

Compensation Discussion and Analysis Checklist

The SEC has proposed a new section, the Compensation Discussion and Analysis, to be included in 2007 proxy filings in place of the previous Compensation Committee Report. This new portion requires a "Plain English" disclosure of your executive compensation programs with an emphasis on explaining the rationale behind all pay-related decisions – not just the decisions themselves. The Delves Group has developed the following checklist to help you understand the proposed changes. As you follow the checklist, be sure to keep in mind not only what you will need to report next year, but how that affects the compensation decisions you make today.

Overall Considerations:

- What are the objectives of the company's compensation programs?
- What is the compensation program designed to reward and not reward?

Compensation Type, Amount and Mix:

- What is each element of compensation and why does the company choose to pay each element?
- How does the company determine the amount (and, where applicable, the formula) for each element?
- How does each element affect decisions regarding other elements?
- What are the policies for allocating between different forms of compensation, including long-term vs. currently paid out and cash vs. non-cash compensation?
- For long-term compensation, what is the basis for allocating compensation to each different form of award (e.g., restricted stock vs. options)?
- What factors are considered in decisions to increase or decrease compensation materially?
- What is the impact of accounting and tax treatments of each particular form of compensation?

Performance Measurement and Pay-for-Performance:

- What specific items of corporate performance are taken into account in setting compensation policies and making compensation decisions?
- How are specific elements of compensation structured to reflect these items of the company's performance and the executive's individual performance?



Processes and Guidelines:

- What is the role of executive officers in the compensation process?
- For equity-based compensation, how is the determination made as to when the award is granted?
- Does the company have stock ownership requirements or guidelines (specifying applicable amounts and forms of ownership), and what are the company's policies regarding hedging the economic risk of such ownership?
- Did the company engage in any benchmarking of total compensation or any material element of compensation? If so, how was the benchmark identified and, if applicable, what are the components of the benchmark (including component companies)?

Please call (312) 441-9710 with any further questions.

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