

**Will Companies Finally Change their Ways? A look at the 2006 Executive
Compensation Disclosure Regulation**

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ABSTRACT

The Security and Exchange Commission (SEC) tightened their executive compensation disclosure requirements in 2006. The potential effects of these disclosure requirements are analyzed in this research. These 2006 requirements, as hoped by the SEC, should provide for more transparency of executive compensation to stockholders. Since the SEC's 1992 Proxy disclosure requirements, executive compensation has reached unseen historical levels. The data provide evidence that CEO cash compensation is increasing at a sharply reduced rate and that cash compensation appears to less tied to reported accounting earnings than in years prior to the new disclosure rules.

INTRODUCTION

One objective of all publically traded companies in the U.S. is to maximize shareholder wealth. Over the past several years, the majority of investors are uncertain that management has met their objective. Furthermore, it is unclear exactly how top management is being compensated and the extent to which their compensation is based on that objective. As noted by presidential candidate John Edwards (2008) and a recent ABC News story (Nightline, April 30, 2008), in 1960, the average Chief Executive Officer (CEO) in the U.S. was paid 41 times the average worker's salary. By 2005, the average CEO was making more than 400 times the average worker's salary. In addition, the portion of corporate profits set aside for CEO pay has doubled since the 1990s, while the value of the minimum wage has decreased by 30% since 1979. According to Cioppa (2006), Harvard researchers reported that between 1993 and 2003, executive pay had increased to approximately twice the level that can be explained by factors such as company size and stock performance. The researchers also show that, in 2003, the remuneration for top executives equaled 10% of their companies' annual earnings compared to 5% in 1993. The belief that investors do not have clear and concise access to a companies' executive compensation information led the SEC to enact new regulation in 2006.

The language provided to investors on proxy statements, 10-K forms, 10-KSB forms, information statements, and registration statements prior to December 15, 2006 was stated in such legal jargon that it was difficult for investors to determine how, and at what level, top management was being compensated. In July 2006, the SEC adopted a new set of regulations entitled "Executive Compensation and Related Person Disclosure" (available at www.sec.gov). The SEC received in excess of 20,000 comments on the proposed changes, the most interest shown by the public on any SEC revision in all 72 years it has been in existence (Yeaton, 2007). The new disclosure requirements (including amendments added in December 2006) must be

applied by all firms for their financial statements and other required filings dated December 15, 2006 and after.

The expanded executive compensation disclosure requirements enacted in 2006 represent the second major SEC effort in this area. In 1992, the SEC expanded the then existing compensation disclosures for reasons similar to the most recent changes. The 1992 executive compensation disclosure regulations were adopted specifically in response to complaints that executive remuneration was excessive. These complaints became clear in 1990 when compensation soared higher than investors had previously seen. The 1992 disclosure requirements were supposed to provide a better awareness to investors and were designed to hold companies more accountable (Cioppa, 2006). The most recent changes made in July 2006 now require that companies state in greater detail, and in a more consistent format, their executives' compensation. According to Yeaton (2007), the most significant change is that the amended rules require that certifications under the Sarbanes-Oxley Act of 2002 (SOX) apply to the information that is disclosed regarding executive compensation. As a result, executives must now sign off on proxy statements guaranteeing their accuracy. The 2006 amended rules no longer require the Board Compensation Committee Report on Executive Compensation, but instead the more comprehensive Compensation Discussion and Analysis (CD&A) and the new Compensation Committee Report. The Compensation Committee Report must state whether the compensation committee has reviewed and discussed the CD&A with management. The report must also state whether the CD&A will be included in the annual report, proxy, or information statement, after the compensation committee has discussed it with management (Yeaton, 2007). Figures 1 and 2 present a summary of the compensation disclosure requirements under prior rules and under the new rules enacted in 2006.

[Insert Figures 1 and 2 about here.]

The current study explores the impact of the 2006 SEC disclosure requirements on executive compensation. Specifically, I examine whether the enhanced disclosure requirements have, as the SEC and some commentators predicted, slowed the growth in executive compensation at the highest levels of U.S. firms. Prior empirical research is first summarized in the next section, followed by the primary research hypotheses in Section 2. The methodology is detailed in Section 3, and the results, conclusion and discussion, and future research are presented in Sections 4, 5, and 6, respectively.

1. BACKGROUND AND LITERATURE REVIEW

The last time that executive compensation was addressed by the SEC was on October 15, 1992. The proxy reforms adopted at that time were in response to growing concern about executive compensation policies at large U.S. corporations. In the 1992 changes, the SEC, for the first time, required (1) a table containing the compensation of the top five highest paid executives, (2) a performance graph which compared the company's five-year cumulative total shareholder return with returns for the same period on both a broad market index and an industry or peer index, and (3) a report issued by the compensation committee presenting rationale for the company's compensation policies. Byrd, Johnson, and Porter (1998) report that firms were "encouraged" by the SEC to disclose the names of the specific companies they used to benchmark their compensation decisions (this disclosure was not "required"). In short, the industry index the company used for their five-year shareholder returns comparisons was not required to be the same as the performance of the comparison group which was the basis for the company's compensation decisions. Byrd et al. (1998) believed that the costs of disclosure would be outweighed by the benefits and that the likelihood of disclosure would increase (1) when there was higher concern from investors about the company's compensation policies, (2) when companies could easily defend their compensation policies, and (3) when better internal

governance mechanisms were in place. The authors found that when the criticism was coming from the shareholders, the companies were more likely to disclose their compensation peers as opposed to when the criticism came from the media. In addition, for disclosing firms, the level of CEO compensation exceeded the level of compensation of the S&P industry index peers, but it did not significantly differ from the level of compensation at performance graph peers.

Byrd and Hickman (1995) examined the cash pay-and-performance of companies before and after the 1992 SEC executive compensation disclosure regulation. For a small sample of firms, in the post-disclosure period, compensation was linked more closely to performance than in the pre-disclosure period, and that the performance measure was accounting-based return-on-equity (ROE) rather than some measure of return to shareholders (e.g., stock performance). This accounting based measure, ROE, was also used as one of the factors to determine firm performance in a Canadian study that examined the effects of tightened executive compensation disclosure regulation on the Toronto Stock Exchange (Craighead, Magnan, and Thorne, 2004). Craighead et al. (2004) found, among other things, that the average salary and bonus for widely and closely held firms was higher in the post-disclosure period than in the pre-disclosure period.

Cioppa (2006) argues that in the U.S. since 1993, instead of decreasing executive pay, public knowledge of compensation has created a “race to the bottom” in which companies continue to pay high wages in order to keep executives from leaving the company. Because increased disclosure has not worked in the past, Cioppa (2006) concludes that more disclosure will not succeed in decreasing executive compensation. The rationale suggests that although access to more information usually creates greater efficiencies, executive pay seems to not abide by that rule. The disclosure rules require companies to state their compensation peers. Therefore, companies will have access to information that may give them leverage when negotiating pay packages. If the executives do not feel they are being compensated at levels at least equal to

peers, they may leave the company. According to Cioppa (2006), this cycle creates higher turnover rates and thus fuels the need to raise compensation.

2. HYPOTHESES

The SEC enacted 2006 executive compensation regulation in order to provide greater transparency to investors regarding executives pay packages. The goal is for investors to be able to make more informed decisions and to voice their opinions to management. With greater disclosure, it is hoped that companies will be reluctant to report excessively high compensation packages and ultimately reduce the amount they are paying their executives. This rationale suggests that:

H1: *Increased disclosure requirements lead to reduced executive compensation.*

An analysis of the relationship between CEO compensation and company income is necessary to understand a general relationship between firm performance and compensation. If the sampled companies reduce the cash compensation they are paying their CEOs in order to avoid reporting excessively high pay, there would be a decrease in the relationship between CEO pay and company performance as measured by $[(Salary + Bonus + Non-Equity Incentives_t)/Net Income before Extraordinary Items_t]$. Should this ratio decrease for the sampled firms between 2005 and 2006, it would suggest that the new 2006 SEC disclosure requirements did have some impact on the how CEOs are compensated. This rationale suggests that:

H2: *The relationship between CEO cash compensation and company income will decrease.*

3. METHOD

The Compustat database was used as the primary source of financial data for this study and for screening purposes described below. In order to provide a large and diverse sample, I started with the Standard and Poors (S&P) 500 Index as listed on Bloomberg on November 27, 2007.

This date is crucial because there are three sequential steps used to eliminate companies in order to obtain a consistent sample. First, 100 companies which had been added to the S&P 500 between January 1, 2004 and November 27, 2007 were eliminated from the data base. This was done to ensure that each of the sample companies was included in the index over the entire examination period. Once these companies were eliminated, Compustat was used to screen the remaining 2006 sample for companies which had fiscal years ending before December 15, 2006. As discussed earlier, the 2006 executive compensation regulation only applies to companies which had fiscal year ends of December 15, 2006 or later. Fifty nine companies were eliminated in the second screening. The third, and final, set of companies eliminated were those which hired a new CEO between 2004 and 2006. This was done to control for any pay package inconsistencies when CEOs are hired and fired. One hundred and twenty one (121) companies were eliminated in step three. Lastly, two additional companies had to be eliminated due to lack of available data. Thus, the final sample consisted of 218 companies, all of which (1) were listed on the S&P 500 Index between 2004 and 2006, (2) had a 2006 fiscal year end of December 15, 2006 or later, and (3) employed the same CEO between 2004 and 2006. Appendix A provides a list of the 218 firms in the final sample. Compustat was accessed to obtain the data used to test H1 and H2, including salaries and bonuses for each CEO.

4. RESULTS

In order to control for other factors that may cause a decrease in CEO compensation, it is important to make a broad assessment of firm performance. The measure of firm performance used in this study is return on equity (ROE), measured as $[(Net\ Earnings\ before\ Extraordinary\ Items_t)/(Stockholder's\ Equity_{t-1})]$ (Craighead et al., 2004). If companies' ROE remains constant over the examination period, then a decrease in compensation can be attributed to the implementation of the 2006 SEC compensation disclosure regulation. As expected, analyses

confirm that investor return on equity (ROE) did not change between 2005 and 2006 ($t(216)=1.25, ns$).

Hypothesis Tests

It was hypothesized that increased disclosure requirements would lead to reduced executive compensation (H1). When analyzing a sample of 215 firms¹, I examined the effect of the mean change in CEO cash compensation from 2004 to 2005 and 2005 to 2006. Following earlier studies (e.g., Byrd and Hickman, 1995; Craighead et al., 2004), I focused on total cash compensation rather than a more comprehensive measure of executive remuneration. This was done based on the methodology used in previous studies, because cash compensation is the most direct and unambiguous measure of executive pay and because it not subject to potential inter-company variations resulting from different discount rates or valuation models used in computing the value of stock options and other forms of compensation. From 2004 to 2005, the mean pre-disclosure change in executive compensation was an increase of 10.62 percent with a standard deviation of 37.34. The mean post-disclosure change in compensation from 2005 to 2006 decreased to .35 percent from the pre-disclosure period with a standard deviation of .68. The year over year percent decrease in mean CEO compensation from pre-disclosure period to post-disclosure period is highly significant ($t(214) = 4.014; p < .001$). Table 1 summarizes results of paired-samples t-tests used to test hypotheses H1 and H2.

[Insert Table 1 about here.]

¹ Three outliers were eliminated as they can have a profound impact on the mean and standard error estimates used to calculate t values (Cohen et al. 2003).

Hypothesis 2 (H2) stated that the relationship between CEO cash compensation and company income would decrease. When analyzing a sample of 210 firms², I examined the mean change in the CEO compensation/ income ratio from 2005 to 2006. In 2005 the mean ratio for CEO compensation to company income was .0052 with a standard deviation of .0081. In 2006 the mean ratio for CEO compensation to company income is .0034 with a standard deviation of .0162. The mean change in the ratio of CEO compensation to company income is non-significant ($t(209) = 1.506; ns$).

5. CONCLUSION AND DISCUSSION

From these results, I conclude that although CEO compensation is still increasing, it is increasing at a decreasing rate. This may mean that the full effects of the 2006 SEC compensation disclosure regulation have not been fully reflected in executive pay and that compensation levels may eventually begin to decrease. Vafeas and Afxentiou (1998) stated, when looking at the 1992 SEC regulation, that opponents of the disclosure requirement expected that compensation levels would not fully decrease, but that it would be “cosmetically” changed. Murphy’s (1996) findings that after the 1992 SEC Proxy regulation, companies changed their method of compensation to decrease the perceived compensation being received by executives, support those of Vafeas and Afxentiou (1998). He concludes that companies did this because of the high costs, including political and shareholder pressure, from reporting high levels of compensation. This may be what is actually happening again after the SEC’s second attempt to increase the transparency of executive pay to investors. Since ROE did not decrease significantly between 2005 and 2006, I argue that the 2006 SEC disclosure requirements are the reason that CEO cash compensation growth slowed to almost zero over the examination period.

² Eight outliers were eliminated as they can have a profound impact on mean and standard error estimates used to calculate t values (Cohen et al. 2003).

Lastly, I conclude that between 2005 and 2006, CEO cash compensation is tied less to reported accounting income than in past years, although not significantly so. This finding could easily be the result of the increased SEC disclosure rules since one of the requirements is more detailed discussion of exactly how executive pay is computed if it's based on a set formula and, if pay diverges from the formula, the reasons for the divergence (Kristof, 2008). Alternatively, the reduced link between CEO pay and reported earnings could be because companies don't link their CEO compensation benchmarks to accounting income or it could result from this study not analyzing all other forms of compensation.

The major limitations to this study stem from the fact that there has not been a significant amount of time for companies to react to the 2006 SEC regulation and, therefore not sufficient data available to study the full effects the disclosure requirements. These SEC disclosure requirements have been highly publicized in the media and strong reactions have been heard from SEC representatives as well as presidential candidates.

REACTION TO THE 2006 DISCLOSURE REQUIREMENTS

As of August 31, 2007, the SEC had already sent approximately 300 letters to company CEOs, demanding they redo their proxy statements and add more information. The SEC wanted to know more about the targets and benchmarks used when the companies set executive compensation figures. There has been much opposition from companies protesting the details requested saying that they interfere with competition and should be kept private (Scannell and Lublin, 2007). John White, SEC division of Corporate Finance, said that the SEC was "generally pleased" by the review of proxy statements, which concentrated on large companies. However, he stated that there were two areas of concern, the manner of the presentation and the Compensation Discussion and Analysis (CD&A). Companies tended to include a significant amount of data in the proxy statements, but not in an understandable fashion. White also noted

that in the CD&A, the SEC found adequate detail on what was being done, but not enough information on why or how it was being done. He also emphasized that companies needed to provide more information on benchmarks and performance targets.

A recent report in the *Los Angeles Times* (May 25, 2008) found, from an annual survey of the 100 largest companies in California, that executive compensation had actually decreased an average of 10% from 2006 to 2007 (Kristof, 2008). The article acknowledges that many factors could have contributed to the decrease in compensation, including increased investor awareness and action, economic downturn, and the 2006 executive compensation disclosure regulations. Although this survey's results may be the start of a trend for decreased executive compensation packages, future research will be necessary in order to determine the full effects of the 2006 SEC regulations.

6. FUTURE RESEARCH

The fight for fair and appropriate executive compensation levels is far from over. While I document statistical changes in compensation, using ROE as a control, there could be other causes for the decreasing growth rates of CEO cash compensation. In order to get the full picture of executive compensation, the top five highly paid executives must be examined along with their other forms of compensation. This would include research which analyzes the value of stock options granted as done by Murphy (1996). Factors such as the integration of compensation committee members from other companies, chosen company compensation benchmarks, and CEO turnover rates could also be analyzed in future research. Primarily, a longer time period is needed, both before and after the 2006 SEC regulation, in order to make a more accurate assessment of the full effects of this regulation. With the increase of time, researchers can more clearly determine how closely pay is tied to performance and what those performance benchmarks are.

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TABLE 1
Results Summary

| | Pre-disclosure period* | Post-disclosure period* | | <i>t</i> -statistic mean difference between pre verses post- disclosure | Sig. (2- tailed) |
|--|---------------------------|----------------------------|-----|---|---------------------|
| | 2004-2005 | 2005-2006 | N | | |
| Total percent change year-over-year in CEO cash compensation | 10.62899 (37.3405) | 0.35298 (0.6806) | 215 | 4.014 | 0.000 |
| | 2005 | 2006 | | | |
| ROE | 20.8789 (26.9020) | 16.2267 (36.7700) | 216 | 1.25 | 0.213 |
| Compensation/ Income before extraordinary items | .0052507 (.0081023) | .0034302 (.0162859) | 210 | 1.506 | 0.134 |

* Means and standard deviations in parentheses

FIGURE 1

| Changes in Summary Compensation Table | | |
|--|---|---|
| | Previous Rules | New Rules |
| Summary Compensation Table | Principal disclosure vehicle | Principal disclosure vehicle |
| Individuals Required to be Disclosed | Compensation information for the CEO and the highest-paid individuals | Compensation information for the principal executive officer (PEO), the principal financial officer (PFO), and the three most highly compensated executive officers other than the PEO and the PFO |
| Timeframe | The most recent three years | The most recent three years |
| Number of Columns | Seven columns | Ten columns; new columns include: <ul style="list-style-type: none"> • Total compensation • Annual change in actuarial value of defined benefit plans and earnings on nonqualified deferred compensation; • Dollar value for all equity-based awards; and • Compensation under nonequity incentive plans. |
| Presentation of Stock Options (as of December 2006 Interim Final Rules) | Disclosure of the number of securities underlying the award (but not the fair value of the award) | Disclosure in the Summary Compensation Table of the compensation cost of stock awards and option awards over the requisite service period in accordance with SFAS 123(R) |

*Source: "The SEC's New Rules on Executive Compensation," *The CPA Journal* (July 2007).

FIGURE 2

| Overview of Changes to Executive Compensation Disclosure Rules | | |
|---|---|--|
| Category | Previous Disclosure Requirements | New Disclosure Requirements |
| Plain English | Not required | Required |
| Compensation Committee Report on Executive Compensation | Required; was originally mandated to explain the decisions regarding CEO compensation and the committee's general compensation philosophy; now commonly viewed as "boilerplate" language. | Replaced with the more comprehensive CD&A and the new Compensation Committee Report. This report is required but deemed "furnished," not "filed." The Compensation Committee Report is required to contain a statement as to whether the compensation committee has reviewed and discussed the CD&A with management. |
| Compensation Discussion and Analysis (CD&A) | Not required | New narrative providing a general overview of "material factors underlying compensation policies and decisions reflected in the data presented in the tables"; is considered soliciting material and deemed "filed" with the SEC (requiring certifications by the PEO and PFO). |
| Summary Compensation Table | Principal disclosure vehicle; compensation information for the CEO and the four highest-paid individuals for the most recent three years; seven columns. | Remains principal disclosure vehicle; 10 columns; revised tabular disclosure; appropriate narrative disclosure. |
| Disclosure of Perquisites | Aggregate threshold for required disclosure was \$50,000 or 10% of total annual salary and bonus. | Aggregate threshold for required disclosure reduced to \$10,000. |
| Director Compensation Table | Not required | Similar to the amended Summary Compensation Table. |
| Transactions with Related Person | Disclosure of related-person transactions with instructions that delineated what transactions were reportable or excludable; threshold for disclosure was \$60,000. | Related-person disclosure without specific instructions as to reportable transactions; amended rule provides a general principle for disclosure with specific requirements and instructions; threshold for disclosure is \$120,000. |

*Source: "The SEC's New Rules on Executive Compensation," *The CPA Journal* (July 2007).

APPENDIX A
Company Names and Abbreviations

| | |
|------|------------------------------|
| AA | PINNACLE WEST CAPITAL CORP |
| ABT | ABBOTT LABORATORIES |
| ADSK | ADVANCED MICRO DEVICES |
| AES | AETNA INC |
| AET | ALLEGHENY ENERGY INC |
| AFL | HONEYWELL INTERNATIONAL INC |
| AGN | ALCOA INC |
| AIV | HESS CORP |
| ALL | FORTUNE BRANDS INC |
| ALTR | AMERICAN EXPRESS CO |
| AMD | AFLAC INC |
| AMGN | WYETH |
| AN | AMGEN INC |
| APA | NABORS INDUSTRIES LTD |
| APC | ANHEUSER-BUSCH COS INC |
| ATI | APACHE CORP |
| AVP | AUTODESK INC |
| AXP | AVON PRODUCTS |
| AYE | BALL CORP |
| BAC | CONSTELLATION ENERGY GRP INC |
| BBBY | BARD (C.R.) INC |
| BBT | VERIZON COMMUNICATIONS INC |
| BBY | BEMIS CO INC |
| BCR | BEST BUY CO INC |
| BDK | BLACK & DECKER CORP |

| | |
|-------|------------------------------|
| BIG | BLOCK H & R INC |
| BIIB | ROBERT HALF INTL INC |
| BLL | BURLINGTON NORTHERN SANTA FE |
| BMC | CIGNA CORP |
| BMS | CSX CORP |
| BNI | CENTURYTEL INC |
| BSX | CHEVRON CORP |
| BUD | CHUBB CORP |
| C | CIRCUIT CITY STORES INC |
| CAM | CINTAS CORP |
| CB | COLGATE-PALMOLIVE CO |
| CC | COMCAST CORP |
| CEG | COMERICA INC |
| CFC | CITIGROUP INC |
| CI | COMPUTER SCIENCES CORP |
| CINF | COUNTRYWIDE FINANCIAL CORP |
| CL | CUMMINS INC |
| CMA | DANAHER CORP |
| CMCSA | TARGET CORP |
| CMI | DTE ENERGY CO |
| CNP | DILLARDS INC -CL A |
| COF | OMNICOM GROUP |
| COP | DU PONT (E I) DE NEMOURS |
| CPWR | PERKINELMER INC |
| CSC | EATON CORP |
| CSX | EL PASO CORP |

| | |
|------|------------------------------|
| CTAS | FPL GROUP INC |
| CTL | FEDEX CORP |
| CTXS | MACY'S INC |
| CVG | FIFTH THIRD BANCORP |
| CVS | FIRST HORIZON NATIONAL CORP |
| CVX | WACHOVIA CORP |
| DD | FLUOR CORP |
| DDS | FOREST LABORATORIES -CL A |
| DHR | GAP INC |
| DTE | GENERAL DYNAMICS CORP |
| DVN | GENERAL ELECTRIC CO |
| DYN | GENERAL MILLS INC |
| EBAY | GENERAL MOTORS CORP |
| EDS | ELECTRONIC DATA SYSTEMS CORP |
| EIX | GOODRICH CORP |
| EMC | GOODYEAR TIRE & RUBBER CO |
| EMN | GRAINGER (W W) INC |
| EOG | HALLIBURTON CO |
| EP | HASBRO INC |
| ERTS | HEINZ (H J) CO |
| ETFC | HERCULES INC |
| ETN | HERSHEY CO |
| EXC | HOME DEPOT INC |
| FCX | CENTERPOINT ENERGY INC |
| FDX | HUNTINGTON BANCSHARES |
| FE | INGERSOLL-RAND CO |

| | |
|------|-----------------------------|
| FHN | INTL BUSINESS MACHINES CORP |
| FII | INTL PAPER CO |
| FITB | JOHNSON & JOHNSON |
| FLR | KIMBERLY-CLARK CORP |
| FO | KROGER CO |
| FPL | LILLY (ELI) & CO |
| FRE | LIMITED BRANDS INC |
| FRX | LINCOLN NATIONAL CORP |
| GD | LOEWS CORP |
| GE | RANGE RESOURCES CORP |
| GENZ | MARATHON OIL CORP |
| GIS | MARSHALL & ILSLEY CORP |
| GM | MASCO CORP |
| GME | MATTEL INC |
| GPS | MCGRAW-HILL COMPANIES |
| GR | MCKESSON CORP |
| GT | MEDCO HEALTH SOLUTIONS INC |
| GWW | MEDTRONIC INC |
| HAL | CVS CAREMARK CORP |
| HAS | MERRILL LYNCH & CO INC |
| HBAN | BANK OF AMERICA CORP |
| HD | NATIONAL CITY CORP |
| HES | TENET HEALTHCARE CORP |
| HIG | NATIONAL SEMICONDUCTOR CORP |
| HNZ | NEWMONT MINING CORP |
| HON | NORDSTROM INC |

| | |
|-----|------------------------------|
| HPC | NORTHERN TRUST CORP |
| HRB | NORTHROP GRUMMAN CORP |
| HSY | WELLS FARGO & CO |
| HUM | NUCOR CORP |
| IBM | OCCIDENTAL PETROLEUM CORP |
| IP | FIRSTENERGY CORP |
| IR | PNC FINANCIAL SVCS GROUP INC |
| JNJ | PACCAR INC |
| JNY | EXELON CORP |
| JWN | ALTRIA GROUP INC |
| KEY | CONOCOPHILLIPS |
| KMB | PITNEY BOWES INC |
| KR | PUBLIC SERVICE ENTRP GRP INC |
| KSS | PULTE HOMES INC |
| LLY | RAYTHEON CO |
| LNC | AUTONATION INC |
| LTD | ROHM AND HAAS CO |
| LTR | ROWAN COS INC |
| LXK | RYDER SYSTEM INC |
| M | SAFEWAY INC |
| MAR | SCHERING-PLOUGH |
| MAS | SCHLUMBERGER LTD |
| MAT | SEALED AIR CORP |
| MCK | SHERWIN-WILLIAMS CO |
| MDT | SIGMA-ALDRICH CORP |
| MER | KEYCORP |
| MET | EDISON INTERNATIONAL |
| MHP | AT&T INC |

| | |
|------|------------------------------|
| MHS | SUNOCO INC |
| MI | SUNTRUST BANKS INC |
| MO | SUPERVALU INC |
| MRO | ALLEGHENY TECHNOLOGIES INC |
| MTG | TEXTRON INC |
| MWV | THERMO FISHER SCIENTIFIC INC |
| NBR | TOTAL SYSTEM SERVICES INC |
| NCC | UNITED PARCEL SERVICE INC |
| NE | UST INC |
| NEM | UNITED TECHNOLOGIES CORP |
| NOC | SPRINT NEXTEL CORP |
| NSM | VF CORP |
| NTAP | VULCAN MATERIALS CO |
| NTRS | WAL-MART STORES INC |
| NUE | WASHINGTON POST -CL B |
| NVDA | MEADWESTVACO CORP |
| NVLS | WEYERHAEUSER CO |
| OMC | WILLIAMS COS INC |
| ORCL | XEROX CORP |
| OXY | BB&T CORP |
| PBI | ANADARKO PETROLEUM CORP |
| PCAR | NOBLE CORP |
| PCL | EMC CORP/MA |
| PEG | BIG LOTS INC |
| PFG | PRICE (T. ROWE) GROUP |
| PGR | ORACLE CORP |
| PHM | GENZYME CORP |

| | |
|------|------------------------------|
| PKI | UNUM GROUP |
| PNC | PROGRESSIVE CORP- OHIO |
| PNW | TIFFANY & CO |
| PRU | ALTERA CORP |
| PTV | FREEMPORT-MCMORAN COP&GOLD |
| PX | NOVELLUS SYSTEMS INC |
| Q | BMC SOFTWARE INC |
| QLGC | CINCINNATI FINANCIAL CORP |
| R | DEVON ENERGY CORP |
| RDC | FEDERAL HOME LOAN MORTG CORP |
| RHI | STAPLES INC |
| ROH | ALLERGAN INC |
| RTN | SYMANTEC CORP |
| S | WASHINGTON MUTUAL INC |
| SEE | EOG RESOURCES INC |
| SGP | ELECTRONIC ARTS INC |
| SHW | XILINX INC |
| SIAL | JONES APPAREL GROUP INC |
| SLB | AES CORP. (THE) |
| SPG | XL CAPITAL LTD |
| SPLS | MGIC INVESTMENT CORP/WI |
| STI | BIOGEN IDEC INC |
| SUN | TIME WARNER INC |
| SVU | PRAXAIR INC |
| SWY | BOSTON SCIENTIFIC CORP |
| SYMC | KOHL'S CORP |

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| T | BED BATH & BEYOND INC |
| TGT | DYNEGY INC |
| THC | COMPUWARE CORP |
| TIF | WATSON PHARMACEUTICALS INC |
| TMO | HUMANA INC |
| TROW | ALLSTATE CORP |
| TRV | MARRIOTT INTL INC |
| TSS | SIMON PROPERTY GROUP INC |
| TWX | EASTMAN CHEMICAL CO |
| TXT | QLOGIC CORP |
| UNM | APARTMENT INVT &MGMT -CL A |
| UPS | CAPITAL ONE FINANCIAL CORP |
| UST | CAMERON INTERNATIONAL CORP |
| UTX | QWEST COMMUNICATION INTL INC |
| VFC | LEXMARK INTL INC -CL A |
| VMC | WATERS CORP |
| VZ | NETWORK APPLIANCE INC |
| WAT | CITRIX SYSTEMS INC |
| WB | HARTFORD FINANCIAL SERVICES |
| WFC | YAHOO INC |
| WLP | TRAVELERS COS INC |
| WM | E TRADE FINANCIAL CORP |
| WMB | YUM BRANDS INC |
| WMT | FEDERATED INVESTORS INC |
| WPI | CONVERGYS CORP |

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| WPO | EBAY INC |
| WY | NVIDIA CORP |
| WYE | PACTIV CORP |
| XL | METLIFE INC |
| XLNX | PRUDENTIAL FINANCIAL INC |
| XRX | ZIMMER HOLDINGS INC |
| YHOO | WELLPOINT INC |
| YUM | GAMESTOP CORP |
| ZMH | PRINCIPAL FINANCIAL GRP INC |