Appendix: Principles for Tying Equity Compensation to Long-Term Performance

Principle 1: Executives should not be free to unload restricted stock and options as soon as they vest except to the extent necessary to cover any taxes arising from vesting.

Principle 2: Executives' ability to unwind their equity incentives should not be tied to retirement.

Principle 3: After allowing for any cashing out necessary to pay any taxes arising from vesting, equity-based awards should be subject to grant-based limitations on unwinding that allow them to be unwound only gradually, beginning some time after vesting.

Principle 4: All equity-based awards should be subject to aggregate limitations on unwinding so that, in each year (including a specified number of years after retirement), the executive may unwind no more than a specified percentage of the executive's equity incentives that is not subject to grant-based limitations on unwinding at the beginning of the year.

Principle 5: The timing of equity awards to executives should not be discretionary. Rather, such grants should be made only on prespecified dates.

Principle 6: To reduce the potential for gaming, the terms and amount of post-hiring equity awards should not be based on the grant-date stock price.

Principle 7: To the extent that executives have discretion over the timing of sales of equity incentives not subject to unwinding limitations, executives should announce sales in advance. Alternatively, the unloading of executives' equity incentives should be effected according to a prespecified schedule put in place when the equity is originally granted.

Principle 8: Executives should be prohibited from engaging in any hedging, derivative, or other transaction with an equivalent economic effect that could reduce or limit the extent to which declines in the company's stock price would lower the executive's payoffs or otherwise materially dilute the performance incentives created by the company's equity-based compensation arrangements.