companies exhibit strong internal pay equity, as only one of 25 companies awarded CEO compensation that was more than four times the average NEO compensation.

Ratio of CEO Pay to Average NEO Pay for Overpaid S&P 500 and Russell 3000

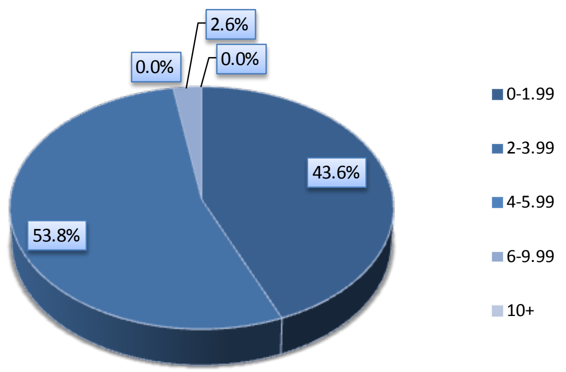

Figure 2.5

Ratio of CEO Pay to Average NEO Pay at Universe Analyzed (1512 Companies)

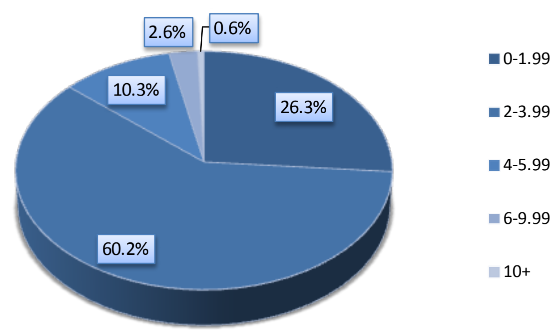

Figure 2.6

Over the past fiscal year, the companies comprising our Russell 3000 Underpaid 25 achieved an average net income of $75 million, an average return on equity of 7% and a tremendous 81.9% average gain in stock price, while total compensation for chief executives and named executive officers (in aggregate) averaged approximately $1 million and $3.23 million, respectively. These results contrast sharply with our Russell 3000 Overpaid 25, which overpaid their executives despite poor corporate performance.

While many of the Russell 3000 Underpaid 25 lack the extensive performance metrics used successfully by their S&P 500 Underpaid 25 counterparts, a common characteristic among the Russell 3000 Underpaid 25 companies is reasonable limitation of maximum incentive opportunities. **Green Mountain Coffee Roasters Inc.**, for instance, earned a spot on the Russell 3000 Underpaid 25 list through the reasonable determination of base salaries and annual incentives capped at 150% of base salary for the chief executive and less than 100% of base salary for the other executives. Due to these modest caps, over the last fiscal year Green Mountain's chief executive earned $660,096 in base salary and an annual cash award of $571,200, determined by net sales and operating income targets. Similarly, **Credit Acceptance Corp.** capped its annual cash incentives at 60% of base salary for all named executive officers, and bonus payouts, calculated using an annual percentage growth in profit metric, paid out at an average of approximately 45% of base salary.

However, some members of our Russell 3000 Underpaid 25 managed to effectively tie pay with performance through the use of aggressive performance targets, rather than the limitation of award opportunities. **ON Semiconductor Corp.**, despite capping annual incentives at up to 260% of base salary for the chief executive and up to 120% of base salary for the remaining named executive officers, based its cash awards on earnings per share and revenue growth targets measured separately against results from the first and second half of the year. These caps resulted in annual incentive compensation

SPOTLIGHT ON: APPLE INC.

Apple Inc. has proven to be a stalwart member of our S&P 500 Underpaid 25 list, caused, in no small part, by the late Steve Jobs' token compensation as chief executive officer. From 2007-2010, Mr. Jobs received total compensation of only $1 a year, as Apple believed his ownership of approximately 5.5 million shares of common stock sufficiently aligned his interests with shareholders.

However, in the absence of Mr. Jobs, Apple's other compensation practices may soon receive additional scrutiny. In contrast to Mr. Jobs' minimal fiscal year 2010 salary, the other named executive officers of Apple received massive amounts of compensation, driven by the Company's unique biennial equity-granting practices. Timothy Cook, the appointed successor to Mr. Jobs, served as Apple's chief operating officer for fiscal year 2010, receiving approximately $59.1 million in total compensation on his way to becoming Glass Lewis's second-highest-paid non-chief executive. In total, Apple compensated its named executive officers an aggregate of approximately $148.4 million in fiscal year 2010, which earned the Apple executive team the No. 3 spot on our list of Companies With the Highest-Paid Executive Team.

Apple's continued stellar performance justified the ample compensation of its named executive officers for fiscal year 2010, with revenues of $65.2 billion, a growth of $22.3 billion over fiscal year 2009. The Company's massive revenues resulted in returns to shareholders, with earnings per share growth of approximately 67.1% and an increase in stock price of 53.1%.

As noted, Apple maintains an equity granting policy under which discretionary grants of restricted stock units are made to named executive officers approximately every two years. Accordingly, the compensation of Apple's named executive officers fluctuates significantly year-over-year. While the named executive officers received aggregate compensation of approximately $5.5 million in fiscal year 2009, that number skyrocketed in fiscal year 2010 due to biennial grants.

Although Apple will no longer be able to rely on Mr. Jobs' minimal compensation to buoy its pay-for-performance grade, the Company's stock granting practices should result in low fiscal year 2011 compensation for most executive officers. However, as part of Mr. Cook's promotion to the role of chief executive officer, he received 1 million restricted stock units, 50% of which are scheduled to vest on August 24, 2016 and 2021, respectively. Mr. Cook's award is double the aggregate number of shares issued to all named executive officers in fiscal year 2010. As a result, the spectre of massive executive compensation looms, with new concerns regarding compensation for the CEO position. With the passing of Mr. Jobs, the Company will face the challenges of continuing its success without its iconic founder in the coming years. As one commenter noted: "[T]he risk is this: How to follow the lessons Mr. Jobs imparted to his fellow Apple executives over the last 14 years without being trapped by his legacy and unable to adapt to future changes" (Nick Wingfield. "A Tough Balancing Act Remains Ahead for Apple." The New York Times. October 5, 2011). Unless Apple's performance continues to justify such large sums, the compensation decisions of the board and compensation committee may draw the ire of shareholders.

representing 147% of base salary for the chief executive and less than 100% of base salary for the remaining executives. While these maximum potential payouts were substantial, performance targets were set at an aggressive level and resulted in both reasonable individual awards and positive returns.

CONCLUSION

Despite the individual differences between each of the companies on our Underpaid 25 lists, each has demonstrated a commitment to compensation programs that successfully tie executive pay levels to corporate performance. Such programs involve multiple aggressive-but-attainable performance targets that seek to reward performance superior to peers, while avoiding rewards for failure. We believe companies outside the Underpaid 25 lists should approach their compensation decisions with the same broad-based and objective approach as the S&P 500 and Russell 3000 Underpaid 25 companies have taken.

III. The Highest-Paid CEOs and Executives

Unlike our Overpaid 25 lists, which identify companies with a severe disconnect between executive pay and company performance, the Companies With the Highest-Paid CEOs and Executives lists focus on the sheer magnitude of a company's executive compensation, regardless of company performance. Topping our list of the companies with the highest-paid CEOs in 2010 are **Viacom Inc.**, **Occidental Petroleum Corp.** and CBS. While large financial firms typically attract the greatest attention for their high compensation, the members of the Highest-Paid CEOs list are predominately from the consumer discretionary (boasting five of the Top 10 and 10 of the Top 25) and information technology (five of the Top 25) sectors. The average compensation for CEOs on this list was nearly $41 million, while the total compensation paid to all the top-ranked recipients totaled approximately $1 billion, an increase of 9.3% from our last Pay Dirt survey.

BIG WINNERS

Leslie Moonves of CBS pocketed the largest discretionary bonus on this list with a cash award of $27.5 million. While the Company did have strong performance at least according to some metrics (e.g., 95th percentile of its selected peer group's TSR), CBS trailed its peers' performance across a broad mix of performance metrics based on our pay-for-performance analysis. As discussed earlier in the report, CBS shareholders might wonder why a company with such stellar performance in at least one area appears reluctant to link executive pay to its business results. Ultimately, we believe shareholders should be concerned about the large, discretionary awards for, at best, mediocre performance.

Adam Metz of **General Growth Properties Inc.** ("GGP") reaped the rewards of an annual bonus plan with no maximum, earning approximately $46 million in cash after the Company decided to waive any bonus limits in order to incentivize its executives to bring the company out of bankruptcy as expeditiously as possible. Mr. Metz is unlikely to enjoy such a windfall in 2011; he left GGP in November of 2010 before its fiscal year ended. Glass Lewis valued **Oracle Corp.** CEO **Larry Ellison's** stock option grant at approximately $51.6 million, making it the largest on the Highest-Paid CEOs list. Glass Lewis criticized Oracle's compensation committee in our 2010 Proxy Paper and asked whether Mr. Ellison, who owns over 20% of the Company's common stock, truly needed additional equity incentives. Nonetheless, shareholders hardly blinked at the pay packages of the vast majority of companies on the Highest-Paid lists, as even GGP's advisory vote on executive compensation received approximately 99% support.

PEER GROUP SELECTION

One of the challenges facing many companies is selecting an appropriate peer group. While 22 of the companies that appear on our Highest-Paid CEOs list provided shareholders with a peer group, only four of them opted to benchmark CEO pay to one peer. This is rather unsurprising as, according to our analysis, an average of approximately 59.5% of the companies selected in these peer groups fell outside Glass Lewis' preferred range of between 0.5 and 2 times the subject company's market cap. Putting questions of a peer group's suitability aside, Glass Lewis only found one instance on this list where the percentile rank of a CEO's total compensation compared to its chosen peer group was equal to or less than the percentile of the company's market cap in that group. (**Marc Benioff** of **Salesforce.com Inc.** received total pay ranked at the 62nd percentile of the company's chosen peer group while the company's market cap was ranked at the 64th.) Considering that companies regularly justify pay levels based on the importance of "competitive positioning," such a discrepancy between market cap and pay is likely to continue inflating executive pay into the future.

Pay-Setting Processes at the Highest-Paid	
Peer group	85.70%
Surveys	57.10%
Tally sheets	14.30%
Wealth accumulation	14.30%
Consultant	90.40%

Figure 3.0

INTERNAL PAY (IN)EQUITY

In Glass Lewis' view, maintaining an equitable distribution of pay among executives supports succession plans by preventing demoralization of the larger executive team and promoting retention among potential CEO replacements as well as the broader executive team and employee population. Furthermore, since oversized CEO pay is usually the sign of an all-powerful CEO, internal pay equity can also serve as a check on a CEO's authority, increasing the involvement of other executives in the management of the company and preparing them for future transition into the role of the CEO.

Overall, the companies on the Companies With the Highest-Paid CEOs list displayed a lack of internal pay equity, with the majority of companies above Glass Lewis' preferred ratio of four-to-one, i.e. CEO pay should be no more than four times the average of the other named executive officers. CEOs on this list made, on average, approximately 4.4 times as much as the executive team average for their respective firms. This average excludes the extraordinary gap at **GAMCO Investors Inc.**, where controlling shareholder and CEO **Mario Gabelli's** $56.6 million cash payout for managing the Company's portfolio dwarfed his executive team's average compensation of $1.8 million.

Ratio of CEO Pay to Average NEO Pay at Companies With Highest-Paid CEOs

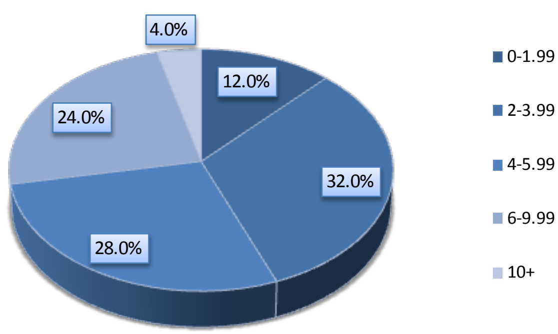

Figure 3.1

Ratio of CEO Pay to Average NEO Pay at Universe Analyzed (1512 Companies)

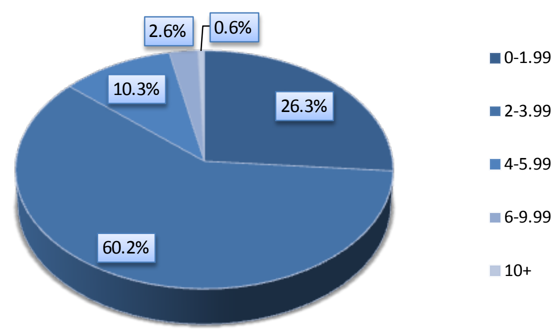

Figure 3.2

NOTE: All IPE chart calculations were made using GL assumptions, with the exception of Oracle, for which we used its 2010 proxy statement.

STRUCTURE AND DISCLOSURE CONCERNS

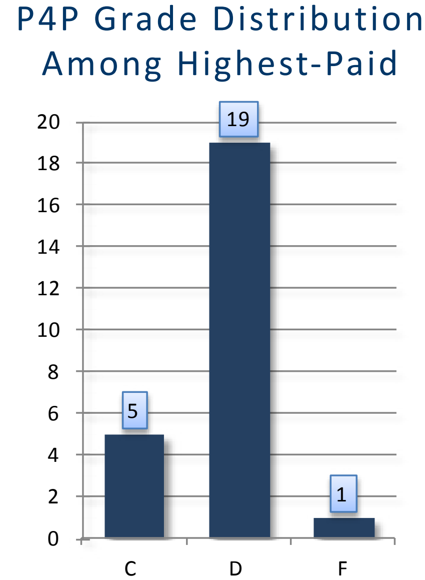

Figure 3.3

Presumably, companies that have the resources to pay a single executive tens of millions of dollars can also afford to provide shareholders with transparent disclosure. S&P 500 companies in particular come under closer scrutiny from shareholders, as their pay packages are likely to grab headlines and raise eyebrows. Therefore, it comes as somewhat of a surprise that not a single company on the Companies With the Highest-Paid CEOs and Executives lists had "Good" disclosure, based on the Glass Lewis ratings of "Good," "Fair" or "Poor." Rather, seven companies on these lists each received a "Poor" rating for compensation disclosure. Perhaps less surprising is that many of these companies share the common trait of having, in our view, structural deficiencies. Only two companies on the Highest-Paid lists (**Comcast Corp.** and Occidental Petroleum) received "Good" ratings from Glass Lewis regarding their compensation structure, though only one, General Growth Properties, mentioned earlier for its massive bonus payout, received a "Poor" rating.

SHAREHOLDER BACKLASH?

Companies with the highest-paid CEOs enjoyed mostly favorable results in the inaugural year of advisory votes on executive compensation, winning an average of 81.1% support. On the other hand, shareholders did express their dissatisfaction with compensation at mining giant **Freeport-McMoRan Copper & Gold Inc.**, which received only 45.5% support for its say-on-pay proposal. This happened despite the issuance by the Company of an amended proxy statement prior to the annual meeting. Freeport-McMoran's

SPOTLIGHT ON: VIACOM

Viacom Inc. holds the dubious distinction of ranking No. 1 on all three of our Companies With the Highest-Paid Executives in 2010 lists – Highest-Paid CEO, Highest-Paid Non-CEO, and Highest-Paid Executive Team. While Viacom performed somewhat better than its peers, it paid its executives significantly more. Viacom's ranking on the top of all three lists is partly due to amended employment agreements with CEO Philippe Dauman and recently promoted COO Thomas Dooley. The agreements secured the executives' employment with the Company for another five years and granted them one-time stock and option awards worth an aggregate $128.6 million. The Company stated in its January 2011 proxy statement that these "significant" grants were made to keep the duo together in light of them being a "strong executive team." It also cited Mr. Dooley's "positive reputation and performance history" and considerations of succession planning. Philippe Dauman and Thomas Dooley aren't strangers to our Highest-Paid lists; they've been steadily climbing the ranks for the past three years.

Mr. Dooley, the highest-paid non-CEO of 2010 was ranked No. 29 in 2007, No. 28 in 2008 and No. 16 in 2009. Mr. Dauman, the highest-paid CEO in 2010, was No. 40 in 2008 and No. 19 in 2009. The equity compensation paid to the duo in 2010 is approximately 73% of the $175.7 million paid to the Viacom executive team as a whole.

chairman of the board, **James Moffett**, received approximately $37.8 million in overall compensation, making him the eighth highest-paid non-CEO of 2010, while the Company's executive team ranked ninth in its respective highest-paid category. Joining Freeport-McMoran on the list of companies with the highest-paid executive teams that had failed say-on-pay proposals is **Hewlett-Packard Co.**, which earned the No. 18 spot. Unsurprisingly, shareholder angst over executive compensation is not the only problem plaguing Hewlett-Packard, as that organization has struggled for the greater part of a decade to find effective leadership at the management as well as the board level ranks. Also noteworthy is **Jarden Corp.,** which scraped through its advisory vote with 56.2% support after its CEO, **Martin Franklin**, pocketed, by our calculations, roughly $46 million—equal to about 43% of Jarden's net income for fiscal 2010. How firms with failed say-on-pay votes react to shareholders, and the lawsuits that are following them, remains to be seen.

EXECUTIVE TEAMS AT FINANCIAL COMPANIES

i. The Bankers: Will They Stick It Out With The Shareholders?

Shareholders will likely not be surprised upon learning that our list of the Companies With the Highest-Paid Executive Team in 2010 (Fig. 3.6) is dominated by the problem child of any portfolio since 2007—the financial sector. Eight of the 25 companies hail from this sector, while only five made the last list (and only one in 2009, when we ranked only the Top 10 Highest-Paid Executive Teams). Prior to the financial crisis, banks and investment firms accounted for half the list in each of 2008 and 2006 (when Bear Stearns and Lehman Brothers made appearances).

When the compensation committees of these companies ratified their pay packages following fiscal 2010, prospects appeared rosier than they do now. In January 2011, the sector was up 90% since the stock market's low point in March 2009. However, financial stocks were down 16% for the year in 2011, pressured by the European debt crisis, decreased borrowing by U.S. households, pending mortgage-

As noted in our 2011 Proxy Paper, we believe shareholders should be concerned with the amount of discretion granted to Viacom's compensation committee in determining executive pay. In addition, we believe shareholders should be wary of the compensation committee's current roster, which includes Mr. Frederic Salerno, who served as a member of Bear Stearns' Finance and Risk committee and Audit committee prior to the financial firm's collapse in March 2008. Although Viacom's disconnect between pay and performance was not egregious enough to earn them a spot on our S&P 500 Overpaid 25 list, they have received consistently poor grades of "D" or "F" in our proprietary Pay-for-Performance model for the past five years running. Furthermore, we take issue with the compensation committee's ability to choose EPS as an alternate metric in judging performance under the Company's LTI plan if the default metric, TSR, falls below the 50th percentile when compared to the S&P 500 Index – a caveat which essentially provides the Company with a more favorable backup metric – just in case.

Interestingly, shareholders were unfazed by Viacom's generous compensation of its NEOs, with 85% of shareholder votes cast in approval of the Company's advisory say-on-pay proposal. We believe shareholders should closely scrutinize the Company's compensation trajectory, especially in advance of the Company's next scheduled say-on-pay vote in 2014 (Viacom opted to hold its say-on-pay votes only every three years, the frequency preferred by the Company's controlling shareholder Sumner Redstone).

Companies With Highest-Paid CEO	
VIA	Viacom Inc.
OXY	Occidental Petroleum Corp
CBS	CBS Corp.
ORCL	Oracle Corp.
GBL	GAMCO Investors Inc.
GGP	General Growth Properties Inc.
DISCA	Discovery Communications Inc.
JEF	Jefferies Group Inc.
JAH	Jarden Corporation
FCX	Freeport-McMoRan Copper & Gold Inc.
NVR	NVR Inc.
DTV	DIRECTV
SPG	Simon Property Group Inc.
MCK	McKesson Corp.
HPQ	Hewlett-Packard Co.
CMCSA	Comcast Corp.
RL	Polo Ralph Lauren Corp.
DIS	The Walt Disney Co.
CRM	Salesforce.com Inc.
OZM	Och-Ziff Capital Management Group LLC
FIS	Fidelity National Information Services Inc.
AXP	American Express Co.
MSI	Motorola Solutions Inc.
TWX	Time Warner Inc.
F	Ford Motor Co.

Figure 3.4

Companies With Highest-Paid Non-CEO	
VIA	Viacom Inc. (Cl A)
AAPL	Apple Inc.
ORCL	Oracle Corp.
JEF	Jefferies Group Inc.
GGP	General Growth Properties Inc.
OXY	Occidental Petroleum Corp.
FCX	Freeport-McMoRan Copper & Gold Inc.
BLK	Blackrock Inc.
CMCSA	Comcast Corp. (Cl A)
CVC	Cablevision Systems Corp.
FIS	Fidelity National Information Services Inc.
F	Ford Motor Co.
GOOG	Google Inc. (Cl A)
NLY	Annaly Capital Management Inc.
NWSA	News Corp. (Cl A)
COH	Coach Inc.
OPTR	Optimer Pharmaceuticals Inc.
RL	Polo Ralph Lauren Corp.
THO	Thor Industries Inc.
CBS	CBS Corp. (Cl B)
MRK	Merck & Co. Inc.
OCR	Omnicare Inc.
CSCO	Cisco Systems Inc.
MCK	McKesson Corp.
WFC	Wells Fargo & Co.

Figure 3.5

related lawsuits and the end of QE2. Among those financial companies that appear on our list, only **American Express Co.'s** stock appreciated during 2011, though its growth rate was substantially less than that of competitors Visa and MasterCard. And, as of Dec. 31, 2011, shares of **JP Morgan Chase & Co., Goldman Sachs Group Inc., Jefferies Group Inc.** were down more than 30% off their 5-year highs.

Shareholders may take solace in the fact that pay packages for most of the financial companies in the list are heavily weighted toward equity grants, and therefore the present value of these grants has been significantly reduced by the respective company's poor share performance. For each of **Affiliated Managers Group Inc.** ("AMG"), **Blackrock Inc.**, Goldman Sachs, Jefferies Group and JP Morgan Chase, at least 60% of the total compensation figures shown consist of stock awards. While certain of the companies either compensated executives purely in cash (**Annaly Capital Management Inc.**) or paid significant cash bonuses (Blackrock, which gave its top five payees aggregate cash of approximately $34 million in performance and sign-on awards), the rest owe their spots on the list to outsized equity grants. And the majority of these awards vest solely on time restrictions, though Blackrock, Jefferies Group and **Fidelity National Information Services Inc.** ("FNS") do grant some performance-based, long-term awards.

Thus, shareholders should ask what the executives are doing with these shares once the restrictions lapse. Are they further entwining their economic fortunes with those of shareholders by increasing their equity stakes with each annual grant? Or did they take advantage of the recent bump in share prices to sell their vested awards from prior years?

An investigation of SEC filings[2] during the past two years yields mixed results. JP Morgan and Goldman Sachs are the only financial firms on the list whose NEOs did not sell shares. At American Express, two NEOs executed sales netting them an aggregate of $11 million during April 2011, while at Blackrock, only CEO **Laurence Fink** partook, selling shares worth approximately $5.4 million in May 2011 (though this was less than 3% of his stake in the company). AMG executives have sold shares worth approximately $45 million (at the transaction date) since August 2010.

Companies With Highest-Paid Executive Team	
VIA	Viacom Inc.
ORCL	Oracle Corporation
AAPL	Apple Inc.
OXY	Occidental Petroleum Corporation
GGP	General Growth Properties, Inc.
CBS	CBS Corporation
CMCSA	Comcast Corporation
FCX	Freeport-McMoRan Copper & Gold, Inc.
FIS	Fidelity National Information Services, Inc.
BLK	Blackrock, Inc.
JEF	Jefferies Group, Inc.
JPM	JPMorgan Chase & Co.
SPG	Simon Property Group, Inc.
DISCA	Discovery Communications, Inc.
GOOG	Google Inc.
GS	The Goldman Sachs Group, Inc.
HPQ	Hewlett-Packard Company
MCK	McKesson Corporation
CSCO	Cisco Systems, Inc.
AXP	American Express Company
F	Ford Motor Company
CVC	Cablevision Systems Corporation
JAH	Jarden Corporation
AMG	Affiliated Managers Group Inc.
NLY	Annaly Capital Management Inc.

Figure 3.6

The highest level of insider selling was seen among the top executives at FIS, who, in tandem with a share buy-back program, cashed out an aggregate of over $100 million during August 2010. FIS' share price regained 2007 levels in 2011 and in April hit an all-time high (though it is off more than 20% since its peak, as of October 12, 2011).

The most unusual instance of insider selling occurred at Jefferies Group, whose dual presence on our lists of Highest-Paid CEOs and Executive Teams results from equity grants to CEO **Richard Handler** and executive chairman **Brian Friedman** that are intended to compensate three years of work. In September 2011, Mr. Handler sold $25 million in shares to the Company's largest shareholder, Leucadia National Corp. He had never previously sold shares and stated that the sale was necessary to pay off taxes levied upon the vesting of previously granted restricted stock awards.[3] Jefferies shares, which have declined 50% during calendar 2011, shrank to a 52-week low on the news. The Company repurchased 1.4 million shares in the first quarter for the purpose of assisting in the payment of such taxes and offers a share deferral option, but apparently these programs did not affect Mr. Handler's sale.

2 Source: SecForm4.com.

3 Craig, Susanne and Peter Lattman. "Chief Sells $25 Million in Shares of Jefferies," *DealBook.NYTimes.com*, September 22, 2011

Ticker	Company Name	Enterprise Value (millions)	Fiscal Year End	CEO Name	Total CEO Compensation	Top 5 Total Compensation	Stock Price Change (1 FY)	LFY Net Income (millions)	EPS Growth (1 FY)	ROE (%)
MOLX	Molex Inc.	$ 3,084.4	06/2010	Martin P. Slark	$ 9,929,638	$ 20,941,013	17.3%	$ 76.9		3.9%
NSM	National Semiconductor Corp.	$ 3,640.8	05/2010	Donald Macleod	$ 19,595,156	$ 37,337,642	122.5%	$ 209.2	176.59%	69.4%
CVH	Coventry Health Care Inc.	$ 3,624.6	12/2010	Allen F. Wise	$ 13,647,413	$ 27,522,704	8.7%	$ 438.6	39.56%	11.1%
HAR	Harman International Industries Inc.	$ 1,842.4	06/2010	Dinesh Paliwal	$ 9,315,509	$ 16,321,526	59.0%	$ 35.2		3.3%
MWW	Monster Worldwide Inc.	$ 2,811.3	12/2010	Salvator Iannuzzi	$ 8,869,000	$ 22,092,116	35.8%	$ (32.4)		-2.9%
ATI	Allegheny Technologies Inc.	$ 6,167.0	12/2010	L. Patrick Hassey	$ 12,044,430	$ 25,004,155	23.3%	$ 70.7	122.48%	3.5%
VLO	Valero Energy Corp.	$ 18,135.2	12/2010	William R. Klesse	$ 14,109,830	$ 26,014,779	38.0%	$ 923.0		6.2%
JNS	Janus Capital Group Inc.	$ 2,585.5	12/2010	Richard M. Weil	$ 20,930,448	$ 41,532,452	-3.6%	$ 159.9		14.7%
AET	Aetna Inc.	$ 15,417.6	12/2010	Mark Bertolini	$ 17,647,236	$ 40,780,425	-3.8%	$ 1,766.8	46.87%	18.2%
ANF	Abercrombie & Fitch Co. (Cl A)	$ 3,771.6	01/2011	Michael S. Jeffries	$ 24,623,092	$ 39,812,882	59.8%	$ 150.3	89.94%	8.1%
KLAC	KLA-Tencor Corp.	$ 4,035.9	06/2010	Richard P. Wallace	$ 9,831,637	$ 17,742,503	10.4%	$ 212.3		9.6%
AKS	AK Steel Holding Corp.	$ 2,225.1	12/2010	James L. Wainscott	$ 5,433,944	$ 11,252,610	-23.3%	$ (128.9)		-16.9%
BK	Bank of New York Mellon Corp.	$ 58,844.7	12/2010	Robert P. Kelly	$ 22,687,692	$ 60,543,479	8.0%	$ 2,487.0		8.1%
LMT	Lockheed Martin Corp.	$ 27,989.9	12/2010	Robert J. Stevens	$ 19,299,268	$ 36,844,964	-7.2%	$ 2,645.0	-6.82%	67.5%
AA	Alcoa Inc.	$ 26,922.3	12/2010	Klaus Kleinfeld	$ 14,093,946	$ 30,344,786	-4.5%	$ 262.0		2.0%
CBS	CBS Corp (Cl B)	$ 18,751.0	12/2010	Leslie Moonves	$ 60,830,005	$ 101,840,361	35.6%	$ 724.2	217.34%	7.7%
CHK	Chesapeake Energy Corp.	$ 33,895.5	12/2010	Aubrey K. McClendon	$ 21,044,952	$ 59,039,710	0.1%	$ 1,774.0		13.3%
CEG	Constellation Energy Group Inc.	$ 9,178.1	12/2010	Mayo A. Shattuck III	$ 11,936,223	$ 25,834,695	-12.9%	$ (982.6)		-11.6%
JBL	Jabil Circuit Inc.	$ 2,687.3	08/2010	Timothy L. Main	$ 10,224,000	$ 29,045,433	-6.4%	$ 168.8		11.2%
JCP	J.C. Penney Co. Inc.	$ 8,109.7	01/2011	Myron E. Ullman III.	$ 13,316,290	$ 23,916,044	29.2%	$ 378.0	49.23%	7.4%
X	United States Steel Corp.	$ 11,573.4	12/2010	J. P. Surma	$ 8,289,149	$ 17,402,641	6.0%	$ (482.0)		-11.3%
HIG	Hartford Financial Services Group Inc.	$ 17,803.5	12/2010	Liam McGee	$ 10,505,548	$ 29,243,316	13.9%	$ 1,680.0		8.8%
SWY	Safeway Inc.	$ 12,599.1	12/2010	Steven A. Burd	$ 9,989,282	$ 22,697,254	5.6%	$ 589.8		11.9%
PH	Parker Hannifin Corp.	$ 10,327.3	06/2010	Donald E. Washkewicz	$ 16,048,199	$ 30,113,980	29.1%	$ 554.1	9.40%	12.8%
FLR	Fluor Corp.	$ 9,810.1	12/2010	Alan L. Boeckmann	$ 10,694,613	$ 24,833,883	47.1%	$ 357.5	-47.02%	10.5%
	Mean:	$12,856.3			$ 16,008,421	$ 33,178,587	17.9%	$ 570.7	91.90%	10.6%
	Median:	$8,109.7			$ 13,316,290	$ 27,522,704	8.7%	$ 212.3	69.59%	8.1%

Source: Glass Lewis, Company filings.

Note: Enterprise value as of fiscal-year end. Stock price changes track companies' fiscal years. ROE is return on average common equity.

Appendix A: The S&P 500 Overpaid 25

Ticker	Company Name	Enterprise Value (millions)	Fiscal Year End	CEO Name	Total CEO Compensation	Top 5 Total Compensation	Stock Price Change (1 FY)	LFY Net Income (millions)	EPS Growth (1 FY)	ROE (%)
HNSN	Hansen Medical Inc.	$ 51.0	12/2010	Bruce J. Barclay Mr.	$ 3,687,275	$ 6,518,802	-50.8%	$ (37.9)		-117.5%
NCS	NCI Building Systems Inc.	$ 493.0	10/2010	Norman C. Chambers	$ 6,573,274	$ 17,183,463	1.1%	$ (26.9)		-10.1%
SD	SandRidge Energy Inc.	$ 5,222.9	12/2010	Tom L. Ward	$ 21,756,257	$ 32,139,505	-22.4%	$ 190.6		28.7%
AVNW	Aviat Networks, Inc.	$ 87.2	06/2010	Charles D. Kissner	$ 4,587,741	$ 7,615,272	-44.0%	$ (130.2)		-40.0%
FMD	First Marblehead Corp.	$ 121.9	06/2010	Daniel Meyers	$ 6,301,229	$ 12,566,331	16.3%	$ (145.5)		-43.1%
PMI	PMI Group Inc.	$ 795.8	12/2010	L. Stephen Smith	$ 4,104,568	$ 10,673,126	31.0%	$ (773.0)		-135.3%
SRZ	Sunrise Senior Living Inc.	$ 413.7	12/2010	Mark S. Ordan	$ 8,979,749	$ 12,587,822	69.3%	$ 30.6		43.0%
PGI	Premiere Global Services Inc.	$ 565.5	12/2010	Boland T. Jones	$ 8,266,732	$ 11,584,253	-17.6%	$ 9.0	-64.70%	3.4%
AHS	AMN Healthcare Services Inc.	$ 459.6	12/2010	Susan R. Salka	$ 2,862,344	$ 6,902,722	-32.2%	$ (52.0)		-29.5%
SGMS	Scientific Games Corp.	$ 2,195.4	12/2010	A. Lorne Weil	$ 14,570,388	$ 23,925,522	-31.5%	$ (149.2)		-27.8%
NCR	NCR Corp.	$ 2,025.6	12/2010	William R. Nuti	$ 12,213,668	$ 25,882,915	38.1%	$ 111.0	90.30%	15.3%
OREX	Orexigen Therapeutics Inc.	$ 292.9	12/2010	Michael A. Narachi	$ 3,810,922	$ 8,897,957	8.6%	$ (51.9)		-94.7%
WWON	Westwood One Inc.	$ 323.7	12/2010	Roderick M. Sherwood III	$ 4,248,828	$ 7,592,193	102.9%	$ (31.3)		
EK	Eastman Kodak Co.	$ 1,062.2	12/2010	Antonio M. Perez	$ 2,990,222	$ 7,525,008	27.0%	$ (675.0)		
CSA	Cogdell Spencer Inc.	$ 715.5	12/2010	Raymond W. Braun	$ 3,778,698	$ 10,101,644	2.5%	$ (104.2)		-52.4%
SONS	Sonus Networks Inc.	$ 414.3	12/2010	Raymond P. Dolan	$ 5,839,277	$ 11,839,177	26.5%	$ (10.7)		-2.6%
EGLE	Eagle Bulk Shipping Inc.	$ 1,333.1	12/2010	Sophocles N. Zoullas	$ 8,347,867	$ 12,283,267	0.6%	$ 26.8	-27.53%	4.2%
FBC	Flagstar Bancorp Inc.	$ 451.9	12/2010	Joseph P. Campanelli	$ 2,650,000	$ 5,924,560	-72.8%	$ (374.8)		-40.4%
NUVA	NuVasive Inc.	$ 1,230.3	12/2010	Alexis V. Lukianov	$ 7,244,384	$ 18,456,537	-19.8%	$ 78.3	1185.18%	21.4%
ACAS	American Capital Ltd.	$ 4,597.6	12/2010	Malon Wilkus	$ 12,678,186	$ 38,454,266	209.8%	$ 998.0		33.3%
GMXR	GMX Resources Inc.	$ 460.1	12/2010	Ken L. Kenworthy Jr.	$ 2,917,216	$ 7,812,914	-59.8%	$ (141.4)		-78.0%
CVO	Cenveo, Inc.	$ 1,577.4	12/2010	Robert G. Burton Sr.	$ 6,180,996	$ 9,636,450	-39.0%	$ (189.1)		
FORM	FormFactor, Inc.	$ 98.9	12/2010	Thomas St. Dennis	$ 3,987,879	$ 8,772,366	-59.2%	$ (188.3)		-38.1%
FTK	Flotek Industries, Inc.	$ 260.8	12/2010	John W. Chisholm	$ 1,453,974	$ 4,053,848	306.7%	$ (43.5)		
THQI	THQ Inc.	$ 324.1	03/2011	Brian J. Farrell	$ 1,369,886	$ 5,162,848	-35.0%	$ (136.1)		-51.2%
	Mean:	$1,023.0			$ 6,456,062	$ 12,963,711	14.3%	$ (72.7)	295.81%	-29.1%
	Median:	$460.1			$ 4,587,741	$ 10,101,644	0.6%	$ (51.9)	31.39%	-29.5%

Source: Glass Lewis, Company filings.

Appendix B: The Russell 3000 Overpaid 25

Ticker	Company Name	Enterprise Value (millions)	Fiscal Year End	CEO Name	Total CEO Compensa-tion	Top 5 Total Compensation	Stock Price Change (1 FY)	LFY Net Income (mil-lions)	EPS Growth (1 FY)	ROE (%)
AMZN	Amazon.com Inc	$ 73,959.0	12/2010	Jeffrey P. Bezos	$ 1,681,840	$ 28,752,425	33.8%	$ 1,152.0	23.72%	19.0%
MTB	M&T Bank Corp	$ 16,092.3	12/2010	Robert G. Wilmers	$ 2,304,040	$ 9,449,834	30.1%	$ 736.2	97.48%	9.1%
SWN	Southwestern Energy Co	$ 14,160.5	12/2010	Steven L. Mueller	$ 5,835,446	$ 14,525,429	-22.3%	$ 604.1		22.8%
PSA	Public Storage	$ 20,771.0	12/2010	Ronald L. Havner Jr.	$ 2,009,800	$ 7,496,428	24.5%	$ 664.5	-34.22%	7.5%
BDX	Becton, Dickinson & Co	$ 17,748.0	09/2010	Edward J. Ludwig	$ 7,429,831	$ 17,777,491	6.2%	$ 1,176.3	3.42%	22.2%
LIFE	Life Technologies Corp.	$ 12,820.5	12/2010	Gregory T. Lucier	$ 8,002,565	$ 18,512,233	6.3%	$ 378.3	150.89%	8.9%
MKC	McCormick & Co.	$ 6,766.6	11/2010	Alan D. Wilson	$ 5,688,332	$ 12,775,347	23.3%	$ 370.2	21.53%	26.6%
CNP	Centerpoint Energy Inc.	$ 15,636.8	12/2010	David M. McClanahan	$ 4,755,552	$ 11,087,127	8.3%	$ 442.0	5.91%	15.1%
AZO	AutoZone Inc.	$ 13,175.1	08/2010	William C. Rhodes III	$ 4,120,203	$ 11,241,987	42.5%	$ 738.3	28.11%	
ICE	IntercontinentalExchange	$ 8,867.7	12/2010	Jeffrey C. Sprecher	$ 3,183,353	$ 8,944,122	6.1%	$ 398.3	24.95%	15.4%
AMT	American Tower Corp.	$ 25,526.4	12/2010	James D. Taiclet Jr.	$ 6,494,743	$ 18,550,539	19.5%	$ 372.9	55.33%	10.9%
MA	Mastercard Inc.	$ 25,171.4	12/2010	Ajay Banga	$ 9,677,028	$ 29,396,508	-12.5%	$ 1,846.0	25.68%	42.4%
AAPL	Apple Inc.	$ 236,767.0	09/2010	Steven P. Jobs	$ 1	$ 148,424,291	53.1%	$ 14,013.0	67.09%	35.3%
JWN	Nordstrom Inc.	$ 10,441.7	01/2011	Blake W. Nordstrom	$ 4,457,273	$ 17,734,849	19.2%	$ 613.0	37.73%	34.1%
PGN	Progress Energy Inc.	$ 24,679.0	12/2010	William D. Johnson	$ 5,130,658	$ 10,981,877	6.0%	$ 860.0	-1.13%	8.8%
PCG	PG&E Corp.	$ 32,109.3	12/2010	Peter A. Darbee	$ 6,825,744	$ 15,538,049	7.1%	$ 1,113.0	-11.98%	10.3%
UNP	Union Pacific Corp.	$ 54,754.7	12/2010	James R. Young	$ 12,348,742	$ 24,944,436	45.0%	$ 2,780.0	48.51%	16.1%
ORLY	O'Reilly Automotive	$ 8,908.1	12/2010	Gregory L. Henslee	$ 5,081,024	$ 12,807,763	58.5%	$ 419.4	34.00%	14.2%
SIAL	Sigma-Aldrich Corp.	$ 8,140.9	12/2010	Rakesh Sachdev	$ 4,871,738	$ 11,248,883	31.7%	$ 384.0	11.58%	21.0%
CLF	Cliffs Natural Resources Inc.	$ 10,759.3	12/2010	Joseph A. Carrabba	$ 6,310,564	$ 15,451,760	69.3%	$ 1,019.9	359.40%	31.9%
BTU	Peabody Energy Corp.	$ 18,751.6	12/2010	Gregory H. Boyce	$ 8,901,633	$ 20,703,537	41.5%	$ 776.9	74.23%	18.5%
UPS	United Parcel Service Inc.	$ 79,630.7	12/2010	D. Scott Davis	$ 10,034,459	$ 20,403,591	26.5%	$ 3,488.0	62.73%	44.7%
FAST	Fastenal Co.	$ 8,662.8	12/2010	Willard D Oberton	$ 3,146,199	$ 8,565,612	43.9%	$ 265.4	44.84%	21.5%
WAT	Waters Corp.	$ 7,128.8	12/2010	Douglas A. Berthiaume	$ 2,287,074	$ 13,950,292	25.4%	$ 381.8	22.44%	39.8%
CAG	ConAgra Foods Inc.	$ 13,349.9	05/2010	Gary M. Rodkin	$ 7,941,485	$ 19,057,350	30.1%	$ 745.1	23.53%	15.5%
	Mean:	$ 30,591.2			$ 5,540,773.1	$ 21,132,870.4	24.9%	$ 1,429.5	48.99%	21.3%
	Median:	$ 15,636.8			$ 5,130,658.0	$ 15,451,760.0	25.4%	$ 736.2	26.89%	18.7%

Source: Glass Lewis, Company filings.

Appendix C: The S&P 500 Underpaid 25

Ticker	Company Name	Enterprise Value (millions)	Fiscal Year End	CEO Name	Total CEO Compensa-tion	Top 5 Total Compensation	Stock Price Change (1 FY %)	LFY Net Income (millions)	EPS Growth (1 FY)	ROE (%)
SIGA	SIGA Technologies Inc.	$ 610.8	12/2010	Eric A. Rose M.D.	$ 400,000	$ 1,100,000	141.4%	$ (28.2)		-293.4%
RAD	Rite Aid Corp.	$ 7,447.1	02/2011	John T. Standley	$ 2,831,564	$ 12,122,339	-13.8%	$ (555.4)		
VHC	VirnetX Holding Corp.	$ 650.5	12/2010	Kendall Larsen	$ 1,042,688	$ 1,339,273	405.1%	$ 41.4		163.2%
FNGN	Financial Engines Inc.	$ 774.0	12/2010	Jeffrey N. Maggioncalda	$ 604,555	$ 3,343,910		$ 63.6	263.11%	60.7%
GORO	Gold Resource Corp.	$ 1,423.7	12/2010	William W. Reid	$ 1,050,000	$ 2,532,889	161.3%	$ (23.1)		-62.5%
CACC	Credit Acceptance Corp.	$ 2,564.0	12/2010	Brett A. Roberts	$ 807,350	$ 2,892,628	49.1%	$ 170.1	21.22%	35.0%
GEOI	GeoResources Inc.	$ 527.2	12/2010	Frank A. Lodzinski	$ 341,667	$ 1,363,334	62.6%	$ 23.3	100.09%	12.5%
URZ	Uranerz Energy Corp.	$ 220.8	12/2010	Glenn Catchpole	$ 297,700	$ 1,284,892	206.9%	$ (14.6)		-41.8%
GMCR	Green Mountain Coffee Roasters Inc.	$ 4,649.2	09/2010	Lawrence J. Blanford	$ 2,389,662	$ 5,581,216	26.7%	$ 79.5	26.56%	12.4%
AVGO	Avago Technologies Ltd.	$ 5,746.3	10/2010	Hock E. Tan	$ 2,252,519	$ 5,634,545	64.5%	$ 415.0		32.6%
HNRG	Hallador Energy Co.	$ 315.6	12/2010	Victor P. Stabio	$ 307,000	$ 680,503	33.6%	$ 22.4	-4.20%	19.0%
KRO	Kronos Worldwide Inc.	$ 2,376.4	12/2010	Steven L. Watson	$ 1,034,280	$ 3,855,488	161.5%	$ 130.6		24.3%
ALX	Alexander's Inc.	$ 2,957.7	12/2010	Steven Roth	$ 32,500	$ 65,000	35.4%	$ 66.4	-49.77%	20.4%
WLT	Walter Energy, Inc.	$ 6,740.1	12/2010	Joseph B. Leonard	$ 1,223,617	$ 5,706,592	69.8%	$ 389.4	174.00%	91.2%
HTS	Hatteras Financial Corp.	$ 9,834.4	12/2010	Michael R. Hough	$ 834,358	$ 2,781,206	8.3%	$ 169.5	-10.84%	16.3%
NNI	Nelnet Inc.	$ 25,557.2	12/2010	Michael S. Dunlap	$ 1,010,440	$ 4,306,579	37.5%	$ 189.0	36.85%	22.4%
ONNN	ON Semiconductor Corp.	$ 4,678.2	12/2010	Keith D. Jackson	$ 1,824,693	$ 5,221,444	12.0%	$ 290.5	364.96%	24.7%
SUI	Sun Communities Inc.	$ 1,875.7	12/2010	Gary A. Shiffman	$ 797,382	$ 1,579,738	68.7%	$ (2.9)		
IPI	Intrepid Potash Inc.	$ 2,680.8	12/2010	Robert P. Jornayvaz III	$ 816,556	$ 4,057,500	27.8%	$ 45.3	-18.25%	6.2%
RAX	Rackspace Hosting Inc.	$ 4,217.8	12/2010	A. Lanham Napier	$ 2,326,932	$ 8,715,713	50.6%	$ 46.4	47.86%	11.8%
SATS	EchoStar Corp.	$ 1,409.5	12/2010	Michael T. Dugan	$ 759,808	$ 3,782,955	24.0%	$ 204.4	-43.52%	7.2%
FSYS	Fuel Systems Solutions Inc.	$ 414.6	12/2010	Mariano Costamagna	$ 740,150	$ 2,338,430	-28.8%	$ 39.7	-24.28%	13.7%
NDN	99 Cents Only Stores	$ 1,190.3	03/2011	Eric Schiffer	$ 134,593	$ 1,091,445	20.2%	$ 74.3	20.61%	11.6%
PCYC	Pharmacyclics Inc.	$ 247.8	06/2010	Robert W. Duggan	-	$ 1,327,235	397.0%	$ (15.0)		-46.2%
RBCN	Rubicon Technology Inc.	$ 398.2	12/2010	Raja M. Parvez	$ 1,022,200	$ 1,457,960	3.8%	$ 29.1		20.1%
	Mean:	$ 3,580.3			$ 995,288.6	$ 3,366,512.6	84.4%	$ 74.0	60.29%	7.0%
	Median:	$ 1,875.7			$ 816,556.0	$ 2,781,206.0	43.3%	$ 46.4	21.22%	16.3%

Source: Glass Lewis, Company filings.

Appendix D: The Russell 3000 Underpaid 25

Ticker	Company Name	CEO Name	Title	Salary	Bonus	NEIP	All Other	Restricted Stock	Option Value	Total Compensation
VIA	Viacom Inc.	Philippe P. Dauman	President and Chief Executive Officer and director	$ 2,625,000	-	$ 11,250,000	$ 141,206	$ 37,638,738	$ 34,983,726	$ 86,638,670
OXY	Occidental Petroleum Corp.	Ray R. Irani	Chairman and Chief Executive Officer	$ 1,191,667	$ 1,400,000	$ 31,575,000	$ 1,690,343	$ 43,821,857	-	$ 79,678,867
CBS	CBS Corp.	Leslie Moonves	President and Chief Executive Officer	$ 3,513,462	$ 27,500,000	-	$ 2,977,722	$ 7,999,983	$ 18,838,838	$ 60,830,005
ORCL	Oracle Corporation	Lawrence J. Ellison	Chief Executive Officer	$ 250,001	-	$ 6,453,254	$ 1,493,320	-	$ 51,568,856	$ 59,765,431
GBL	GAMCO Investors Inc.	Mario J. Gabelli	Chairman of the Board, Chief Executive Officer and Chief Investment Officer Value Portfolios	-	-	-	$ 56,608,736	-	-	$ 56,608,736
GGP	General Growth Properties Inc.	Adam S. Metz	CEO	$ 1,459,615	-	$ 46,258,678	$ 3,584,997	$ 1,725,256	-	$ 53,028,546
DISCA	Discovery Communications Inc.	David M. Zaslav	President and Chief Executive Officer	$ 2,000,000	-	$ 4,410,000	$ 432,668	$ 20,333,632	$ 25,636,529	$ 52,812,829
JEF	Jefferies Group Inc.	Richard B. Handler	Chairman & Chief Executive Officer	$ 916,667	$ 1,251,632	-	$ 137,158	$ 44,999,994	-	$ 47,305,451
JAH	Jarden Corp.	Martin E. Franklin	Chairman and Chief Executive Officer	$ 2,034,728	$ 2,034,728	$ 2,034,728	$ 548,447	$ 39,372,300	-	$ 46,024,931
FCX	Freeport-McMoRan Copper & Gold, Inc.	Richard C. Adkerson	President & Chief Executive Officer	$ 2,500,000	-	$ 10,000,000	$ 1,555,531	$ 5,818,492	$ 17,722,961	$ 37,596,984
NVR	NVR Inc.	Paul C. Saville	Chief Executive Officer	$ 800,000	-	$ 481,299	$ 7,850	$ 14,604,451	$ 18,890,901	$ 34,784,501
DTV	DIRECTV	Michael White	CEO	$ 1,448,077	-	$ 4,000,000	$ 296,949	$ 14,690,396	$ 13,226,912	$ 33,662,334
SPG	Simon Property Group Inc.	David Simon	Chairman and Chief Executive Officer	$ 1,000,000	$ 4,000,000	-	$ 15,248	$ 27,189,719	-	$ 32,204,967
MCK	McKesson Corp.	John H. Hammergren	Chairman, President and Chief Executive Officer	$ 1,664,615	-	$ 9,860,400	$ 995,159	$ 10,643,870	$ 8,840,304	$ 32,004,348
HPQ[12]	Hewlett-Packard Co.	Catherine A. Lesjak	Executive Vice President and Chief Financial Officer/Interim CEO	$ 1,274,444	$ 645,191	$ 235,231	$ 12,878,385	$ 15,898,241	-	$ 30,931,491
CMCSA	Comcast Corp.	Brian L. Roberts	Chairman of the Board, President and Chief Executive Officer	$ 2,800,761	-	$ 10,922,968	$ 3,205,767	$ 5,771,598	$ 7,207,674	$ 29,908,768

Appendix E: 25 Highest-Paid CEOs

Ticker	Company Name	CEO Name	Title	Salary	Bonus	NEIP	All Other	Restricted Stock	Option Value	Total Compensation
RL	Polo Ralph Lauren Corp.	Ralph Lauren	Chairman & CEO	$ 1,250,000	-	$ 19,500,000	$ 331,925	$ 5,542,500	$ 3,185,842	$ 29,810,267
DIS	The Walt Disney Co.	Robert A. Iger	President and Chief Executive Officer	$ 2,000,000	-	$ 13,460,000	$ 798,433	$ 6,636,108	$ 5,473,125	$ 28,367,666
CRM	salesforce.com, inc.	Marc Benioff	Chief Executive Officer and Chairman of the Board, Director	$ 900,000	-	$ 900,000	-	-	$ 26,395,080	$ 28,195,080
OZM	Och-Ziff Capital Management Group LLC	Daniel S. Och	Chief Executive Officer	-	-	-	$ 51,826	$ 27,410,526	-	$ 27,462,352
FIS	Fidelity National Information Services Inc.	Frank R. Martire	President and Chief Executive Officer	$ 1,000,000	$ 3,500,000	$ 8,535,364	$ 162,101	$ 7,750,006	$ 6,097,503	$ 27,044,975
AXP	American Express Co.	K. I. Chenault	Chairman and Chief Executive Officer	$ 1,942,308	$ 5,125,000	$ 6,092,640	$ 1,095,647	$ 2,049,971	$ 10,572,627	$ 26,878,192
MSI 1	Motorola Solutions Inc.	Gregory Q. Brown	President and Chief Executive Officer	$ 1,800,000	-	$ 7,205,500	$ 626,542	$ 6,132,146	$ 10,820,313	$ 26,584,501
TWX	Time Warner Inc.	Jeffrey L. Bewkes	Chairman of the Board and Chief Executive Officer	$ 2,000,000	-	$ 14,420,000	$ 124,129	$ 5,183,984	$ 4,768,892	$ 26,497,006
F	Ford Motor Co.	Alan Mulally	President and Chief Executive Officer	$ 1,400,000	$ 3,150,000	$ 6,300,000	$ 678,029	$ 7,499,993	$ 7,467,723	$ 26,495,745

[1]The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.

[2]Amounts also include M. Hurd's severance payments paid over the fiscal year.

Appendix F: 25 Highest-Paid Non-CEOs

Ticker	Company Name	NEO Name	Title	Salary	Bonus	NEIP	All Other	Restricted Stock	Option Value	Total Compensation
VIA	Viacom Inc.	Thomas E. Dooley	Senior Executive Vice President and Chief Operating Officer	$ 1,875,000	-	$ 8,906,250	$ 12,211	$ 28,989,011	$26,942,366	$ 66,724,838
AAPL	Apple Inc.	Timothy D. Cook	Chief Operating Officer	$ 800,016	$ 5,000,000	$ 900,000	$ 58,306	$ 52,334,250	-	$ 59,092,572
ORCL	Oracle Corp.	Safra A. Catz	President	$ 800,000	-	$ 3,871,953	$ 17,914	-	$36,834,897	$ 41,524,764
JEF	Jefferies Group Inc.	Brian P. Friedman	Chairman of the Execu-tive Committee	$ 662,500	$ 938,724	-	$ 4,242	$ 38,249,994	-	$ 39,855,460
GGP	General Growth Properties Inc.	Thomas H. Nolan, Jr.	President and COO	$ 1,216,346	-	$ 34,328,650	$2,871,188	$ 1,380,205	-	$ 39,796,389
OXY	Occidental Pe-troleum Corp.	Stephen I. Chazen	President and Chief Operating Officer	$ 766,667	$ 800,000	$ 14,395,000	$ 318,677	$ 23,400,122	-	$ 39,680,466
FCX	Freeport-McMo-Ran Copper & Gold Inc.	James R. Moffett	Chairman of the Board	$ 2,500,000	-	$ 10,000,000	$1,773,225	$ 5,818,492	$17,722,961	$ 37,814,678
BLK	Blackrock Inc.	Blake R. Gross-man	Vice Chairman	$ 500,000	$ 12,000,000	-	$ 14,700	$ 21,143,591	-	$ 33,658,291
CMCSA	Comcast Corp.	Stephen B. Burke	Executive Vice President of Comcast and President and ChEO of NBCUniversal	$ 2,243,264	$ 3,000,000	$ 8,748,729	$2,396,752	$ 10,834,722	$ 5,807,219	$ 33,030,686
CVC	Cablevision Systems Corp.	Thomas M. Rut-ledge	Chief Operating Officer	$ 1,740,000	-	$ 8,754,519	$3,801,911	$ 13,778,400	-	$ 28,074,830
FIS	Fidelity National Information Ser-vices Inc.	William P. Foley II	Executive Chairman	$ 550,000	-	$ 18,021,519	$ 274,781	$ 5,037,485	$ 3,963,378	$ 27,847,163
F	Ford Motor Co.	William Clay Ford Jr.	Executive Chairman	$ 4,800,000	$ 900,000	$ 1,800,000	$1,203,169	$ 3,499,991	$13,183,279	$ 25,386,439
GOOG	Google Inc.	Patrick Pichette	Senior Vice President and Chief Financial Officer	$ 492,115	$ 1,875	$ 2,700,000	$ 10,209	$ 11,284,178	$ 9,282,965	$ 23,771,343
NLY	Annaly Capital Management Inc.	Wellington J. Denahan-Norris	COO	$ 2,715,000	$ 20,909,832	-	$ 9,968	-	-	$ 23,634,800
NWSA	News Corp.	Chase Carey	Deputy Chairman, President and Chief Operating Officer	$ 8,100,000	$ 15,000,000	-	$ 32,482	-	-	$ 23,132,482

Appendix F: 25 Highest-Paid Non-CEOs

Ticker	Company Name	NEO Name	Title	Salary	Bonus	NEIP	All Other	Restricted Stock	Option Value	Total Compensation
COH	Coach Inc.	Reed Krakoff	President, Executive Creative Director	$ 2,500,000	$ 4,095,000	$ 6,867,500	$ 541,774	$ 598,570	$ 8,308,528	$ 22,911,372
OPTR	Optimer Pharmaceuticals Inc.	Youe-Kong Shue Ph.D.	Vice President, Clinical Development	$ 223,864	-	$ 80,000	$ 21,905	-	$21,609,908	$ 21,935,677
RL	Polo Ralph Lauren Corp.	Roger Farah	President & COO	$ 900,000	-	$ 9,900,000	$ 203,005	$ 4,574,410	$ 4,217,832	$ 19,795,247
THO	Thor Industries Inc.	Ronald Fenech	Senior Group President	$ 600,000	-	$ 6,719,345	-	-	$11,664,430	$ 18,983,775
CBS	CBS Corp	Sumner M. Redstone	Executive Chairman and Founder	$ 1,638,461	$ 10,000,000	-	$ 160,229	$ 3,016,114	$ 3,798,148	$ 18,612,952
MRK	Merck & Co Inc	Richard T. Clark	Chairman of the Board	$ 1,862,500	-	$ 3,310,622	$ 54,183	$ 8,399,996	$ 4,967,745	$ 18,595,046
OCR	Omnicare Inc.	Joel F. Gemunder	Former President and Chief Executive Officer	$ 1,052,917	-	-	$ 17,148,485	$ 9,572	$ 45,102	$ 18,256,076
CSCO	Cisco Systems Inc.	Wim Elfrink	Executive Vice President, Chief Globalisation Officer	$ 773,762	-	$ 1,600,000	$3,456,642	$ 5,850,000	$ 5,690,604	$ 17,371,008
MCK	McKesson Corp.	Paul C. Julian	Executive Vice President and Group President	$ 1,035,923	-	$ 4,774,750	$ 532,865	$ 5,866,700	$ 4,925,941	$ 17,136,179
WFC	Wells Fargo & Co.	David A. Hoyt	Sr. Exec. VP, Wholesale Banking	$ 2,293,231	-	$ 2,000,000	$ 14,700	$ 6,500,002	$ 6,219,679	$ 17,027,612

Appendix F: 25 Highest-Paid Non-CEOs

Ticker	Company	Fiscal Year End	Top 5 Comp. (millions)	Latest GLC pay-for-performance Grade	FY % change in stock price	FY % change in S&P 500	Comp. as % of net income
VIA	Viacom Inc.	09/2010	$175.68	D	36.1%	10.20%	15.0%
ORCL	Oracle Corp.	05/2010	$152.92	D	15.2%	21.00%	5.2%
AAPL	Apple Inc.	09/2010	$148.42	A	53.1%	10.20%	1.1%
OXY	Occidental Petroleum Corp.	12/2010	$140.88	D	20.6%	15.10%	3.1%
GGP	General Growth Properties, Inc.	12/2010	$124.90	C	68.7%	15.10%	-15.3%
CBS	CBS Corp.	12/2010	$101.84	F	35.6%	15.10%	14.1%
CMCSA	Comcast Corp.	12/2010	$101.74	D	30.3%	15.10%	2.8%
FCX	Freeport-McMoRan Copper & Gold, Inc.	12/2010	$94.97	D	49.6%	15.10%	2.2%
FIS	Fidelity National Information Services, Inc.	12/2010	$92.85	D	16.9%	15.10%	20.7%
BLK	Blackrock Inc.	12/2010	$92.83	D	-17.9%	15.10%	4.5%
JEF	Jefferies Group Inc.	11/2010	$92.35	D	3.0%	9.94%	41.3%
JPM	JPMorgan Chase & Co.	12/2010	$88.84	C	1.8%	15.10%	0.5%
SPG	Simon Property Group Inc.	12/2010	$81.12	D	24.7%	15.10%	13.1%
DISCA	Discovery Communications Inc.	12/2010	$80.04	C	36.0%	15.10%	12.7%
GOOG	Google Inc.	12/2010	$77.55	B	-4.2%	15.10%	0.9%
GS	The Goldman Sachs Group Inc.	12/2010	$76.42	C	-0.4%	15.10%	0.9%
HPQ 1	Hewlett-Packard Co.	10/2010	$73.78	D	-11.4%	15.10%	0.8%
MCK	McKesson Corp.	03/2011	$73.28	D	20.3%	15.65%	6.5%
CSCO	Cisco Systems Inc.	07/2010	$73.23	D	4.8%	7.00%	0.9%
AXP	American Express Co.	12/2010	$71.16	D	5.9%	15.10%	1.8%
F	Ford Motor Co.	12/2010	$71.04	C	67.9%	15.10%	1.1%
CVC	Cablevision Systems Corp.	12/2010	$70.99	B	58.8%	15.10%	19.4%
JAH	Jarden Corp.	12/2010	$70.96	D	-0.1%	15.10%	66.5%
AMG	Affiliated Managers Group Inc.	12/2010	$67.81	D	47.3%	15.10%	48.9%
NLY	Annaly Capital Management Inc.	12/2010	$66.50	C	3.3%	15.10%	5.2%

[1]Amounts also include M. Hurd's severance payments paid over the fiscal year.

Appendix G: 25 Highest-Paid Executive Teams

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