

Dow 30 Executive Compensation and Benefit Practices

2007



OVERVIEW

MullinTBG and Strategic Apex Group jointly analyzed the compensation and benefits received by the CEOs, CFOs and Boards of Directors at companies in the Dow 30, which is comprised of 30 of the largest and most widely held public companies in the United States.

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EXECUTIVE SUMMARY

There are many new elements of a C-level executive's total compensation that were reported for 2006 as a result of the SEC's new disclosure requirements. This MullinTBG/Strategic Apex Group Dow 30 report acknowledges these changes and presents an analysis of ongoing trends and broader shifts in executive compensation and benefit practices.

The compensation mix (proportion of salary, bonus, equity, and benefits) that comprises CEO and CFO pay is very similar, with long-term incentives amounting to more than half of total compensation. Even directors derive most of their pay from equity incentives supplemented by an annual retainer and meeting fees.

SERPs and other deferred compensation plans are offered by the vast majority of the Dow 30. Financial services and executive life insurance, while less common, are still provided to at least half of CEOs and CFOs.

Although a smaller percentage of compensation overall, median CEO and CFO salaries in the Dow 30 were \$1,451,000 and \$725,000, respectively. Median total cash compensation was \$7.2 million and \$2.0 million, respectively. Median total overall compensation was \$18.4 million and \$5.7 million, respectively. Total annual CFO compensation was roughly one-third that of CEOs (at all measured percentiles). Total compensation for Board members was about \$260,000 at the median.

Stock option grants have waned in popularity, dropping nearly 19% in 2006 as compared to average usage during the previous three years. Overall however, CEOs and CFOs have accumulated significant equity positions during their tenure, putting their economic interests directly in line with shareholders for whom they created, on average, more than \$16 billion in company value last year.

ABOUT MULLINTBG

MullinTBG is the nation's largest provider of nonqualified executive benefits with more than 600 customized plans and \$21 billion in total assets (as of 12/31/2007) representing over 50,000 corporate executives. An industry pioneer with more than 50 years of experience, MullinTBG is one of the nation's premier full-service firms to which Fortune 1000 and emerging growth companies can confidently outsource all aspects of their executive benefit, compensation, and retirement income planning needs to effectively attract, retain and reward key executives.

ABOUT STRATEGIC APEX GROUP

Strategic Apex Group specializes in providing expert objective consulting on all aspects of executive compensation, performance measurement and motivational incentives. With over 100 years of combined experience among its partners, Strategic Apex Group develops creative compensation and benefit strategies that help companies effectively attract, retain and motivate their highly valued employees.

DOW 30 STUDY METHODOLOGY

Analysis for this study was based on the most recent proxy and 10K filings as of November 1, 2007 as well as annual reports, published stock prices, etc. The following elements of compensation were analyzed:

- Salary for most recent fiscal year
- Bonus paid in most recent fiscal year and target bonus listed in the Grant of Plan Based Awards table
- The value (using Black-Scholes for stock options) of all long-term incentive awards granted during most recent fiscal year, including stock options, restricted stock/restricted stock units (RSUs), performance shares, and other forms of long-term incentives
- Benefit amounts as disclosed in proxy
- Fiscal year end values of stock options and restricted shares held by the executive, as disclosed in the proxy statement. Beneficial Ownership as disclosed in the proxy, which includes stock ownership, restricted shares, and the face value of options that are exercisable within 60 days.

When earnings data/compensation was restated, the most recent data was utilized. Price per share data utilized was the closing price on the last trading day of each year. Diluted EPS data reported in the annual reports of each company was used.

THE DOW 30 COMPANY OVERVIEW

3M	Exxon Mobil	McDonalds
Alcoa	General Electric	Merck
Altria	General Motors	Microsoft
American Express	Hewlett Packard	Pfizer
American International Group	Home Depot	Procter & Gamble
AT&T	Honeywell International	The Coca Cola Company
Boeing	IBM	The Walt Disney Company
Caterpillar	Intel	United Technologies
Citigroup	Johnson & Johnson	Verizon
El Du Pont Nemours & Co.	JP Morgan Chase	Wal-Mart

INDUSTRIES

Hi-Tech	4
Aerospace & Defense	3
Diversified Financials	3
Food, Drink & Tobacco	3
Pharmaceuticals	3
Auto or Heavy Equipment	2
Industrial Conglomerates	2
Materials	2
Retail	2
Telecommunication	2
Energy	1
Household Products	1
Insurance	1
Media	1

LOCATIONS

New York	8
California	3
Illinois	3
New Jersey	3
Connecticut	2
Georgia	2
Texas	2
Arkansas	1
Delaware	1
Michigan	1
Minnesota	1
Ohio	1
Pennsylvania	1
Washington	1

On average, the CEO and CFO manage a \$139 billion enterprise with \$57 billion in sales and 135,000 employees. They helped to create a per company average of more than \$16 billion in shareholder value during the last fiscal year.

DOW 30 SUMMARY STATISTICS

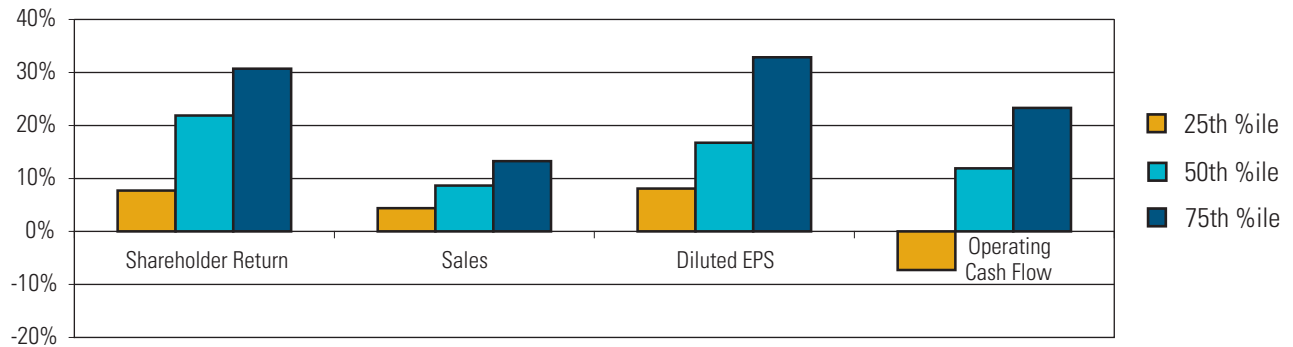
	Revenue*	Market Capitalization*	Number of Employees
50th Percentile	\$57,362	\$139,184	135,500
75th Percentile	\$91,600	\$178,304	270,500
25th Percentile	\$32,097	\$69,327	94,223
Largest	\$345,977	\$511,421	1,900,000
Smallest	\$21,586	\$21,373	59,000

* Figures in millions
Source: Standard & Poors and company filings.

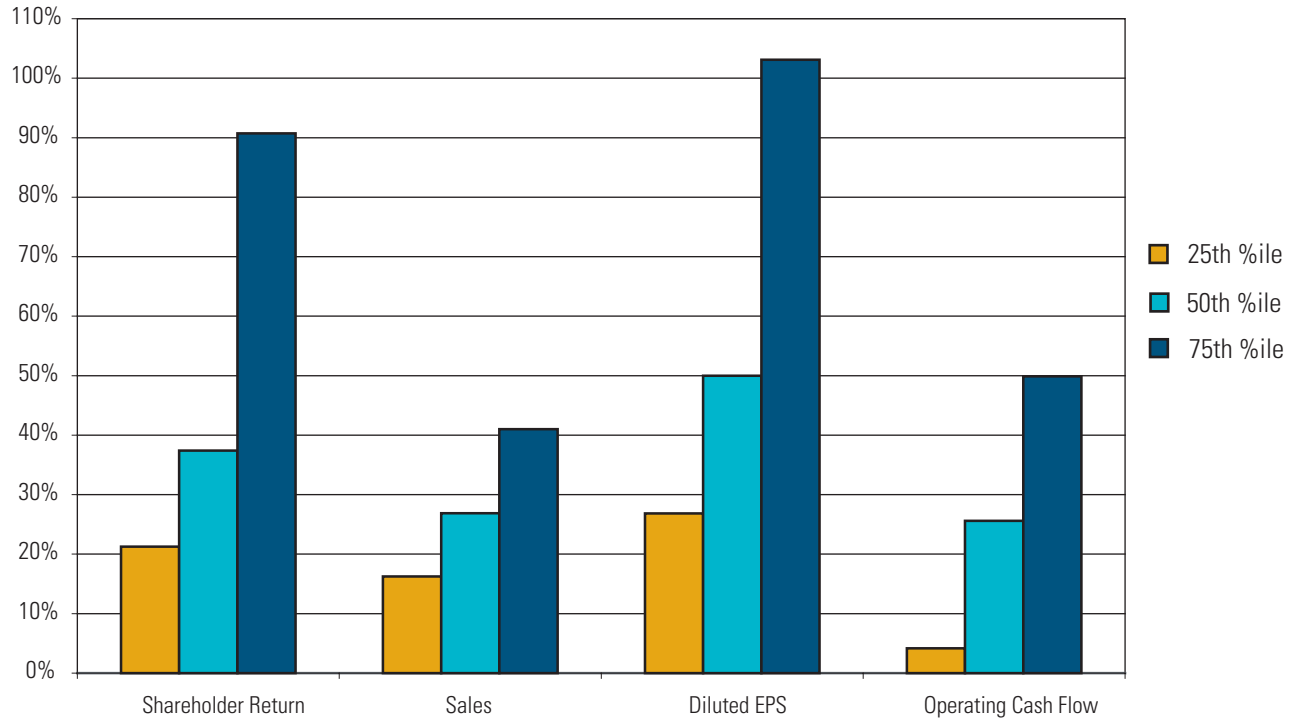
PERFORMANCE

On average, Dow 30 companies have performed very well over the past one- and three-year periods (based on company's fiscal year). As of September 2007, shareholder return at the 50th percentile was over 20% for the previous 12 months and almost 40% over the previous three-year period. Top quartile performance was outstanding.

1 - Year Performance Comparison

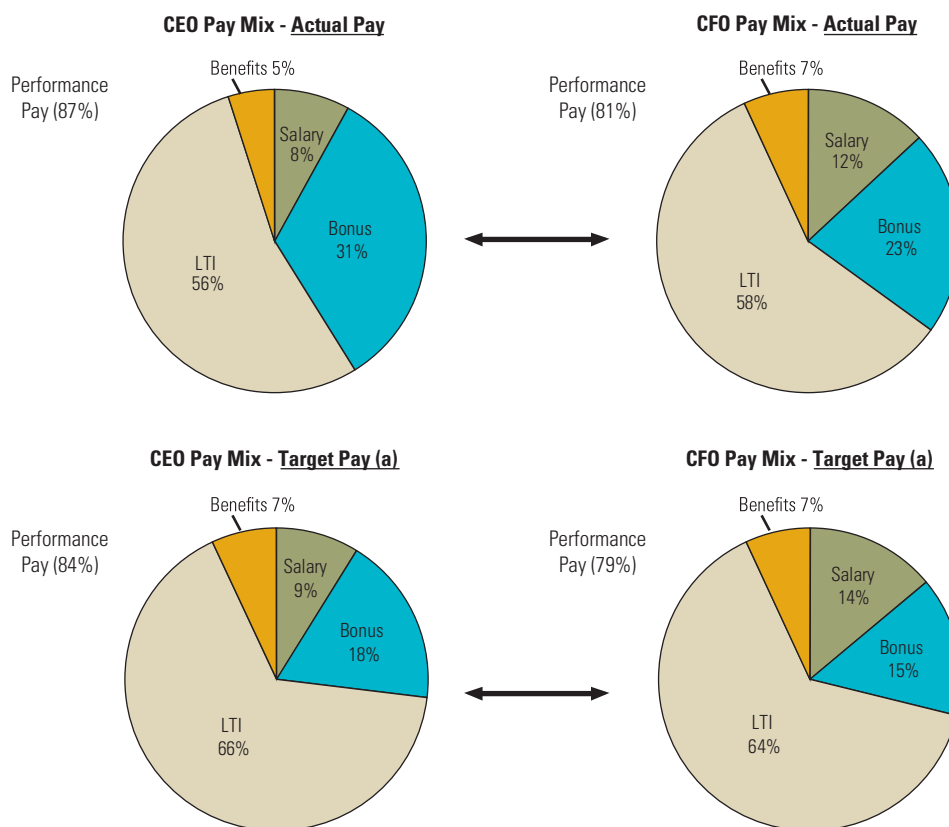


3 - Year Performance Comparison



CEO/CFO COMPENSATION OVERVIEW

The overall pay mix for CEOs and CFOs is similar. However, CFO compensation amounts to about one-third of the CEO's compensation across the board. Performance-based incentives comprise the largest portion of overall pay, making it critical for companies and boards to establish and verify for shareholders the performance measures and goals utilized to determine these pay levels. Pay at the 75th and 90th percentiles was significantly larger than at the 50th percentile.



(a) Target Pay is based on target bonus. About 70% utilize a target bonus.

CEO COMPENSATION ANALYSIS

2006 Compensation (thousands)	Dow 30 CEOs		
	50th	75th	90th
Salary	\$1,451	\$1,750	\$2,100
Annual Bonus	\$5,750	\$8,333	\$13,380
Annual Bonus Percent	396%	476%	637%
Total Annual Cash	\$7,201	\$10,083	\$15,480
Long-Term Incentive	\$10,272	\$16,310	\$22,350
Pension & Deferred Comp.	\$967	\$2,742	\$4,578
Total Compensation	\$18,440	\$29,136	\$42,408
Incentive Leverage	87%	85%	84%
Long-Term Incentive %	56%	56%	53%
Annual Bonus %	31%	29%	32%
Total Comp. as % of Sales	0.04%	0.05%	0.07%

CFO COMPENSATION ANALYSIS

2006 Compensation (thousands)	Dow 30 CFOs		
	50th	75th	90th
Salary	\$725	\$827	\$1,026
Annual Bonus	\$1,336	\$2,941	\$4,220
Annual Bonus Percent	184%	355%	411%
Total Annual Cash	\$2,061	\$3,768	\$5,246
Long-Term Incentive	\$3,320	\$5,404	\$6,035
Pension & Deferred Comp.	\$389	\$934	\$1,714
Total Compensation	\$5,770	\$10,107	\$12,995
Incentive Leverage	81%	83%	79%
Long-Term Incentive %	58%	53%	46%
Annual Bonus %	23%	29%	32%
Total Comp. as % of Sales	0.01%	0.02%	0.02%

EXECUTIVE BENEFITS

As in years past, executive benefit plans continued to be popular among the Dow 30, with 29 out of 30 companies sponsoring some form of nonqualified retirement program. A solid 90% provide a deferred compensation program and approximately 85% provide a pension or supplemental executive retirement plan (SERP). Financial services and additional life insurance were commonly provided by companies, while some used “cash flex dollars” to reimburse executives for financial planning, tax preparation, and supplemental life insurance premiums. Overall, the value of CFO benefits averaged 26% of the CEO’s.

EXECUTIVE BENEFITS OVERVIEW (PREVALENCE AMONG DOW 30 COMPANIES)

	Pension SERP	Deferred Compensation	Some Form of Retirement	Financial Services	Executive Life Insurance
CEO	85.7%	89.3%	96.4%	75.0%	57.1%
CFO	82.1%	92.9%	96.4%	53.6%	50.0%

CEO BENEFITS

	Year-End Total Balance			Annual Corporate Outlay	
CEO Benefits (thousands)	Pension SERP	Deferred Compensation	Total Retirement*	Financial Services	Executive Life Insurance
Average	\$16,184	\$14,089	\$27,430	\$81	\$113
50th Percentile	\$12,996	\$5,414	\$17,252	\$43	\$86
75th Percentile	\$23,607	\$17,035	\$33,373	\$98	\$220
90th Percentile	\$26,134	\$38,369	\$51,270	\$246	\$247
Prevalence	85.7%	89.3%	96.4%	75.0%	57.1%

CFO BENEFITS

	Year-End Total Balance			Annual Corporate Outlay	
CFO Benefits (thousands)	Pension SERP	Deferred Compensation	Total Retirement*	Financial Services	Executive Life Insurance
Average	\$3,873	\$3,988	\$7,139	\$30	\$25
50th Percentile	\$2,835	\$1,756	\$4,962	\$10	\$8
75th Percentile	\$5,235	\$5,152	\$9,063	\$27	\$46
90th Percentile	\$9,230	\$8,844	\$11,951	\$74	\$62
Prevalence	82.1%	92.9%	96.4%	53.6%	50.0%

* Total not equal to sum due to statistical analysis.

Microsoft was excluded from this analysis due to the nature of the CEO’s compensation.

BONUS COMPENSATION

The typical target bonus for the CEO was about 200% of salary, and for the CFO was 110%. On average, bonuses actually paid to CEOs and CFOs were twice as large as their respective target bonuses, which is consistent with the Dow 30's positive performance results.

CEO BONUS

<u>CEO Bonus</u> (thousands)	Salary	Target Bonus	Target Bonus Percent	Actual Bonus	Actual Bonus Percent	Actual as % of Target
Average	\$1,519	\$3,365	222%	\$6,652	438%	198%
50th Percentile	\$1,451	\$2,800	193%	\$5,750	396%	205%
75th Percentile	\$1,750	\$4,286	245%	\$8,333	476%	194%
90th Percentile	\$2,100	\$5,700	271%	\$13,380	637%	235%

Prevalence of Target Bonus 70%

CFO BONUS

<u>CFO Bonus</u> (thousands)	Salary	Target Bonus	Target Bonus Percent	Actual Bonus	Actual Bonus Percent	Actual as % of Target
Average	\$730	\$980	134%	\$2,031	278%	207%
50th Percentile	\$725	\$791	109%	\$1,336	184%	169%
75th Percentile	\$827	\$989	120%	\$2,941	355%	297%
90th Percentile	\$1,026	\$1,642	160%	\$4,220	411%	257%

Prevalence of Target Bonus 67%

LONG-TERM INCENTIVES, EQUITY HOLDINGS AND DILUTION

The use of performance-based long-term incentives has grown to make up the largest portion of Dow 30 CEO and CFO compensation. Most companies offered at least two forms of long-term incentives during the last fiscal year, and the most widely used were stock options and long-term performance-based incentives (stock or cash). Data reveals that CEOs and CFOs have accumulated significant equity investments in their companies, which serves to align a larger share of their compensation and personal wealth with stock performance and the economic interests of company shareholders.

	Long-Term Incentive Statistics				
	Use One Plan Only	Two or More Plans	Stock Options	Restricted Stock	Long-Term Performance
CEO	30%	70%	73%	47%	66%
CFO	27%	73%	73%	60%	66%

CEO TOTAL EQUITY HOLDINGS

CEO Equity (thousands)	Options & Restricted Equity	Beneficial Ownership*
Average	\$55,911	\$153,284
50th Percentile	\$37,161	\$144,510
75th Percentile	\$80,806	\$214,764
90th Percentile	\$133,114	\$293,767

CFO TOTAL EQUITY HOLDINGS

CFO Equity (thousands)	Options & Restricted Equity/ Percent of CEO	Beneficial Ownership*/ Percent of CEO
Average	\$12,786/ 23%	\$32,411/ 21%
50th Percentile	\$10,732/ 29%	\$25,238/ 17%
75th Percentile	\$18,469/ 23%	\$48,091/ 22%
90th Percentile	\$24,730/ 19%	\$69,887/ 24%

* Beneficial Ownership as disclosed in the proxy statement. Generally it includes stock ownership, restricted shares, and face value of options that are exercisable within 60 days.

Excludes Microsoft CEO Holdings, due to the nature of those holdings.

The annual “run rate” has receded in recent years, likely in response to FAS 123R and the greater use of restricted shares and performance shares.

	Common Shares Outstanding	Gross Run Rate (1)			Overhang	
		Most Recent Year	Past 3 Year Average	Prior Grants Outstanding (2)	Shares for Future Grants (3)	Total (4)
25th	1,046,525,000	0.32%	0.40%	3.98%	2.43%	6.41%
Average	3,069,422,933	0.79%	0.97%	8.17%	4.55%	12.72%
50th	2,242,892,500	0.67%	0.97%	8.47%	4.15%	12.62%
75th	3,989,171,000	1.36%	1.48%	11.13%	6.27%	17.40%
90th	6,327,271,400	1.62%	1.72%	14.52%	8.04%	22.56%

1. Gross Run Rate is calculated by dividing the # of Shares/Options Granted by Common Shares Outstanding.

2. Overhang From Options Outstanding is calculated by dividing the # of Shares/Options Outstanding at End of Year by Common Shares Outstanding.

3. Overhang From Shares Available for Future Option Grant is calculated by dividing the # of Shares Available for Future Option Grant at End of Year by Common Shares Outstanding.

4. Combined Overhang is calculated by adding Overhang From Options Outstanding and Overhang From Shares Available for Future Option Grant.

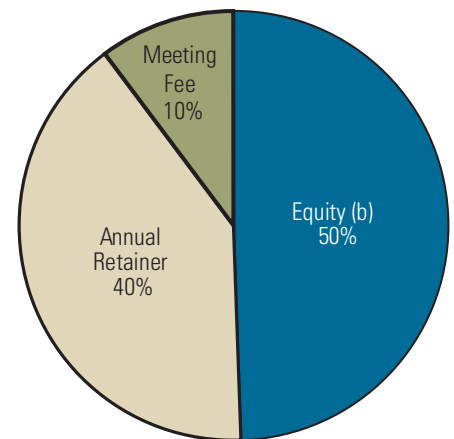
SOURCES OF BOARD OF DIRECTORS COMPENSATION

Similar to the trend seen with CEOs and CFOs, equity incentives constitute the largest portion of Board of Director pay, representing 50% of total compensation. Almost all Dow 30 companies grant an annual retainer (nearly three-quarters doing so in place of meeting fees), and 70% provide equity positions to Board members in the form of restricted shares. A deferred compensation program is provided to directors at 80% of Dow 30 companies.

SUMMARY OF DIRECTOR COMPENSATION

	Board Compensation		
	50th Percentile	75th Percentile	Percent Using
Annual Retainer	\$80,000	\$175,000	97%
Board Meeting Fee	\$2,000	\$2,000	27%
Committee Meeting Fee	\$1,500	\$2,000	33%
Committee Retainer	\$9,500	\$11,250	27%
Chair Retainer	\$15,000	\$18,000	33%
Total Cash (a)	\$131,000	\$234,250	
Equity (b)	\$128,686	\$150,000	70%
Total Compensation	\$259,686	\$384,250	

Average Pay Mix



Average Actual Total Compensation \$246,641

Audit Committee	50th Percentile	75th Percentile	Percent Using
Committee Meeting Fee	\$1,500	\$2,000	37%
Committee Retainer	\$10,000	\$15,000	53%
Chair Retainer	\$20,000	\$25,000	97%

Most companies pay a Committee Retainer and a Chair Retainer to Audit Committee members. The Chair Retainer is generally larger than the level provided to other committees.

(a) Total Cash is normalized based on 8 board meetings, 7 committee meetings, and Chair of one Committee and member of another Committee.

(b) Equity does not include a portion of the annual retainer that may be paid in equity nor the elective deferral of cash compensation into equity.

GOVERNANCE PRACTICES

Have Lead Director	63%
Split the Chairman & CEO Role	23%
Average Number of:	
Board Meetings	8
Board Size	14
Independent Board Members	12
Number of Committees	5
Audit Committee Meetings	10
Compensation Committee Meetings	7

EQUITY COMPENSATION PRACTICES

Use of Equity	87%
Stock Options	20%
Stock Grants	67%
One Time Equity Grant	23%
Stock Ownership Policy	63%
Elect Stock Instead of Cash	37%

MULLINTBG OFFICE LOCATIONS:

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