

Frederic W. Cook & Co., Inc.

New York • Chicago • Los Angeles

December 8, 2003

**THE BUSINESS ROUNDTABLE ISSUES NEW GUIDING  
PRINCIPLES FOR EXECUTIVE COMPENSATION**

On November 17, 2003, the Business Roundtable issued new principles on executive compensation that would more closely link pay with performance and promote a greater role for independent compensation committees. The principles are meant to serve as best practices for the design, implementation, and oversight of executive compensation programs. The principles are as follows:

1. Executive compensation should be closely aligned with the long-term interests of stockholders and with corporate goals and strategies. It should include significant performance-based criteria related to long-term stockholder value and should reflect upside potential and downside risk.
2. Compensation of the CEO and other top executives should be determined by a compensation committee composed entirely of independent directors, either as a committee or together with the other independent directors based on the committee's recommendations.
3. The compensation committee should understand all aspects of the compensation package and should review the maximum pay-out under that package, including all benefits. The compensation committee should understand the maximum pay-out under multiple scenarios, including retirement, termination with or without cause, and severance in connection with business combinations or sale of the business.
4. Compensation committees should require executives to build and maintain significant continuing equity investment in the corporation.
5. The compensation committee should have independent, experienced expertise available to provide advice on new executive compensation packages or significant changes in existing packages.
6. Corporations should provide complete, accurate, understandable, and timely disclosure to stockholders concerning all significant elements of executive compensation and executive compensation practices.

Additional commentary on each of the six principles may be found on the Business Roundtable's website at [www.businessroundtable.org/pdf/ExecutiveCompensationPrinciples.pdf](http://www.businessroundtable.org/pdf/ExecutiveCompensationPrinciples.pdf). We recommend that this be read by all executive compensation professionals.

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