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RADFORD VALUATION SERVICES

Aon's Radford ShareVal: Communication Tool for Relative TSR Plans

As accounting and disclosure rules change, employers are turning away from traditional stock option plans in a quest for more innovative programs that better align employee rewards with real-world market performance. Equity compensation approaches based upon market conditions, including relative total shareholder return (TSR) plans, are gaining favor in the marketplace. Awards are granted at the beginning of a performance period across a broad spectrum of employees. At the end of the period, the awards vest according to a schedule reflecting the organization's ranking within an established peer group or index, such as the S&P 500.

Typical TSR Plan Vesting Schedule

Radford's ShareVal communication tools allows companies with TSR programs to clearly communicate to plan participants how their equity vesting percentage ties to the relative ranking of a company within an index or peer group during a performance period. ShareVal:

Company X Stock Performance Within Peer Group	Recipient's Equity Payout as a % of Target
75th Percentile and Above	200%
Between the 50th and 75th Percentile	100% - 199%
Between the 50th and 25th Percentile	0% - 199%
Below the 25th Percentile	0%

- > Provides plan participants with an online, "real-time" snapshot of TSR rank as of prior business day; one-time, quarterly, or annual paper statements also available
- > Offers a direct line of sight between the company's market performance and reward for the grant recipient
- > Reinforces the concept of stock price appreciation and keeps recipient engaged in the reward concept
- > Allows for easy auditability of TSR plans and simplifies calculation of earnings per share

Effective Employee Communication

Incentive compensation programs effectively deliver the desired results of attraction, motivation and retention only when employees fully understand and appreciate their value. All statements are developed by Aon's Benefits® service, a recognized leader in personalized communication for over 40 years. Our Benefits team will work with you to develop a concise personalized statement of the program for each eligible employee. The solution serves three critical functions:

- > Provides a direct line of sight between performance and reward
- > Motivates employees to put forth their best efforts to drive stock appreciation comparatively against the company's peer group
- > Supports human resources and finance functions through a resulting auditable calculation of the number of awards earned

Future Stock Price	Stock Options Payout ¹	Restricted Shares Payout ²	Performance Shares % Vest ⁴	Payout ³
\$1.00	\$0	\$333	0.00%	\$0
\$2.00	\$0	\$666	0.00%	\$0
\$3.00	\$0	\$999	0.00%	\$0
\$4.00	\$0	\$1,332	0.00%	\$0
\$5.00	\$0	\$1,665	0.00%	\$0
\$6.00	\$0	\$1,998	0.00%	\$0
\$7.00	\$0	\$2,331	0.00%	\$0
\$8.00	\$0	\$2,664	0.00%	\$0
\$9.00	\$0	\$2,997	16.00%	\$480
\$10.00	\$0	\$3,330	36.00%	\$1,199
\$11.00	\$1,000	\$3,663	56.00%	\$2,051
\$12.00	\$2,000	\$3,996	72.00%	\$2,877
\$13.00	\$3,000	\$4,329	88.00%	\$3,810
\$14.00	\$4,000	\$4,662	100.00%	\$4,662
\$15.00	\$5,000	\$4,995	108.00%	\$5,395
\$16.00	\$6,000	\$5,328	112.00%	\$5,967
\$17.00	\$7,000	\$5,661	116.00%	\$6,567
\$18.00	\$8,000	\$5,994	124.00%	\$7,433
\$19.00	\$9,000	\$6,327	128.00%	\$8,099
\$20.00	\$10,000	\$6,660	132.00%	\$8,791
\$21.00	\$11,000	\$6,993	136.00%	\$9,510
\$22.00	\$12,000	\$7,326	140.00%	\$10,256
\$23.00	\$13,000	\$7,659	144.00%	\$11,029
\$24.00	\$14,000	\$7,992	148.00%	\$11,828
\$25.00	\$15,000	\$8,325	152.00%	\$12,654
\$26.00	\$16,000	\$8,658	156.00%	\$13,506
\$27.00	\$17,000	\$8,991	160.00%	\$14,386
\$28.00	\$18,000	\$9,324	164.00%	\$15,291
\$29.00	\$19,000	\$9,657	168.00%	\$16,224
\$30.00	\$20,000	\$9,990	172.00%	\$17,183
\$31.00	\$21,000	\$10,323	176.00%	\$18,168
\$32.00	\$22,000	\$10,656	180.00%	\$19,181
\$33.00	\$23,000	\$10,989	180.00%	\$19,780
\$34.00	\$24,000	\$11,322	184.00%	\$20,832
\$35.00	\$25,000	\$11,655	188.00%	\$21,911
\$36.00	\$26,000	\$11,988	192.00%	\$23,017
\$37.00	\$27,000	\$12,321	192.00%	\$23,656
\$38.00	\$28,000	\$12,654	196.00%	\$24,802
\$39.00	\$29,000	\$12,987	200.00%	\$25,974
\$40.00	\$30,000	\$13,320	200.00%	\$26,640

1 Based on 1000 options at \$10 grant price

2 Based on a 33% conversion ratio (333 restricted shares)

3 Based on 333 performance shares for target

4 Hypothetically determined based upon returns and general index returns

Payout Functions of Relative TSR Plans

Relative TSR plans can be designed to deliver upside opportunities for wealth accumulation, similar to those available under traditional stock option programs. The chart below compares potential payouts at various ending stock prices under a traditional stock option plan; a restricted shares arrangement (converted at a 3:1 ratio); and a performance shares program. Payouts are based on a \$10 stock price at grant.

The performance shares arrangement carries the following advantages:

- > Allows for potential compensation delivery in down markets, especially effective when an organization performs well during a depressed market period
- > Limits compensation delivery for übergrowth companies if the payout is capped - an advantage when excessive compensation creates retention issues

