

TERMS AND DEFINITIONS

Average Base Salary - Gives each organization equal weight regardless of the number of incumbents. It is the average rate for each organization totaled and divided by the number of organizations.

Average Total Compensation - The average of the total average salary paid, including bonus and incentives that were granted.

Bonus - Direct lump sum payment made on top of a base salary. It is not based on any pre-set performance or organization goals.

Deferred Profit Sharing - A plan in which an employee is awarded a profit-sharing incentive, but actually receives it at a future time. Taxes are deferred until the time of actual receipt.

Employment Contract - A contract that provides an incoming key employee with a written guarantee of receiving certain rewards, regardless of the results produced on the job beyond a stipulated period. The employee also may agree to not: (1) compete with the present employer for the duration of employment and one year (or some other reasonable time period) thereafter, (2) disclose or discuss secret formulas, etc., that are of value to the employer, and/or (3) hold another job.

EVA (Economic Value-Added) - EVA measures the value created for shareholders, employees and customers. EVA equals net operating profit after taxes minus a capital charge.

Incentive Pay - Reward for performance above standards. It is differentiated from other reward systems listed.

Incentive Stock Options - Non-Qualified - A stock option where the executive has the right to pay today's market price for a number of shares in the organization at a future time. The plan does not meet IRS statutory requirements for favorable tax treatments.

Incentive Stock Options - Qualified - A stock option where the executive has the right to pay today's market price for a number of shares in the organization at a future time. The plan qualifies under statutory requirements and consequently has certain tax advantages to both employer and employee.

Key Contributor - Compensation designed to reward an individual who contributes unique skills and knowledge critical to the accomplishment of the organization's business plan.

Long-Term Cash - Bonuses that are generally tied to the organization's achievement of long-term strategic goals (e.g., the achievement of revenue, profitability, and/or market share increases) over a three to five year period.

Median - This is the middle salary when the number of submitted salaries is an odd number. If the number of submitted salaries is an even number, the average of the two middle salaries is the median.

Non-Deferred Profit Sharing - Annual cash payout of profit sharing plan (as opposed to a deferred retirement arrangement that pays when individual reaches retirement age).

Performance Share Plans - The number of awarded stock shares is based on company performance.

Performance Unit Plans - The current value of the stock is used to develop a dollar allocation rather than a stock award.

Perquisites - Any of a number of privileges granted to employees in addition to basic wages, salaries, and ordinary benefits. The term often applies to executive perks such as automobiles and limos, resort vacations, club memberships, special washroom and dining facilities, reserved parking spaces, and use of corporate aircraft and other equipment.

Phantom Stock - Gives many of the benefits of stock ownership without actually giving participants organization stock. It is sometimes referred to as “shadow stock”.

Profits - The award is based on meeting or exceeding established profit goals.

Restricted Stock Plans - Conditional transfer of stock to the executive. Stock cannot be assigned, transferred or sold without tax liability, but shares can be voted and dividends are received.

Return on Assets - The award is based on ratio of earnings to the total assets of an organization.

Return on Equity - The reward is based on the ratio of financial return of a organization to shareholder equity in the firm.

Return on Sales - The award is based on the ratio of earnings from operations to net sales.

Stock Appreciation Rights - A non-qualified stock option in which the optionee receives the appreciation of Fair Market Value over the option price either in stock or cash value without providing funds for the option price.

Stock Ownership Guidelines - A stipulation that executives must maintain a particular level of equity ownership in the organization.

Tenure - The average number of years an incumbent has occupied their current position.

Unit Performance - The award is based on the ratio of unit revenue to net revenue.

Weighted Average Base Salary - Gives weight to all the incumbents in the job. It is the average rate for each organization multiplied by the number of incumbents reported in the position by each organization, divided by the number of all reported incumbents.

Weighted Average Total Compensation - The result of weighting the total average salary paid, including bonuses and incentives that were granted.