

FREDERIC W. COOK & CO., INC.

2121 AVENUE OF THE STARS - SUITE 990, LOS ANGELES, CA 90067 - TEL. (310) 277-5070
NEW YORK • CHICAGO • LOS ANGELES • SAN FRANCISCO

GEORGE B. PAULIN
CHAIRMAN & CEO

May 22, 2007

The Honorable Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
Congress of the United States
House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515-6143

Dear Representative Waxman:

I am responding to your letter of May 8, 2007, which was sent to six consulting firms that advise major U.S. public companies in the area of executive compensation. The letter requests a breakdown of annual revenues from *Fortune* 250 clients for the years 2002 through 2006, separately showing the amounts attributable to “executive compensation consulting services” and “other types of services” for each year.

Your letter references recent articles in the business press and debate among investor groups implying that revenues received by executive compensation consultants from other services could compromise the independence of their advice on executive compensation. The members of our firm appreciate your Committee’s concern and believe the issue is worthy of further attention.

Frederic W. Cook & Company provides no services other than executive compensation consulting. We are 100% owned by our senior consultants and have no outside equity or reciprocal financial relationships. Furthermore, we do not sell or represent any products, nor do we advise individuals (i.e., our clients are the employer companies or investors). We believe that we are unique among the firms who received your letter in that none of our revenues for the period in question (or any other period) are derived from insurance brokerage fees, pension/actuarial consulting, human resource outsourcing, executive search, broad-based wage and salary administration work, or any other activity. This has been our model since we were founded in 1973, with the desired intent of avoiding business conflicts that could potentially compromise our independence or objectivity in advising on sensitive executive compensation matters.

As background, Attachment 1 provides a summary of our executive compensation consulting services, which we are proud to have provided to 60 of the *Fortune* 250 companies during 2006. Attachment 2 summarizes typical “terms and responsibilities” of our relationships with board compensation committees of major public companies. You may recall that an inquiry

Hon. Henry A. Waxman

Page 2

May 22, 2007

on the same matter was sent to the board compensation committee chairs of the S&P 25 companies by an investor consortium lead by the Treasurer of Connecticut in October 2006. Three of our clients responded, and were included among 10 “best-practice” companies named by the investors.

Please contact me if there are questions or if the Committee needs additional information or detail. My email is gbpaulin@fwcook.com and my telephone in Los Angeles is 310-277-5070.

Sincerely,

George B. Paulin

GBP/sh

Attachments

Frederic W. Cook & Co., Inc.
Summary of Consulting Services

Total Compensation Reviews -- Comprehensive reviews of existing programs and development of recommendations for change and improvement

Strategic Incentives -- Evaluation of existing incentives and development of new plans to better align management's financial interests with new strategic initiatives or evolving performance measurement

Specific Plan Reviews -- Review and development of specific plans (salary programs, annual incentives, long-term incentives and deferred compensation) within a total compensation framework

Restructuring Services -- Review of compensation implications and development of program recommendations in response to reorganizations, mergers, acquisitions, divestitures, IPOs, PPOs, LBOs, spin-offs, and joint ventures

Competitive Comparisons -- Review of total compensation competitiveness (typically excluding benefits and perquisites) and mix of elements

Long-Term Incentive Grant Guidelines -- Review of the competitiveness of a company's stock option/long-term incentive grant amounts and recommendations for competitive realignment

Stock Option Enhancements -- Enhancements to stock option plans, such as performance vesting, premium pricing, deposit shares and reloads, to add incentive value and enhance ownership objectives

Executive Ownership Programs -- Guidelines and incentives to encourage long-term ownership of company stock by key employees

All-Employee Plans -- Profit-sharing, stock option and ownership programs for broad employee groups to align the interests of employees with those of executives and shareholders in company performance and success

Directors' Compensation -- Review of programs for compensating outside directors and recommendations for change, particularly stock incentives

Executive Recruitment -- Assistance to board search committees and recruiters in tailoring a compensation/ownership package for newly hired executives

Frederic W. Cook & Co., Inc.
Summary of Consulting Services
(cont'd)

Executive Retention – Development of plans and arrangements to help retain critical talent

Severance Packages – Development of severance policies and "golden parachutes" agreements for executives and key personnel

Equity Instruments -- Development and valuation of unique equity instruments to align management's interests with company performance and shareholder value

Performance Measurement -- Development of value-based performance measurement systems for evaluating performance and aligning compensation to individual, financial and market performance

Regulatory Services -- Advice on specific tax, SEC, FASB and other regulatory issues affecting executive compensation, in conjunction with a company's legal counsel and CPAs, including advice on performance-based tax deductibility of executive compensation

Private Companies -- Parallel services for privately held companies or separate divisions/subsidiaries of public companies or U.S. subsidiaries of foreign parents, usually involving financial measurement, long-term incentives or surrogate stock plans

Globalization -- Development of U.S.-style compensation programs for non-U.S. companies which wish to compete in the global marketplace

Privatization -- Assistance to government-owned or sponsored companies in developing compensation programs appropriate for shareholder-owned companies, including equity plans for employees and executives

Compensation Committee Advisor -- Special studies or advisory work on behalf of a board's compensation committee

Shareholder Voting Issues – Assistance to companies in developing equity plans that are sensitive to voting guidelines and standards of major investors

Frederic W. Cook Co., Inc.
Typical Terms and Responsibilities of
Independent Executive Compensation Consultant

The Compensation Committee of [client company] has retained Frederic W. Cook & Co., Inc. (F.W. Cook) to be its independent consultant on executive compensation matters.

The Committee retains sole authority to hire F.W. Cook, approve its compensation, determine the nature and scope of its services, evaluate its performance, and terminate its services.

F.W. Cook's designated representative to [client company's] Committee is [lead consultant], assisted by [project manager].

F.W. Cook works directly on behalf of the Committee and in cooperation with management, to fulfill any and all of the following responsibilities:

1. Be on call to the Committee Chair for advice on or review of management proposals as requested
2. Undertake special projects at the request of the Committee Chair
3. Advise the Committee Chair on setting agenda items for Committee meetings
4. Review Committee agendas and supporting materials in advance of each meeting; raise questions/issues with management and the Committee Chair as appropriate
5. Attend Committee meetings as requested
 - Review Committee meeting minutes for meetings attended by the consultant
6. Review [client company's] total compensation philosophy, target peer group, and target competitive positioning for reasonableness and appropriateness
 - Reasonableness refers to compensation levels in relation to market practice
 - Appropriateness refers to compensation program design, delivery, and structure in relation to business objectives and strategy
7. Review [client company's] total executive compensation program and advise the Committee of plans or practices that might be changed to improve effectiveness
8. Audit on behalf of the Committee the chosen peer group and survey data for competitive comparisons

Frederic W. Cook Co., Inc.
Typical Terms and Responsibilities of
Independent Executive Compensation Consultant
(cont'd)

9. Oversight and audit on the Committee's behalf survey data on executive pay practices and amounts that come before the Committee
10. Provide market data and recommendations to the Committee or its Chair on CEO compensation without prior review by management except for necessary fact checking
11. Review draft Compensation Discussion & Analysis and related tables for proxy statement each year
12. Review any significant executive employment or severance agreements in advance of being presented to the Committee for approval
13. Periodically review the Committee's charter and recommend changes
14. Proactively advise Committee on best-practice ideas for Board governance of executive compensation, and areas of concern and risk in [client company's] program

In exchange for these undertakings, F.W. Cook expects to:

1. Have a direct and confidential relationship with the Committee and its Chair
2. Fulfill a duty of care, loyalty, and due diligence in discharging its duties
3. Advise the Committee Chair of any potential conflicts of interest that could cause our independence and duty of loyalty to be questioned
4. Undertake no projects for management except at the request of the Committee Chair and in the capacity as the Committee's agent
5. Hold all confidential materials in confidence, returning same as requested
6. Be "held harmless" for actions taken and advice given in good faith
7. Be compensated for our services according to our normal billing rates and practices