Executive Compensation in Today's Pay for Performance Environment

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Directors Roundtable
June 12, 2014

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Agenda

- 2014 Proxy Season Update – A Look Behind the Numbers
- Trends in Executive Compensation Litigation
- How to Minimize Litigation Risk
- How to Be Prepared
- Compensation Committees – The Year in Review
- What's Next on the Regulatory Landscape? A Look Ahead.

2014 Proxy Season Update – A Look Behind the Numbers

Say-on-Pay

- As of June 3, 2014, 34 Russell 3000 companies have reported a failed Say-on-Pay vote (2.1%)
- Compared to 29 at this time last year
- Support stays high – 91% on average
- Triennial companies are back this year, some presenting say-on-frequency again, though not required
- Shareholder engagement continues
  - critical for companies with low say-on-pay votes in the past
- The Test: Pay for Performance?

2014 Proxy Season Update – A Look Behind the Numbers

Proxy Statements – Focus on:

- Proxy Summary
- Executive Summary
- Lots of graphics and tables with focus on pay for performance
- Details regarding performance metrics
- Company performance information
- Disclosure regarding shareholder engagement efforts

Proxy statement is now a communication tool as much as a compliance document

- Average proxy statement is <50% longer (71 pages) than pre-2006 (43 pages)

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2014 Proxy Season Update – A Look Behind the Numbers

Proxy Advisory Services – Continued Focus On:

- Pay for performance disconnect (#1)
- "Poor" compensation committee communication and effectiveness
- Time-based, rather than performance-based, equity awards
- Retention or "mega" equity grants or bonuses
- Weak performance goals
- Insufficient shareholder outreach
- Compensation paid to a *departing CEO*
- *S*everance/change-in-control arrangements

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2014 Proxy Season Update – A Look Behind the Numbers

Ways to change a prior “AGAINST” Recommendation to “FOR”:

- Better tie pay to performance (#1)
- Strong disclosure
- Eliminate tax gross ups
- Decrease benchmark to peer group median
- Engage in and describe robust shareholder outreach
- Implement NEO stock ownership requirements
- Implement clawback policy
- Implement anti-hedging and/or -pledging policies

2014 Proxy Season Update – A Look Behind the Numbers

A caveat:

- Promises to reform are not enough
- Actions must be significant and have an immediate impact

SEC Focus?

- Proxy advisory service guidance anticipated
- Likely to address disclosure of conflicts of interest
- ISS has consulting service; Glass Lewis owned a sometimes activist pension fund

2014 Proxy Season Update – A Look Behind the Numbers

2014 Shareholder Proposals – Down Overall

•Independent board chair (#1)

•Shareholder ability to call special meeting

•Shareholder ability to act by written consent

•Proxy access

•Board declassification (but note 69 management proposals)

•Majority voting

•Elimination of supermajority voting provisions

•Social policy (political contributions and lobbying, climate change)

2014 Proxy Season Update – A Look Behind the Numbers

But Executive Compensation Proposals Buck that Trend; Have Increased Every Year Since 2011

- Remove or prohibit the accelerated vesting of equity awards on a change in control – 4 Recent Shareholder Wins
  - Valero Energy, Gannett, Boston Properties and Dean Foods
  - Submitted by organized labor groups
- Adopt (or improve) a clawback policy, including requirement that company disclose whether and when it has recouped compensation
- Adopt stock retention policy
- Non-binding

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2014 Proxy Season Update – A Look Behind the Numbers

Shareholder Proponents

- Hedge fund proposals are rebounding after sharp 2009 decline
- Religious groups (more frequent)
- Pension funds (but fewer)
- “Gadflies” – Chevedden, et. al.

Fewer No Action Requests

Trends in Executive Compensation Litigation

That Was Then

•Starting in 2012, we began to see the first Say-on-Pay lawsuits

•50+ companies were "investigated"

- Complaint - a negative Say-on-Pay vote means that directors breached fiduciary duties with respect to executive compensation
- Dismissed for failure to meet the pre-suit demand-on-the-board requirement or citing business judgment rule
- Have disappeared

Trends in Executive Compensation Litigation

And This is Now

•Cheniere Energy postpones annual meeting scheduled for June 12, 2014 due to lawsuit filed in Delaware

- Complaint alleges that at February 2013 meeting Cheniere counted votes wrong and that an increase in its stock plan was never properly approved
- Also alleges Cheniere was aware it misrepresented the vote
- Cheniere changed bylaws after the vote to exclude abstentions

•Facebook board sued in Delaware for equity compensation plan that does not have board grant limits and "could" allow directors to award themselves over $150 million in stock each

Trends in Executive Compensation Litigation

- Today's more common approach:
  - Filed in advance of meeting to enjoin meeting, citing breach of fiduciary duty for failure to furnish information necessary for shareholders to vote
  - Rather limited success
- Several have settled for additional disclosure and plaintiffs' attorneys' fees
- Heavy pressure to settle – minimize IR/PR impact
- One plaintiff's firm announced 90 "investigations" in 2013 and 40 so far in 2014

Trends in Executive Compensation Litigation

Highest Risk of Injunction

•If seeking approval of an amendment to or a new equity incentive plan:

- *St. Louis Police Ret. Sys. v. Severson* – Northern District of California enjoined vote to increase shares under a plan on the grounds that the proxy did not adequately disclose the reasons for the proposal (though contained in other SEC filings)
- *Knee v. Brocade Communication Systems, Inc.* – a California court (applying Delaware fiduciary principles) enjoined a vote to increase shares under a plan on grounds that the board had reviewed projections of future stock grants that were not disclosed in the proxy statement

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Trends in Executive Compensation Litigation

Plaintiffs also target Slip-Ups

- Failure to meet 162(m) requirements by granting awards in excess of the plan's sub-limits or failing to get re-approval of performance goals every five years
- Awards granted in excess of reserved shares under the plan
- Executives sold shares in violation of company share ownership guidelines

How to Minimize Litigation Risk

What's a Company To Do?

- Draft disclosure with litigation in mind
- Focus on pay for performance
- Review peer companies' disclosure for industry emerging and best practices
- Monitor disclosure-driven lawsuits and address issues raised in complaints
- Increase shareholder engagement and respond to investor criticism
- Review 162(m) disclosure
- Have the right internal team review the proxy statement
- Create a process and build a good record

How to Minimize Litigation Risk

The Best Defense is a Good Offense – In Proposal Section for New or Amended Plan:

- Disclose how the number of shares being requested was determined (including projections and consultant analyses)
- Explain how long the shares will last
- Provide the number of shares already awarded this year
- Disclose historic burn rate
- Show number of outstanding shares and shares remaining available for future awards as of the filing date
- Include closing share price on filing date
- Disclose dilutive impact (even if immaterial)
- Explain why shares are needed
- Don’t conflict with prior disclosure
- Include director sub-limits

How to Be Prepared

- Educate board, compensation committee and management of risk and nature of suits
- Develop a plan for responding in the short time before the annual meeting
- Carefully monitor the press for “investigation” announcements
- Coordinate with experienced outside counsel so management can react quickly if the company becomes a target

Compensation Committees – The Year in Review

New NYSE and Nasdaq Rules

Compensation Committee Independence

- Boards must consider the following when assessing the independence of compensation committee members:

•Source of director compensation, including any consulting, advisory or other fee paid by the issuer

•Whether the director is affiliated with the issuer

    - Some board flexibility
    - Significant share ownership (or affiliation with a significant shareholder) is not a bar to compensation committee service

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Compensation Committees – The Year in Review

Consultants and Advisors

- Compensation Committee must:
  - Have authority to retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser
  - Be directly responsible for the appointment, compensation and oversight of advisers
  - Before *selecting* compensation advisers - committees must take into consideration 6 factors
  - Still free to obtain advice from a non-independent advisor
  - Consider role of company’s regular outside counsel

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Compensation Committees – The Year in Review

Added New Company Process

- Provide funding for advisors
- Revise D&O Questionnaires
- Collect letters from advisors (including law firms)
- Amend charters and governance guidelines
- Submit 1-Time Nasdaq Electronic Certification
  - Due 30 days after annual meeting (or by October 31, 2014, if earlier)
  - No NYSE Certification

What's Next on the Regulatory Landscape? A Look Ahead

- Timing Still Not Clear - October?
- Pay for performance disclosure proposal
- Internal pay equity ratios final rules
- 2015 information in 2016 proxy statement
- All employees included
- Flexible approach – choices in methodology?
- Statistical sampling allowed
- Hedging policies (consider ISS views)
- Clawback rules; in absence of rules, more companies adopting in light of shareholder pressure and ISS views
- Polarized commissioners

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The Wall Street Journal / Hay Group 2013 CEO Compensation Study

HayGroup®

June 12, 2014 **Presented by Irv Becker**

On the way up

Pay levels increase as companies brace for pay volatility

Agenda

Presentation overview

1 **Overview of findings**

– What did another year mean for CEO pay in 2013?

2 **Paying for performance**

– Was there a strong relationship between CEO pay and company performance in 2013?

3 **Examples of changing programs**

– What interesting program or disclosure changes did companies implement in 2013?

4 **What's next?**

– What will be 2013's lasting impact on executive pay in the United States? What will we see in 2014?

01

Overview of findings

Overview of findings

About this study

- Hay Group's seventh year partnering with *The Wall Street Journal* on the study
- 300 U.S. public companies:
  - Median FY 2013 revenues of $17.4 billion
- Proxy filings between May 1, 2013 – April 30, 2014
- CEO pay for FY 2013

Full database can be found at wsj.com/execpay

Overview of findings

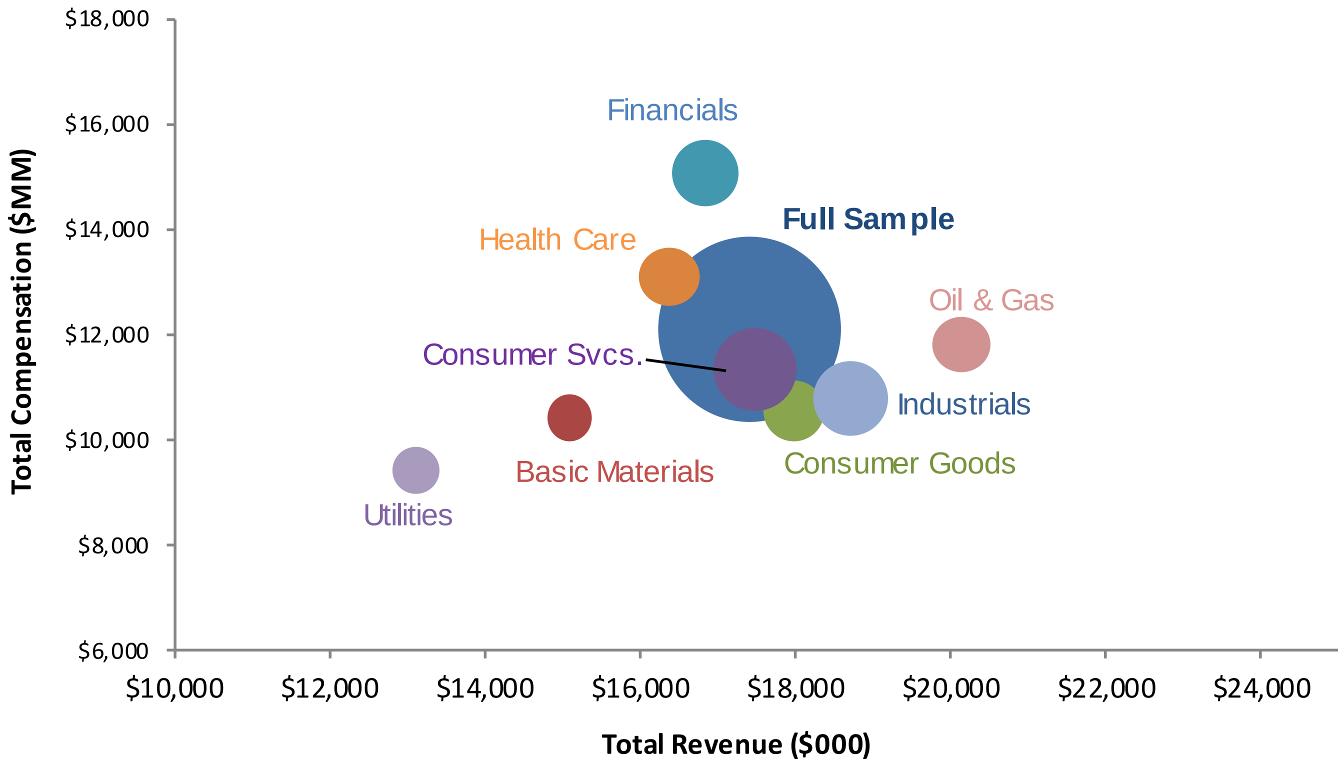
Components of compensation in the study

	Compensation Components
	Base Salary
+	Annual Incentives
=	**Total Cash Compensation**
+	Long-Term Incentives
=	**Total Direct Compensation**
+	Other Compensation + Change in Pension Value + Non-Qualified Deferred Compensation Earnings
=	**Total Compensation**

Overview of findings

Snapshot – CEO pay & revenue by industry

- Our sample shows that larger company CEOs generally make more than that of smaller companies



Includes median data

Overview of findings

Headlines

- Companies have a **record year for their shareholders**, despite solid but unspectacular growth
  - Shareholders had a huge year with a one-year total shareholder return (TSR) of nearly 34%, on top of a 2012 where TSR was a strong 16%
  - Net income growth was solid at +8% year-over-year, but the increased profitability resulted more from greater productivity and efficiency, and less from top-line growth
- Higher bonuses drive strong **increases in total compensation** levels
  - Strong performance drove total pay increases of 5.5%, driven by healthy bonus increases of 4% - the first time since 2010 that bonuses increased at that level
- **Realized pay** remains strong
  - Buoyed by exceptionally strong stock price growth, CEOs once again realized significant value from option exercises and equity vesting
- **Perquisite eliminations** continue
  - After a big year for perk eliminations in 2012, companies continued to cut back in 2013, albeit at a slower pace

Overview of findings

Headlines (cont'd)

- **Long-term performance plans continue to increase** in both prevalence and emphasis, setting the stage for greater **long-term volatility**
  - As the single heaviest element in the CEO pay package, performance plans also maintain the most leverage, leading to more volatile long-term payout outcomes
- **Analysis of the alignment in long-term pay and performance** demonstrates this volatility, as the pay spread between top and bottom performers is substantial
  - In annual pay and performance, very little pay distance separates the top and bottom performers
  - However, over the long-term, the gap in realized pay between top and bottom performers is very wide, demonstrating the increasing volatility inherent in today's LTI portfolio

Overview of findings

U.S. company performance in 2013

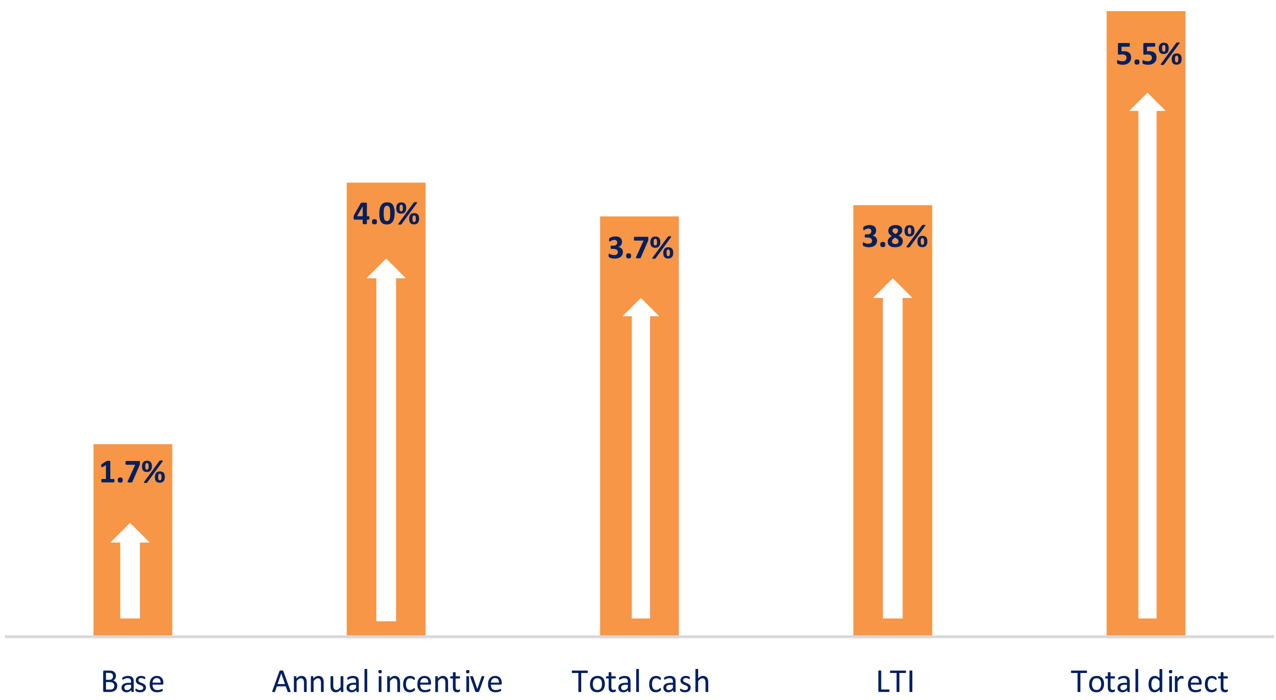
- *The story of 2013 was about* ***shareholder performance****, despite modest financial performance*
  - Shareholders had a remarkable year, with companies in our sample achieving a median TSR of nearly 34%
- However, that performance seemed to result **more from optimism** about the future **than from actual financial performance** – as companies had solid but unspectacular gains in net income
  - In most years, a median net income increase of 8% will not yield the type of stock price performance most companies achieved
- That improved profitability resulted more from **increased efficiency** rather than from growth
  - GDP growth and inflation in the US were fairly modest, as was wage growth
  - Many companies that had issued debt at historically-low interest rates and had made capital investments in their core businesses began to reap some of the benefits in improved operating efficiency, managing to 'do more with less'

Overview of findings

Median CEO compensation increases and values

- As a result of performance, bigger bonuses drove meaningful increases in total direct compensation, which **increased 5.5%** over 2012 pay levels

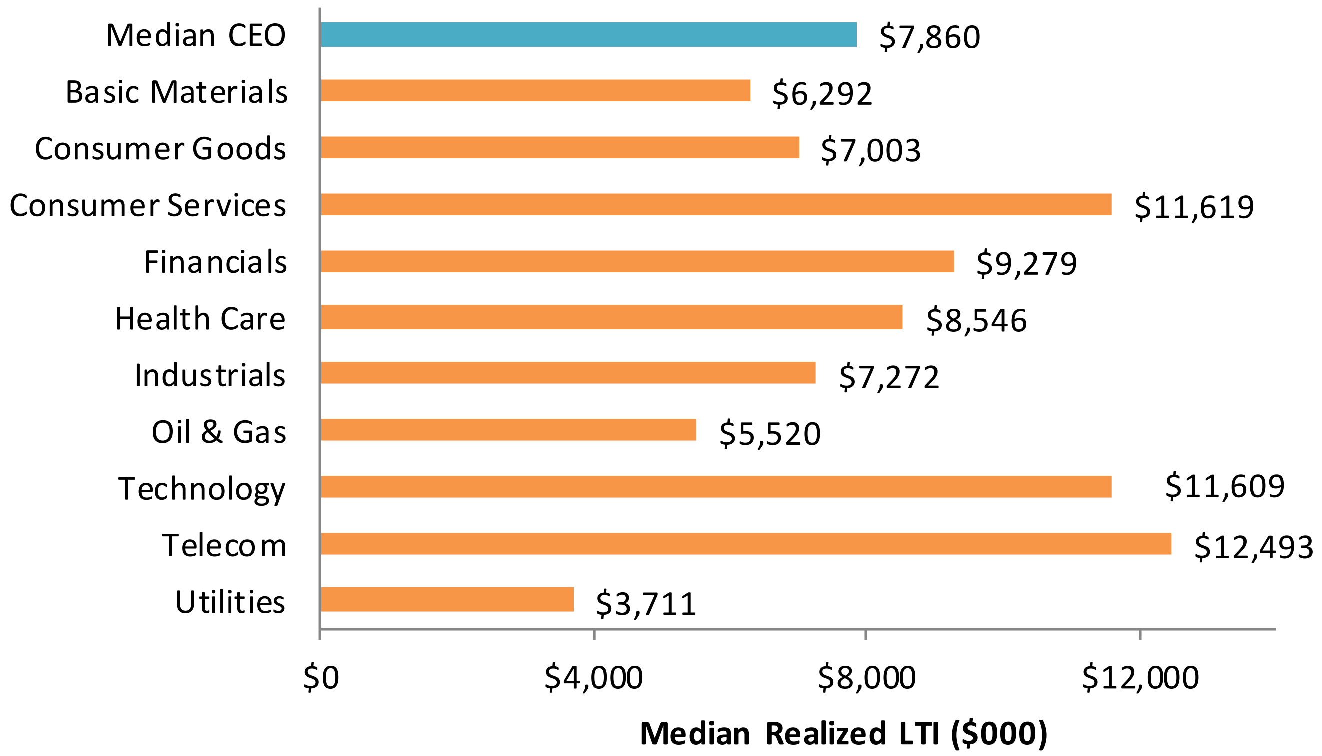
Base salary	Annual incentive	Total cash	LT incentive	Total direct
$1,207,983	$2,313,750	$3,563,750	$7,893,773	$11,433,634



Overview of findings

Realized long-term incentive income by industry

- ***Realized*** **('take home') LTI values remained high**, staying nearly flat at $7.9 million, after two consecutive years of over 30% increases

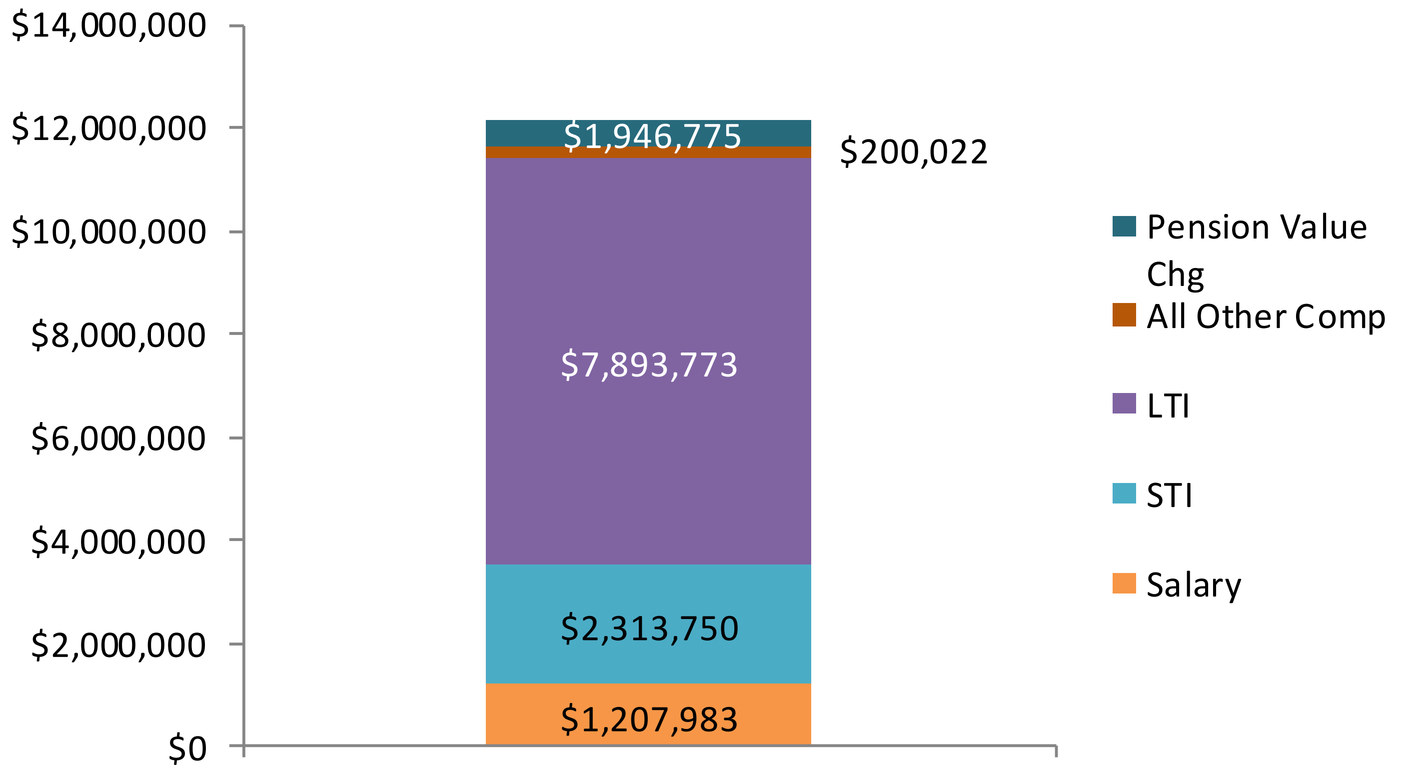


Realized LTI: Sum of option gains, value of vested stock and cash LTIP payouts

Overview of findings

Snapshot – median CEO total compensation

- Total compensation comes in at **$12.1 million**



Includes all incumbents
Numbers represent medians of each element and do not add up

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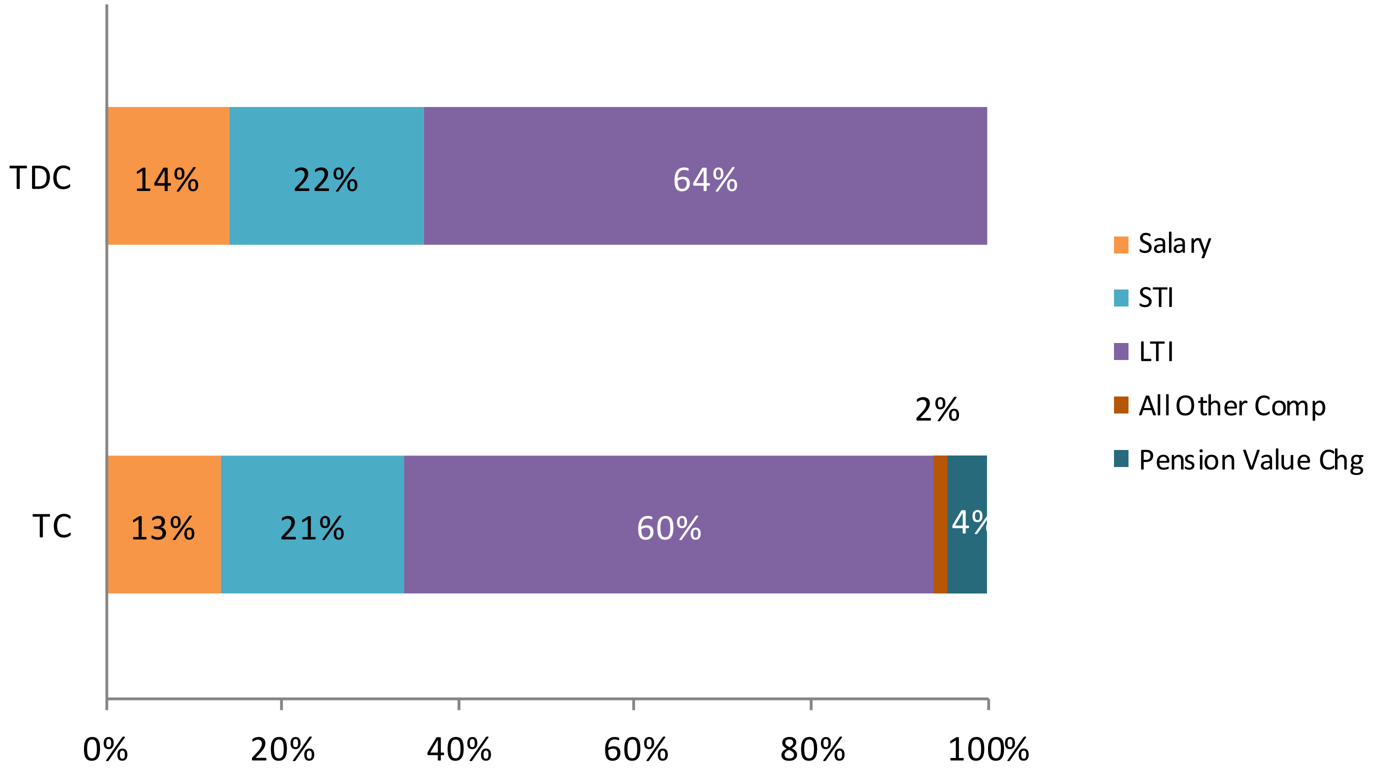
Overview of findings

Mix of elements – median CEO

- In the US, **long-term incentives always maintain the heaviest emphasis** within CEO pay – which is very different from the practices in other parts of the world

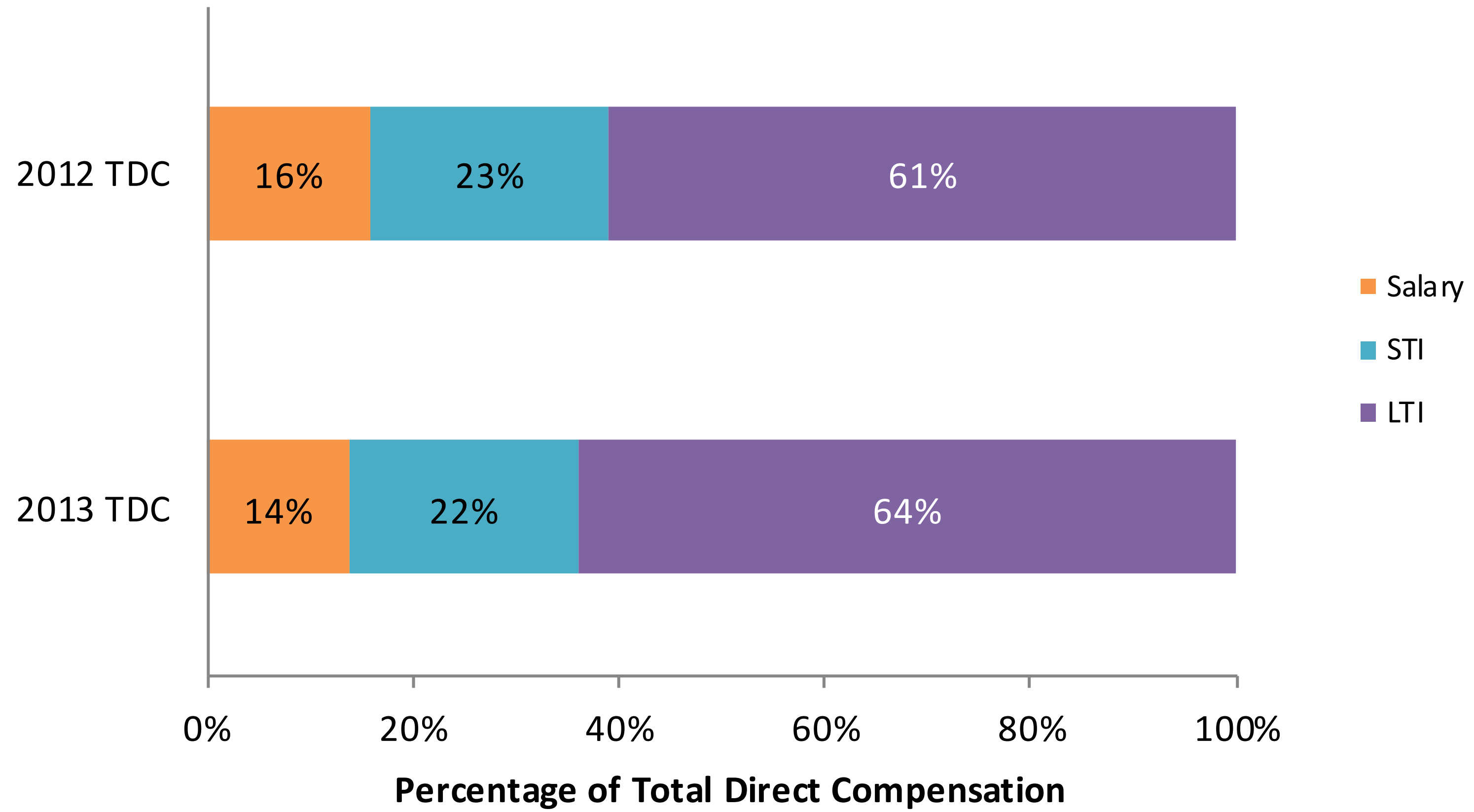


Includes only constant incumbents

Overview of findings

Change in CEO pay mix - 2012 vs. 2013

- **Pay mix shifted slightly** toward long-term incentive pay year-over-year

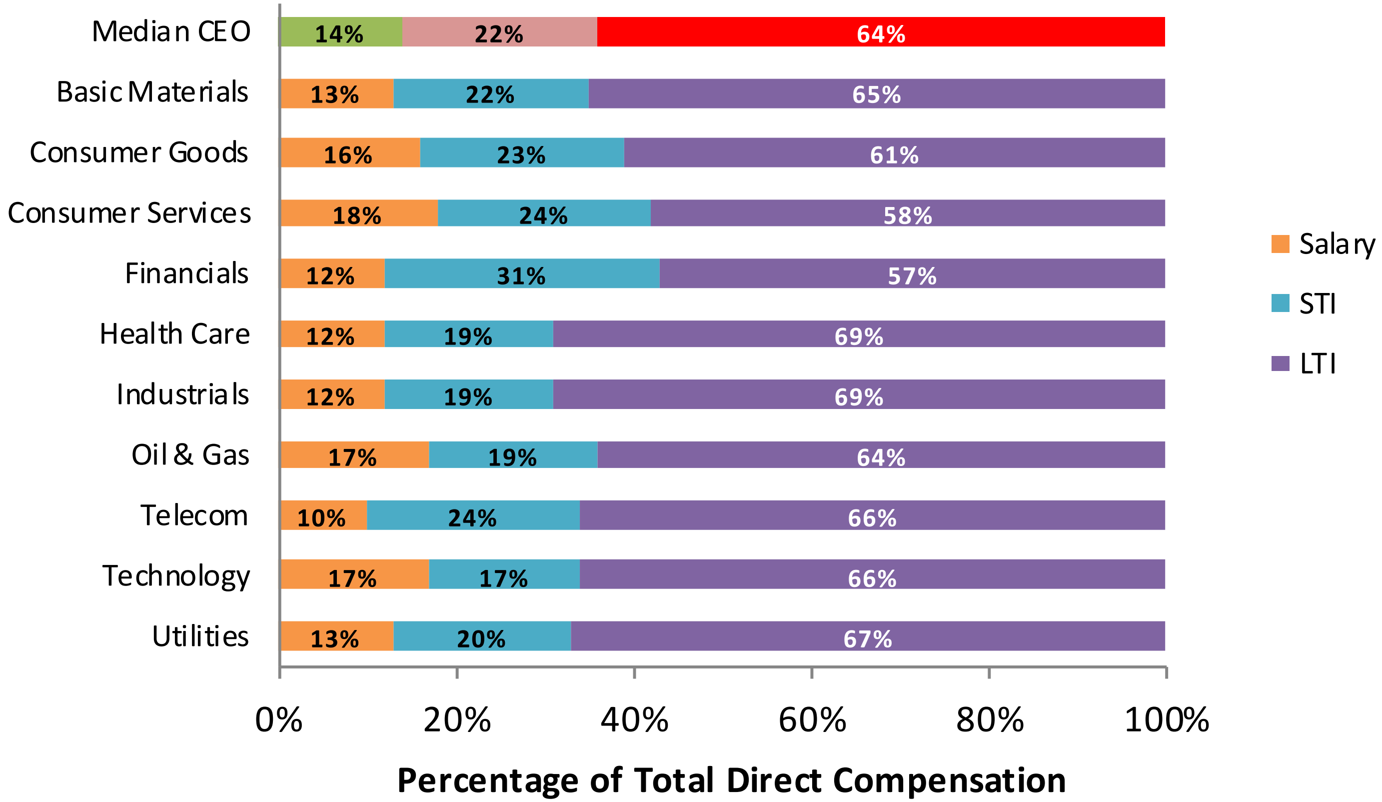


Includes only constant incumbents

Overview of findings

Mix of elements – industry CEOs (total direct compensation)

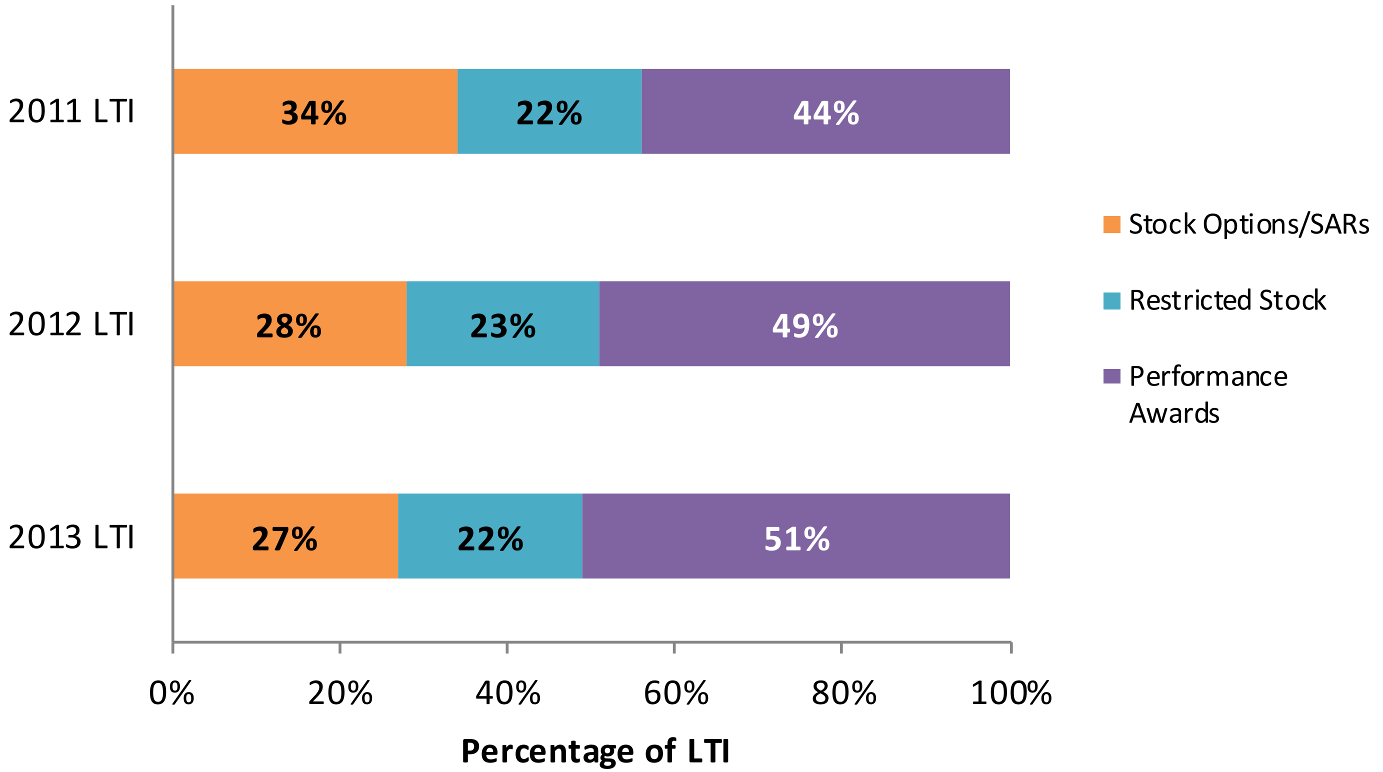
- All sectors **emphasize long-term incentives**, with minor differences in overall mix. Sectors with longer time-horizons tend to weight LTI more heavily than others



Overview of findings

Change in CEO long-term incentive mix - 2012 vs. 2013

- For the 3rd year in a row, the emphasis on **performance awards increased** to their highest levels ever, as **emphasis on stock options has declined** over time

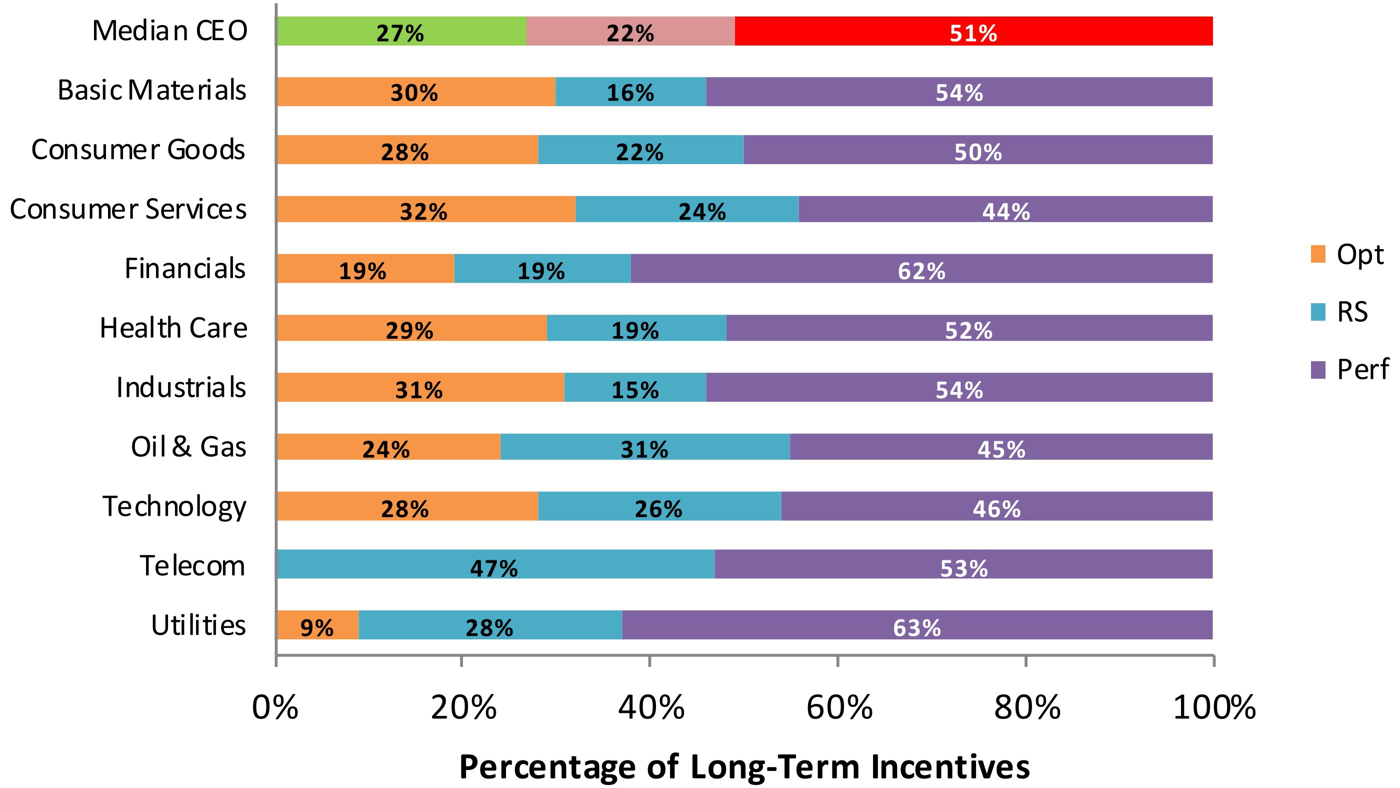


Includes only constant incumbents

Overview of findings

Mix of long-term elements – industry CEOs

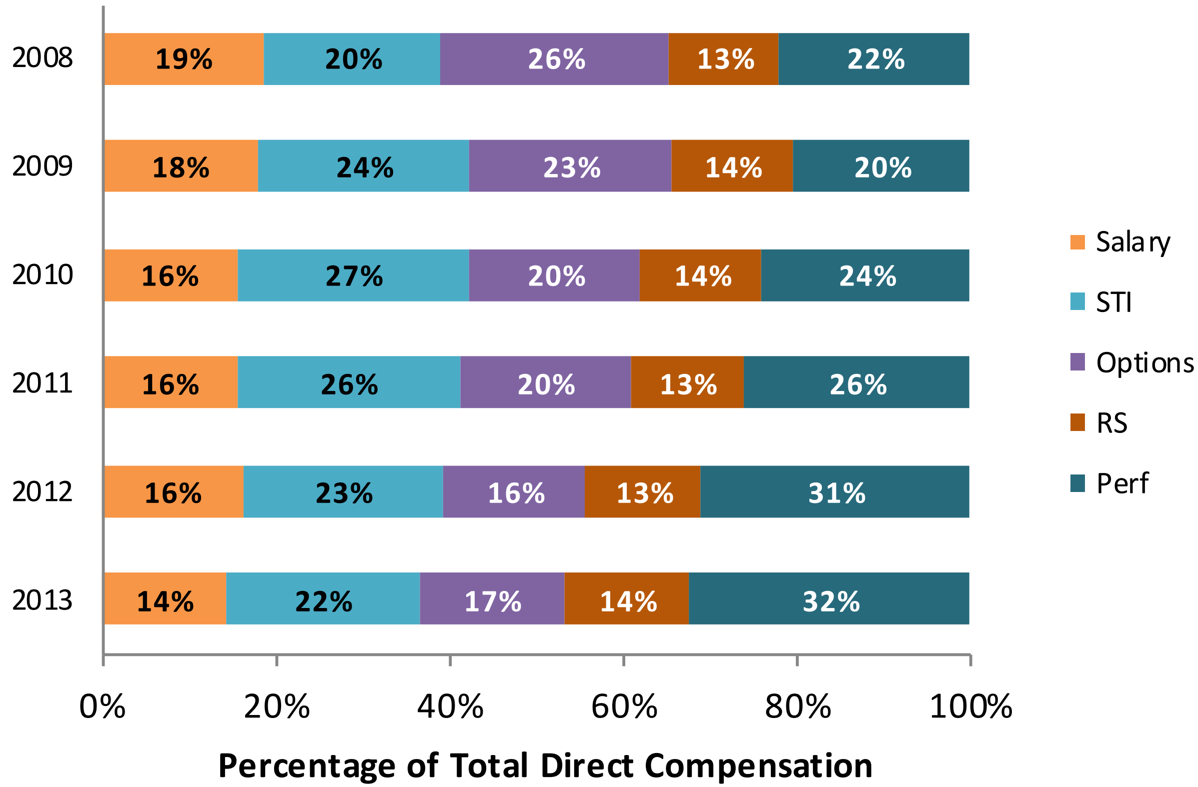
- For the second time ever in our study, **every sector emphasized performance plans** over any other vehicle



Overview of findings

Historical view: total direct compensation mix

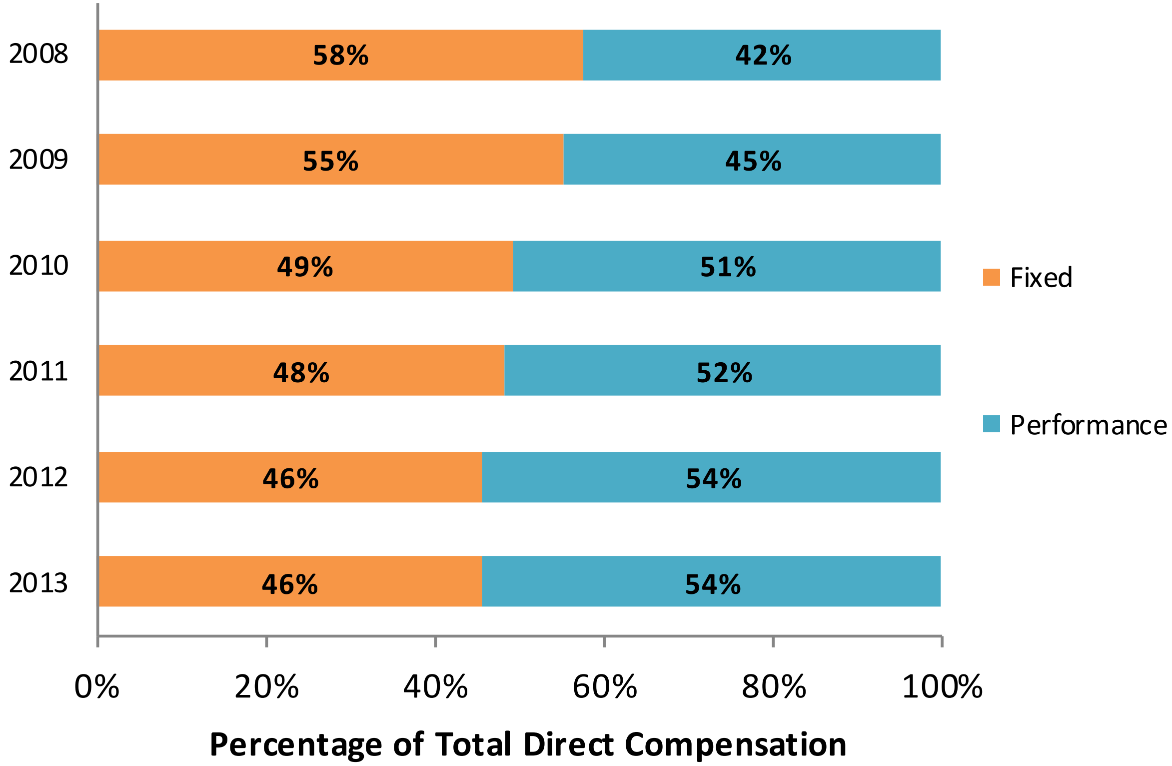
- Over the last six years, **emphasis on performance awards has gradually increased**, while emphasis on base salary and stock options has declined



Overview of findings

Historical view: 'fixed' vs. performance pay

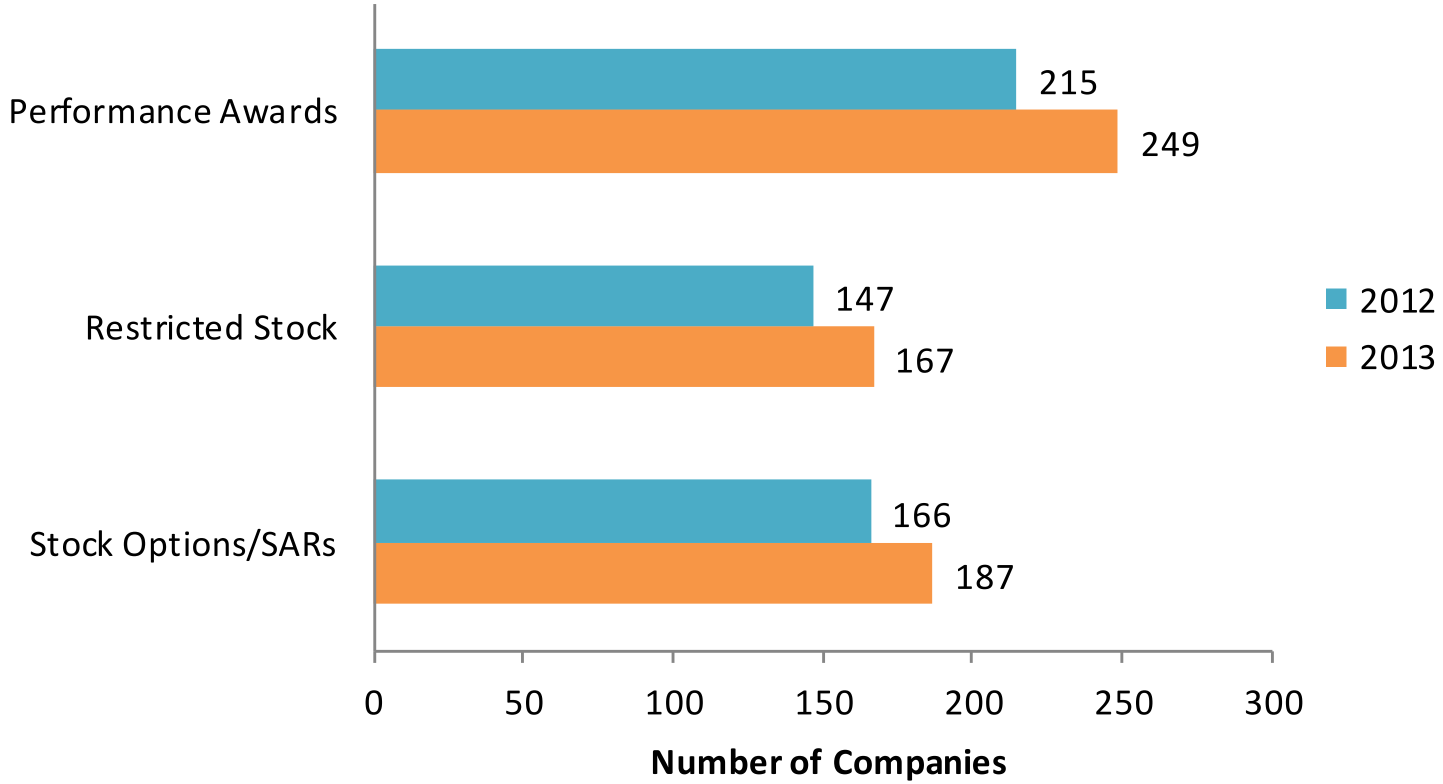
- Over time, the balance has **shifted from 'fixed'** or 'time-vested' (base + options + restricted stock) **to the performance-oriented** (annual incentive plans + performance-vested LTI), but has stabilized in the past two years



Overview of findings

Change in CEO long-term incentive prevalence – all incumbents

- Performance awards continue to reign as the most widely-used vehicle, with the biggest jump in usage. However, **every vehicle increased in prevalence**

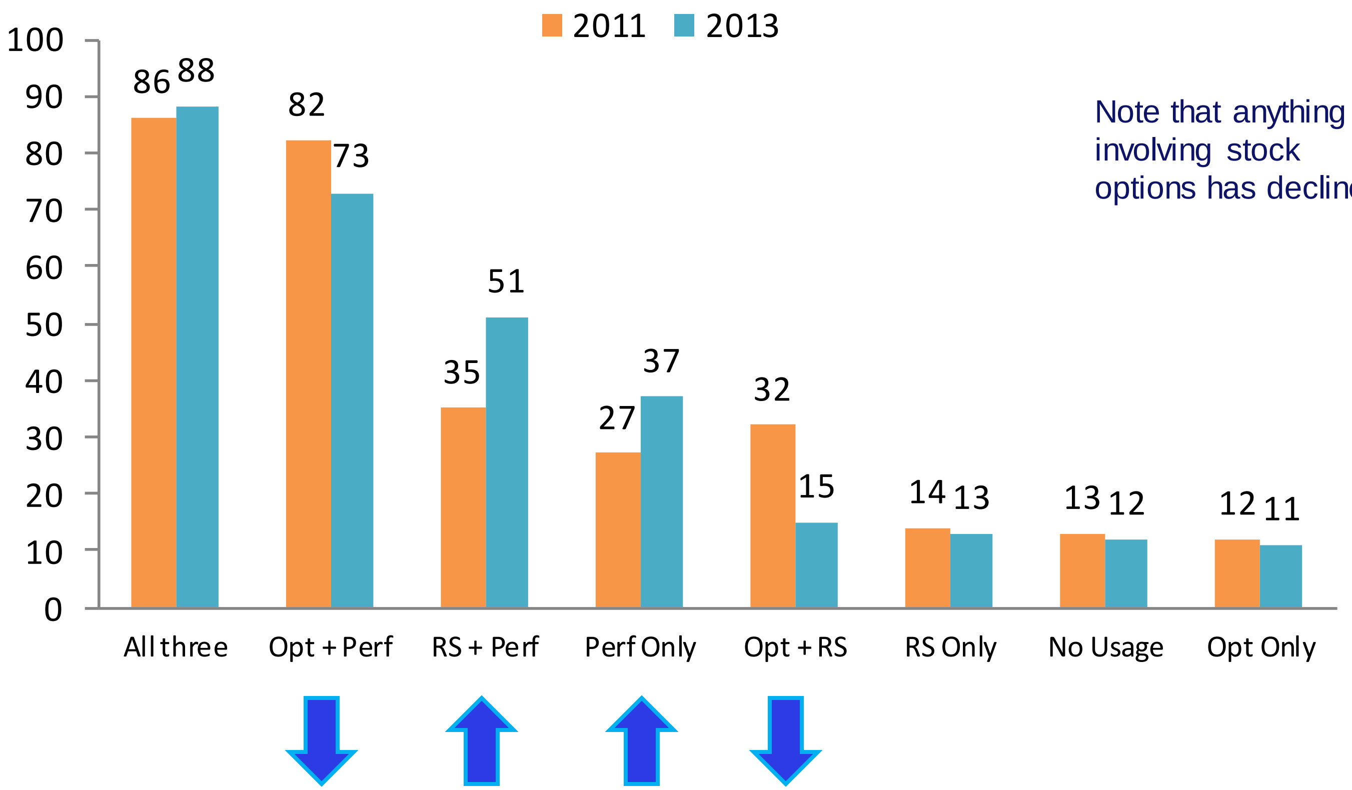


Includes only constant incumbents

Overview of findings

Use of LTI portfolios

- The most widely-used 'portfolio' includes use of **all three LTI vehicles**, with 79% using more than one vehicle. Over a two-year period, the biggest increase has been seen in **RS + performance awards**, while the biggest drop has been in RS + options

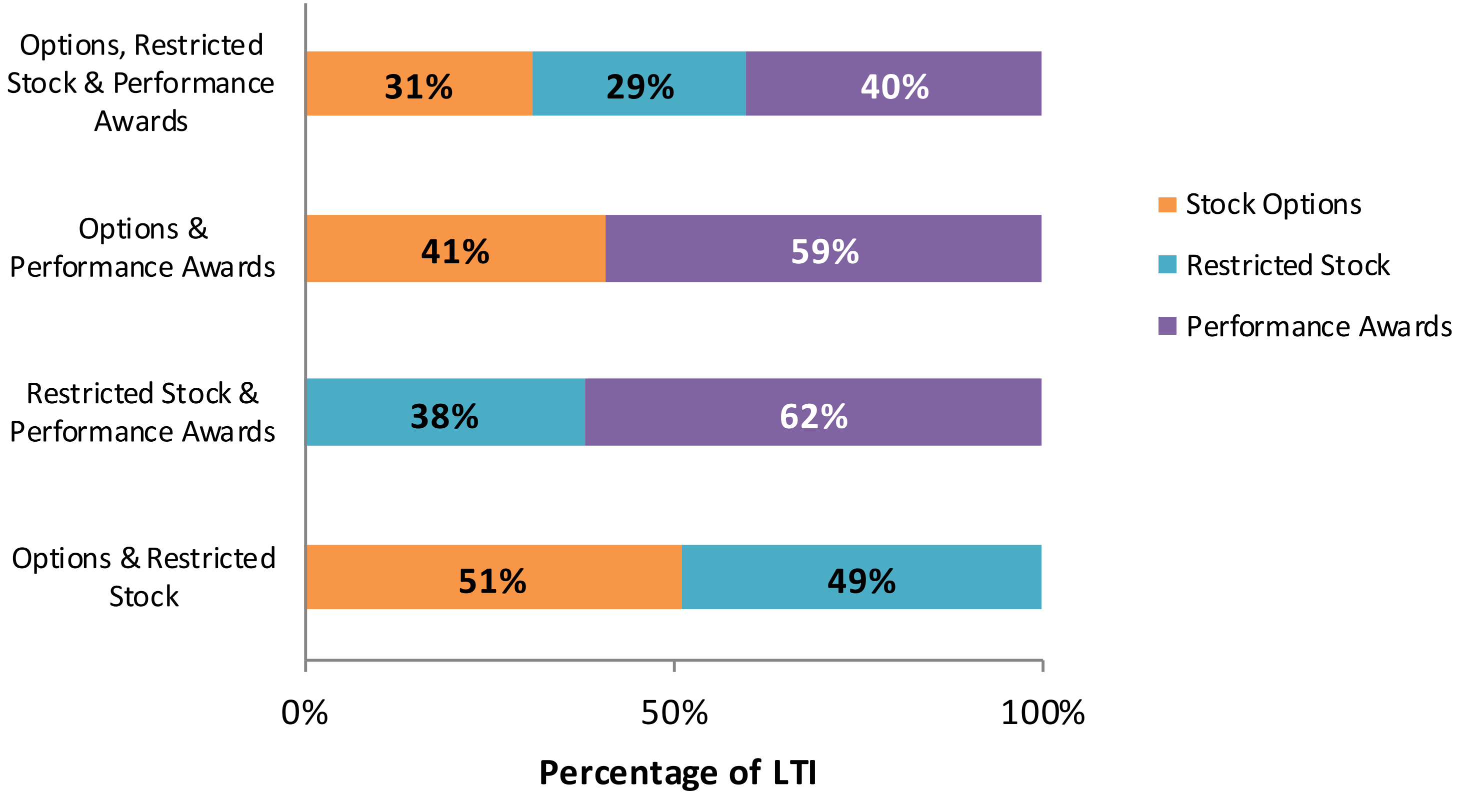


Note that anything involving stock options has declined

Overview of findings

CEO LTI portfolio mix

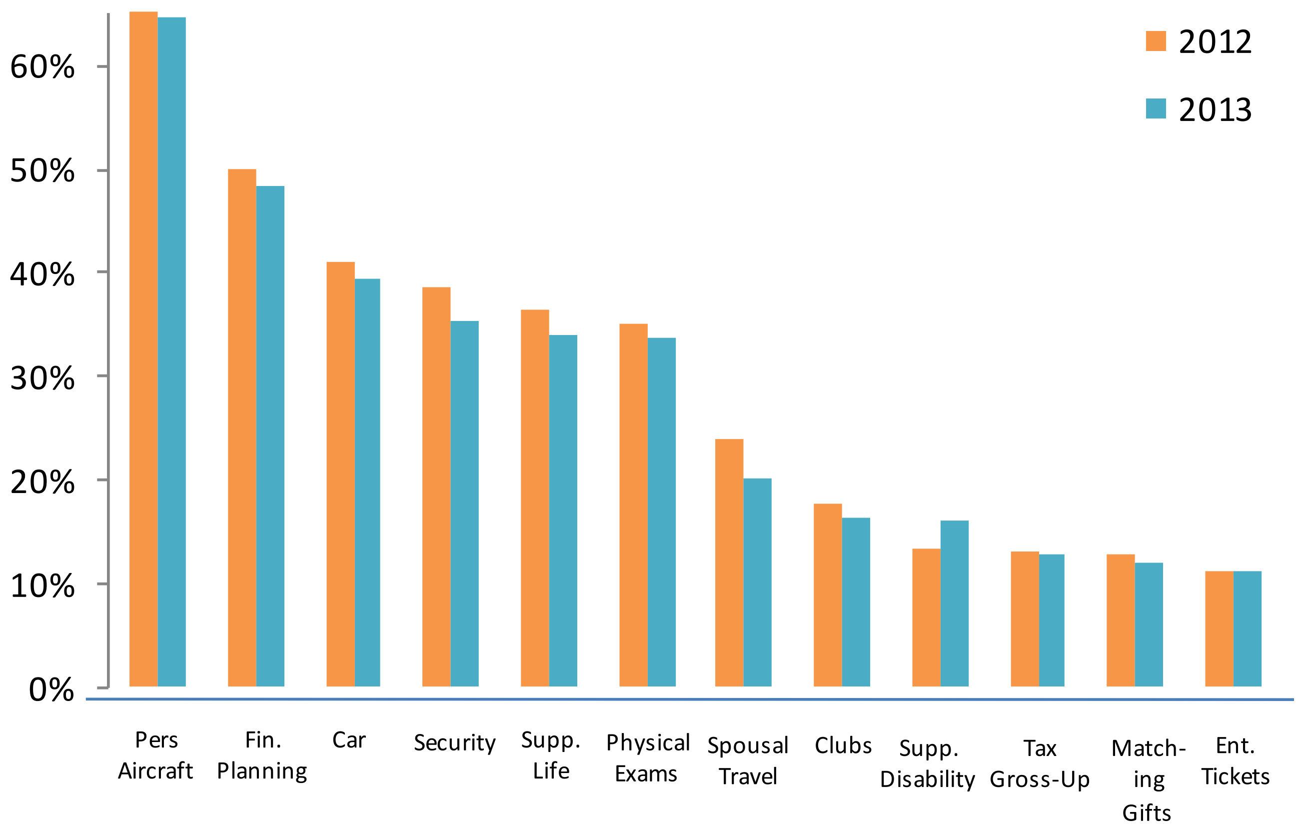
- Companies taking a 'portfolio' approach **emphasize performance plans** over the other vehicles, while restricted stock has the least emphasis within the portfolio



Overview of findings

Perquisites – 2012-2013

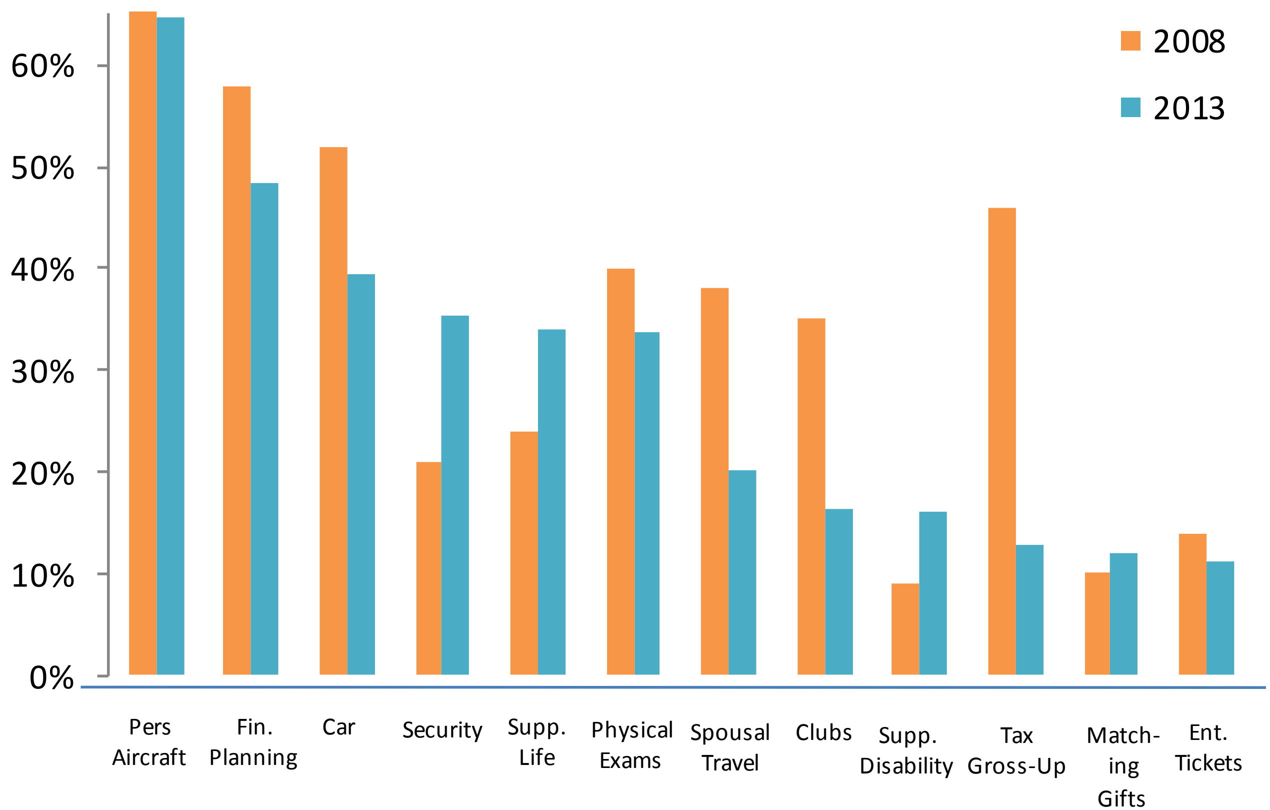
- **Nearly every perk in our study declined** year over year. The biggest drop was seen in spousal travel, while only personal aircraft use remained in over half of companies



Overview of findings

Perquisites – 2008-2013

- Looking over a 5-year period shows **just how far perquisites have fallen**. **Tax gross-ups**, **clubs**, and **spousal travel** have declined the most substantially, while personal security and supplemental life insurance have actually increased



Overview of findings

Top 10 – 2012 vs. 2013

- Four CEOs appeared in the top 10 in both 2012 and 2013 – all of whom run media companies that now routinely sit a the top of the list in pay levels. Their pay positioning is in large part due to their **size, scale, operating complexity** and **talent profile** in the sector

2012			2013		
Company	**Executive**	**TDC**	**Company**	**Executive**	**TDC**
Oracle Corporation	Lawrence J. Ellison	$ 94,612,064	Oracle Corporation	Lawrence J. Ellison	$76,893,601
CBS Corporation	Leslie Moonves	$ 58,843,449	CBS Corporation	Leslie Moonves	$65,358,418
Walt Disney	Robert A. Iger	$ 36,302,508	Liberty Global	Michael T. Fries	$45,530,779
Nike	Mark G. Parker	$ 33,904,138	Freeport McMoRan	Richard C. Adkerson	$38,940,000
Viacom Inc.	Philippe P. Dauman	$ 33,126,741	Viacom Inc.	Philippe P. Dauman	$36,778,696
eBay	John J. Donahoe	$ 29,459,756	Walt Disney	Robert A. Iger	$33,352,517
Meditronic*	Omar Ishrak	$ 27,746,065	Time Warner Inc.	Jeffrey L. Bewkes	$32,374,826
Exxon Mobil	Rex W. Tillerson	$ 26,781,875	Aetna Inc.	Mark T. Bertolini	$31,159,968
DaVita HC Partners	Kent J. Thiry	$ 26,300,394	Estee Lauder	Fabrizio Freda	$30,941,917
Starbucks	Alan Schulz	$ 26,289,044	General Electric Company	Jeffrey R. Immelt	$28,243,858
***- New CEO**	**Median**	**$31,293,249**	***- New CEO**	**Median**	**$35,065,607**
	Average	**$39,336,603**		**Average**	**$41,957,458**

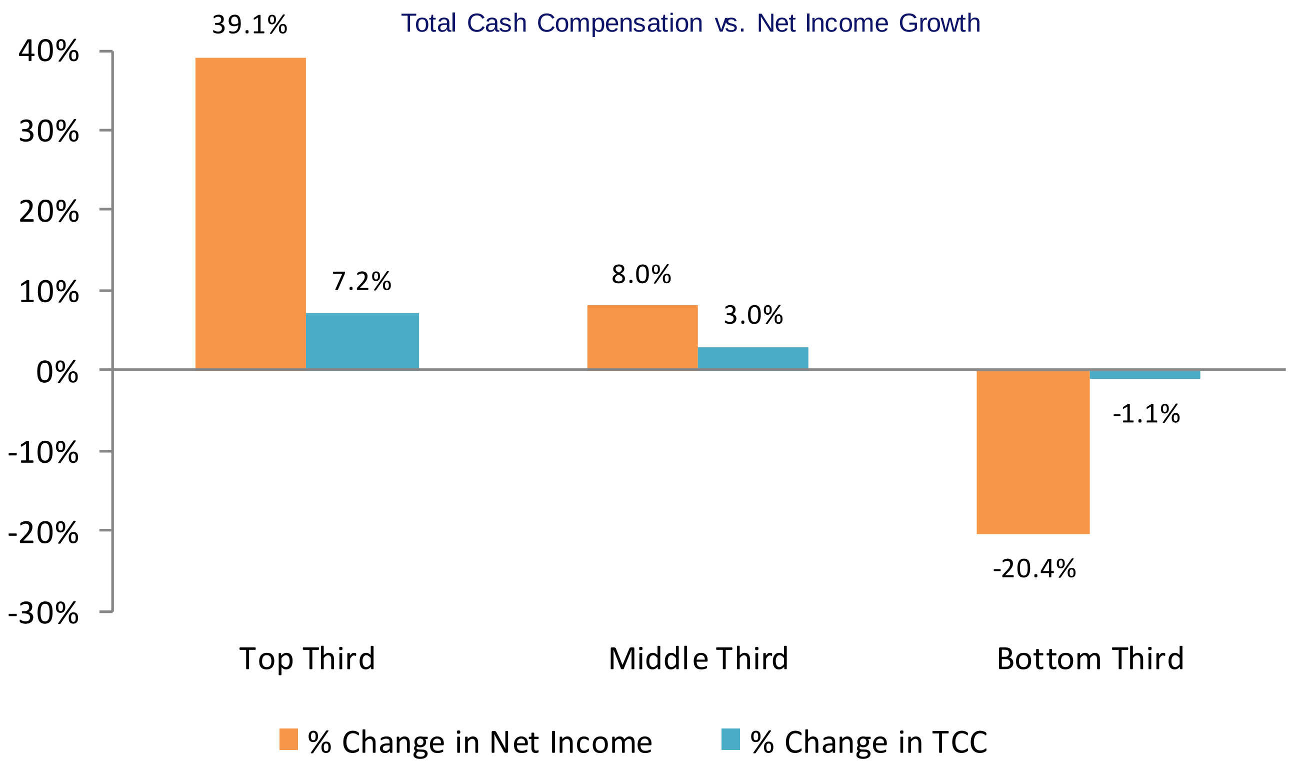
02

Paying for performance

Paying for performance

Change in CEO total cash compensation (TCC) vs. change in net income

- The top third of performers saw strong increases (+7.2%), middle third saw modest increases (+3.0%), but **bottom third companies saw only modest declines** (-1.1%) despite big differences is profitability



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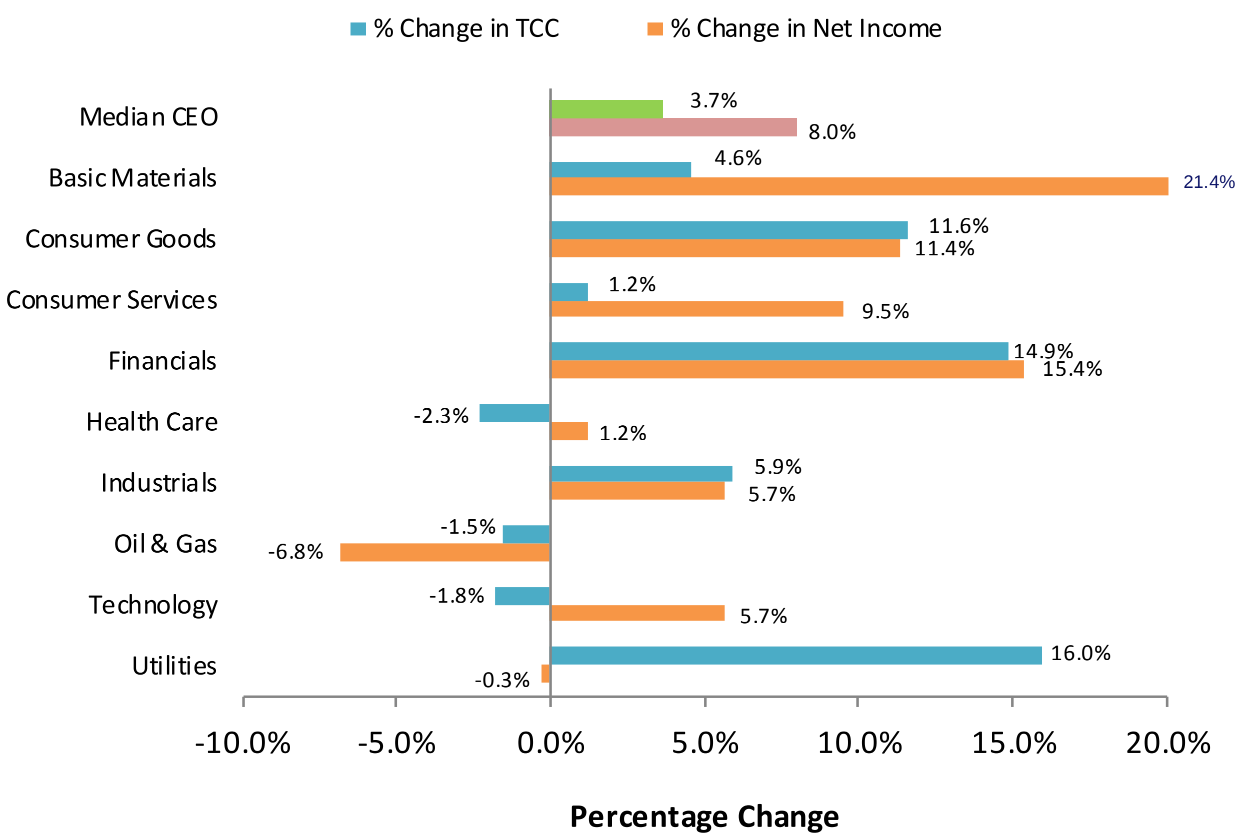
Paying for performance

Change in CEO total cash compensation (TCC) vs. change in net income - by industry

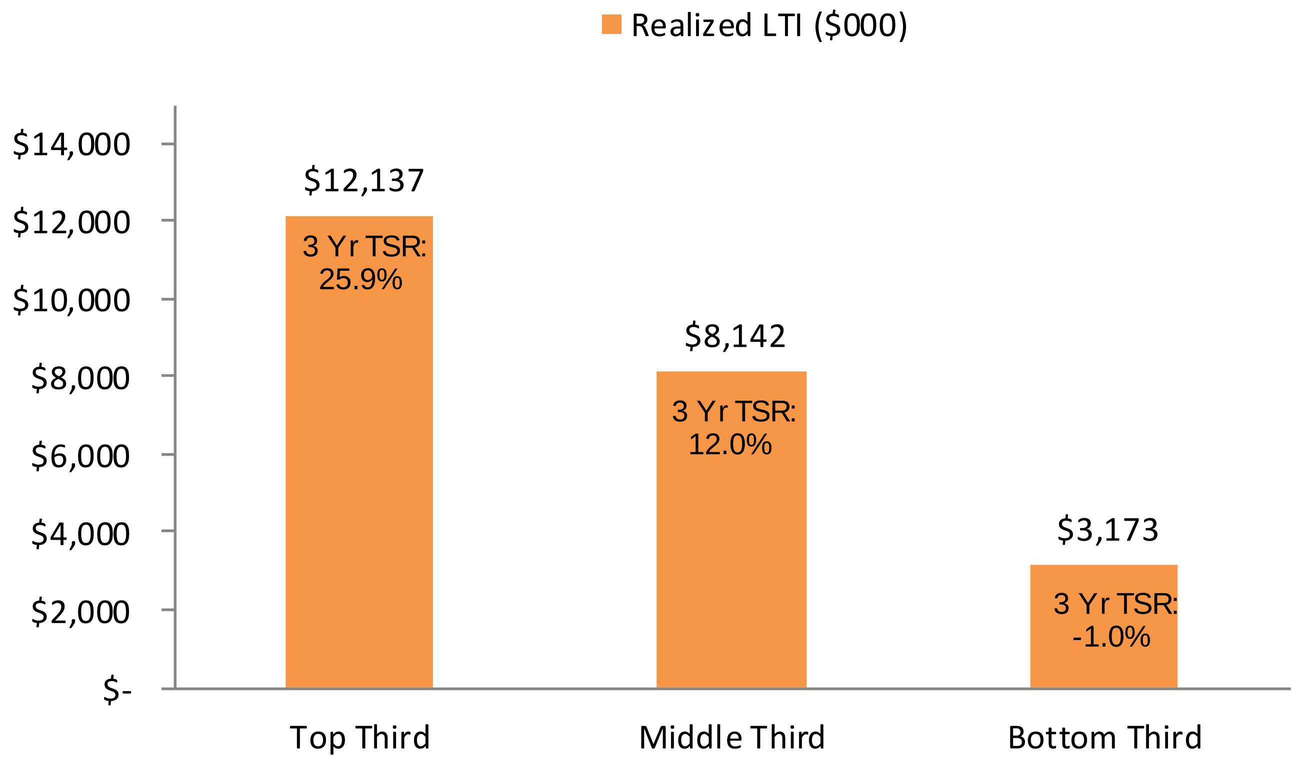
- **Utilities** showed the largest increase in cash despite a slight drop in profitability, while **financials** performed well and saw its largest increases since the financial crisis



Paying for performance

Realized CEO long-term incentive income vs. 2010-2013 annualized total shareholder return

- Looking at long-term performance, however, we saw **strong alignment** between long-term TSR performance and realized LTI in 2013



Realized LTI: option gains, value of vested restricted stock and performance shares/equity, and other LTIP payouts

03

Examples of changing programs

Examples of changing programs

Companies continue to respond to shareholders

- In 2013, many companies shifted their pay programs to make them **more attractive to shareholders**
- Even companies with say-on-pay support above the 70% threshold (deemed as "acceptable" by shareholder advisory firms) made changes to their programs
  - These companies often dedicated a separate section of their proxy to outlining the feedback received by shareholders as well as the resulting changes made to compensation programs
- The most common types of changes seen in 2013 involved three issues:
  - Removing **redundant metrics** in the STI or LTI programs
  - **Lengthening LTI** performance periods
  - Adding **relative measures** of performance

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Examples of changing programs

Changes in companies with say-on-pay outcomes below 90%

Company	Say on pay '13	Change	Referenced Responsiveness to Shareholders
Unum	76%	▪ Established new performance goals **(absolute ROE and EPS, relative TSR)** for the long-term plan to **reduce the overlap** with the performance goals in the annual incentive plan	X
Phillips 66	82%	▪ **Removed TSR** as a metric **from the STI** and maintained it as a metric in the LTI	
Hartford	84%	▪ Moved the **ROE metric from their STIP to their LTIP** so they wouldn't be paying twice for the same metric	X
Aetna	88%	▪ **Lengthened vesting period** and modified the performance period for MSUs and PSUs (from 2-year period to a 3-year period)	X
Merck	89%	▪ Moved from a long-term plan with 3 separate 1-year cycles to a single grant with **one 3-year cycle**. Also, **added a relative TSR measure**	X

- All of these companies except Phillips 66 **dedicated a section in their proxy statement** to shareholder feedback and how the changes the company made were responsive to them

Examples of changing programs

Changes in companies with say-on-pay outcomes > 95%

Company	Say on pay '13	Change	Referenced Responsiveness to Shareholders
Marsh McLennan	95%	▪ Added a **relative EPS metric to STI** program.	
Schlumberger	96%	▪ Introduced **relative annual performance metrics (revenue and margin growth)**	
Allstate	96%	▪ **Added TSR** metric to LTI plan	X
Staples	98%	▪ Noted that they introduced a **relative TSR modifier to their LTI program** such that awards earned may be increased or decreased by 25% based on the company's cumulative TSR relative to the S&P 500	X

- Allstate and Staples **dedicated a section in their proxy statement** to shareholder feedback and how the changes the company made were responsive to them

04

What's next?

What's next?

Looking back at 2013/2014

- Say on pay continues to drive companies to make their pay programs more **attractive to shareholders**
  - Design of pay continued to get friendlier
- **Outreach** continued to gain momentum – and not just with shareholders
  - Significantly more proactive engagement of shareholders in 2013, moving to the rule from the exception
  - More meeting / discussing with ISS, who has shown a willingness to meet and discuss
- Proxy disclosures move to greater **emphasis on summaries**
  - While 'executive summaries' are already prevalent, many companies began adding 'compensation checklists' and summaries of the entire proxy
- Compensation committees increasingly becoming more involved in **CEO succession** and **managing CEO performance**
  - Both considered to be 'the Board's most important job'

What's next?

ISS

- **ISS continues to be the dominant proxy advisory firm**, with the majority of large institutional shareholders following them
- The perception is that ISS has become **more flexible** and has **'improved'** its approach
  - Referencing the company's peer group selection in their own peer group development process
  - Longer-term view of pay and performance
  - More of a 'customer service' orientation – hey, they have to make money too – demonstrated through a greater willingness to meet and discuss situations
- Biggest pay-related change for 2014 was a change in the measurement period for the **Relative Degree of Alignment** test in its Pay-for-Performance assessment, which shifted from looking at both 1 and 3 year TSR & pay to using **exclusively 3 years**
- In 2014, most companies who have failed ISS' P4P test **have gone on to receive FOR vote** recommendations from ISS – likely due to the positive year most shareholders had
- ISS also had an **ownership change** earlier this year, and the jury is still out on the impact this is likely to have
  - But it's a safe bet that ISS' ownership will be looking for growth from the company – so stay tuned

What's next?

Regulatory change in 2013

- **Slow year** for Dodd-Frank and other regulatory changes
- In the beginning of 2013, SEC approved changes in the NYSE and NASDAQ corporate governance listing standards related to compensation committee member and compensation consultant **independence**
- From a Dodd-Frank perspective, the only movement was the SEC's proposed rules in September on the **CEO pay ratio**, which were fairly broad and left companies with flexibility in defining and executing it
  - Beyond that, companies were (and are still) waiting for guidance on other rulemaking on elements like **clawbacks**, **hedging policies** and the disclosure of how **financial performance is considered in setting executive pay**

What's next?

Other things to expect for 2014

- **TSR** in annual incentive plans?
  - Saw more companies consider this for 2013, either as a measure or modifier. Will it take off?
- More use of **non-financial measurement** within incentive plans
  - Despite convergence around TSR, there is also momentum around this topic in boardrooms – using the incentives to focus on strategy execution and not just financial outcomes, even in performance-vested LTI plans
- More convergence around **realized / realizable pay** definitions
  - The trend towards these alternative disclosures continued to grow, and we expect companies to narrow the range of what and how they disclose as 'best practices' emerge
  - The open issues are: realized vs. realizable; how to value options (and as of what date); how to treat performance-vested plans; time horizons for 'counting' pay, and the like
  - Realized pay disclosures continue to be the prevalent mechanism, but realizable pay disclosures are growing at a faster rate
- Continue to watch for the **changing role of the board**
  - Pace is accelerating around alignment between executive pay to other board accountabilities (succession, leadership development, performance management, business strategy)

What's next?

Staying ahead of say-on-pay

- We’ve been saying it each of the last few years – **don’t get too comfortable**
- The poor TSR year has not yet happened in the era of mandatory say-on-pay, and the **true test of pay programs** will be in the year where shareholders 'lose'
  - We really don’t know yet just how much say-on-pay can ‘hurt’
  - Today, most companies pass their votes at an over 90% clip. What will it look like in a widespread poor year
- Because of that – and because say-on-pay often has little to do with pay and much more to do with performance – the best course for companies continues to be **structuring their pay programs to suit their business direction** and how they will make money – and rationalizing that in the disclosure
  - That will include discussion elements like
    - The balance between 'performance' and 'retention' in program design
    - Focusing on strategy execution rather than just the financial outcomes
    - Aligning pay volatility with the volatility in the company’s business outcomes

Questions?

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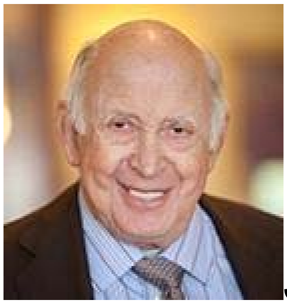

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Jay W. Lorsch is the Louis Kirstein Professor of Human Relations at the Harvard Business School. He is editor of*The Future of Boards: Meeting the Governance Challenges of the Twenty-First Century* (2012) He is the author of over a dozen books, the most recent of which are *Back to the Drawing Board: Designing Boards for a Complex World*(with Colin B. Carter, 2003), *Aligning the Stars: How to Succeed When Professionals Drive Results* (with Thomas J. Tierney, 2002), and *Pawns or Potentates: The Reality of America's Corporate Boards (1989). Organization and Environment* (with Paul R. Lawrence) won the Academy of Management's Best Management Book of the Year Award and the James A. Hamilton Book Award of the College of Hospital Administrators in 1969.

Having taught in all of Harvard Business School's educational programs, he was Chairman of the Doctoral Programs, Senior Associate Dean and Chair of the Executive Education Programs from 1991-1995, Senior Associate Dean and Director of Research from 1986-1991, Chairman of the Advanced Management Programs from 1980-1985, and prior to that was Chairman of the Organizational Behavior Unit. He is currently Chairman of the Harvard Business School Global Corporate Governance Initiative and Faculty Chairman of the Executive Education Corporate Governance Series. As a consultant, he has had as clients such diverse companies as Applied Materials, Berkshire Partners, Biogen Idec, Citicorp, Cleary Gottlieb, Steen & Hamilton LLP, Deloitte Touche, DLA Piper Rudnick, Goldman Sachs, Kellwood Company, MassMutual Financial Group, Tyco International, Shire Pharmaceuticals and Sullivan & Cromwell LLC. He is a member of the Board of Directors of New Sector Alliance as well as *The Antioch Review* National Advisory Board. He formerly served on the boards of Benckiser (now Reckitt Benckiser), Blasland Bouck & Lee Inc., Brunswick Corporation, Sandy Corporation and CA, Inc.; he also served on the Advisory Board of U.S. Foodservice. He currently serves on the Board of Trustees of Antioch College and Cambridge at Home, as well as the Global Advisory Board of the Women's Tennis Association.

He is a graduate of Antioch College (1955) with a M.S. degree in Business from Columbia University (1956) and a Doctor of Business Administration from Harvard Business School (1964). At Columbia, he was a Samuel Bronfman Fellow in Democratic Business Administration. From 1956-59, he served as a Lieutenant in the U.S. Army Finance Corps.

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Laurie A. Cerveny

Partner

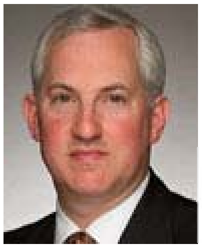
Laurie A. Cerveny, a member of Bingham's Executive Board, is an experienced corporate, M&A and securities lawyer. She has extensive experience counseling U.S. and foreign issuers and their boards on the ongoing disclosure and reporting requirements of public companies, corporate governance matters, annual meeting and proxy-related issues, mergers and acquisitions, securities laws, SEC rules, stock exchange listing requirements, executive compensation, and various other matters affecting public companies and their officers and directors. Laurie is known by her clients for her ability to balance practical, business-focused advice with a deep understanding of today's business and regulatory environment.

Laurie has a robust technology M&A practice, representing both public and private strategic buyers and sellers. She also has a significant cross-border practice and represents a number of dual-listed and foreign private issuers (FPIs) from Canada and other jurisdictions in securities, disclosure and M&A matters, and represents foreign investors in their U.S. interests. Laurie has extensive experience in helping her clients raise capital, including through IPOs, secondary offerings, PIPEs and rights offerings.

Experience

Representative Experience

- Represented Sapient Corporation in its acquisitions of Second Story, La Comunidad and OnPoint Consulting
- Represented Decision Resources Group in its acquisition of Relay Technology
- Represented PTC Inc. in its acquisition of Servigistics
- Represented Citrix Systems, Inc. in its acquisitions of Zenprise, Cloud.com, ShareFile, Podio ApS, Byte Squared, Framehawk and Skytide
- Represented Cognos Incorporated in its tender offer for Applix Inc.
- Represented The Descartes Systems Group Inc. in its



Irving (Irv) S. Becker is National Practice Leader of the Executive Compensation Practice at Hay Group. Over the course of his career, Becker has worked with boards and senior management at major public and private corporations across multiple industries to design and develop rewards programs that align executive efforts and results with the success of the company. Becker's clients have included Fortune 50 financial services companies, major foreign owned banks, global consumer products companies, large professional service organizations, national chain retailers, small pre-IPO companies. He also has worked with companies in distressed or turnaround situations.

Prior to joining Hay Group, Becker was the National Practice Leader for Executive Compensation Consulting at a Big 4 accounting and tax firm. During his combined 10 years at this firm, over two time periods, he worked with numerous clients to assist them with developing overall reward philosophies, as well as more specific executive compensation programs.

Becker also has 10 years of in-house corporate experience heading up the compensation and benefits functions at Goldman Sachs, First USA Bank, The Home Depot and Young & Rubicam. He is a frequent speaker on executive compensation topics, and has been quoted in numerous notable publications including The Wall Street Journal, The New York Times, The Financial Times and The Economist. Some of the organizations for which he has presented include: The Conference Board, National Association of Stock Plan Professionals (NASPP), Outstanding Directors Exchange (ODX), The Directors Roundtable, RiskMetrics (ISS) Governance Exchange, Society of Corporate Securities and Governance Professionals, National Foreign Trade Council (NFTC), Financial Executives International and WorldatWork. Becker recently was named to the 2008 Directorship 100, a list published by Directorship magazine, recognizing the most influential people who are shaping agendas and corporate governance issues in boardrooms across America.

Becker received his master's of business administration in finance from Columbia Business School, and has a bachelor's degree of business administration in accounting from the University of Massachusetts. He is a licensed CPA in New York State.