Analysis of Reasonable Compensation for Unique Companies or Unique Employees

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Discussion Outline

- Reasons to conduct a reasonableness of compensation analysis
- Alternative standards by which to determine reasonableness of compensation
- Two categories of reasonableness of compensation analysis
- Multiple factor test analyses
- Independent investor test analyses
- Considerations in a reasonableness of compensation analysis
- Multiple factor test illustrative example
- Independent investor test illustrative example
- Reasonableness of compensation analysis caveats
- Summary and conclusion, questions and discussion
Reasons to Conduct the Reasonableness of Compensation Analysis

- More obvious reasons
  1. Income normalization adjustment—when valuing a controlling ownership interest in a business or professional practice
  2. C corporation – shareholder/employee compensation too high
     S corporation – shareholder/employee compensation too low
  3. Family law – too high compensation causes understated business value
     - too low compensation causes understated alimony
Reasons to Conduct the Reasonableness of Compensation Analysis (cont.)

• Less obvious reasons
  1. Shareholder litigation
     • shareholder oppression – too high compensation results in understated dividends and capital gains
     • dissenting shareholder appraisal rights – too high compensation results in understated fair value of stock
  2. Tort litigation
     • breach of fiduciary duty claims
     • dissipation of corporate assets claims
  3. Breach of contract litigation
     • breach of joint venture agreement
     • breach of partnership agreement
Reasons to Conduct the Reasonableness of Compensation Analysis (cont.)

• Less obvious reasons (cont.)
  4. Not-for-profit entity concerns
    • private inurement and excess benefits related to excess physician/executive compensation
    • Medicare fraud and abuse
  5. ESOP/ERISA litigation
    • claims against trustee for allowing excess compensation
  6. Private equity fund (or other investor) negotiation of the terms of the private company investment
Tax Deduction for Employee/Shareholder Compensation

- IRC Section 162(a)(1) allows a deduction for compensation that is “a reasonable allowance for salaries or other compensation for personal sources actually rendered”

- The four requirements for an employee compensation deduction described in Regulation 1.162-7 are:
  1. an ordinary and necessary expense,
  2. reasonable in amount,
  3. based on services actually rendered, and
  4. actually paid or incurred by the taxpayer corporation.
Tax Deduction for Employee/Shareholder Compensation (cont.)

- According to Regulations 1.162-7 and 1.1032-1, a taxpayer corporation may deduct a shareholder/executive compensation payment that is based on a percentage formula. The percentage formula may be:
  - a percent of corporation revenue,
  - a percent of corporation earnings, or
  - a percent of some of corporation income measure.

- However, the formula-based compensation payments should be:
  - reasonable in amount,
  - based on services actually performed, and
  - paid or incurred in the year in which the deduction is claimed.
Considerations in the Reasonable Compensation Analysis

• What is meant by reasonable compensation?
  – maximum supportable level of compensation?
  – greater than mean or median?
  – greater than 75th percentile?
  – greater than 90th, 95th, 98th percentile?

• Tie the quantitative analysis into the “story” of the employee’s performance

• Describe why superior company performance is due to the employee and not due to:
  – favorable market conditions
  – competitors’ failures
  – intangible assets and intellectual property
  – being in the right place at the right time
Considerations in the Reasonable Compensation Analysis (cont.)

- What are comparable companies?
  - same SIC code
  - same size – revenue, profits, assets, equity
  - same income tax status
  - same criteria as used to select BV comparable companies

- When analyzing comparable companies, consider all forms of executive compensation
  - salary and bonus
  - stock and stock options
  - use of company assets
  - other employee benefits

- What are “comparable employees” at “comparable companies”?
Considerations in the Reasonable Compensation Analysis (cont.)

- When analyzing comparable executives at comparable companies, remember that private company executive titles may not be comparable to public company executive titles.
- Touch all the bases (consider all the factors) in whatever multiple factor test you select.
- For tax-related compensation disputes, consider what alternative judicial jurisdictions are available to the taxpayer.
Additional Factors to Consider in Analysis of Shareholder/Employee Compensation

- Personal guarantee for company debt
- Personal guarantee for company leases
- Personal guarantee for company contracts
- Also serves on board of directors
- Also serves as trustee for the company retirement plan
- Often, shareholder/executive is the last person to be paid salary and/or bonus
Reasonable Compensation versus Ownership Control Adjustments

- Don’t confuse (or double count) excess compensation adjustments with other ownership control normalization adjustments:
  - company paid vacations
  - company paid club dues
  - use of company assets (car, plane, homes)
  - lease of related party assets
  - phantom employees
  - debt to/from the company
  - company-paid personal expenses
  - other
Illustrative Multi-Factor Test
Judicial Precedent

- **Mayson Manufacturing Co.**
  178 F.2d 115 (6th Cir. 1949)
  (factors also included in the *Internal Revenue Manual*)

- **Elliotts, Inc.**
  716 F.2d 1241 (9th Cir. 1983)

- **Trucks, Inc. v. U.S.**

- **Pulsar Components International, Inc.**
  TCM 1996-129
Illustrative Independent Investor Test Judicial Precedent

- Exacto Spring Corp. v. Commissioner
  196 F.3d 833 (7th Cir. 1999)

- Menard Inc.
  560 F.3d 620 (7th Cir. 2009)
Excess Benefit and Private Inurement Judicial Precedent

- *People ex rel. Spitzer v. Grasso*
  2006 WL 3016952 (NY sup)
  NYSE CEO

- *Vacco v. Diamandopoulos*
  185 Misc 2d 7294 (NY sup 1998)
  Adelphi University president

- non-litigated AG investigation of Harvard University endowment fund manager
- non-litigated AG investigation of American University president
- non-litigated AG investigation of J. Paul Getty Trust president
- non-litigated IRS investigation of The Nature Conservatory president
- audits by IRS, state attorneys general, Office of Inspector General (for healthcare entities), and other regulatory authorities
Mayson Manufacturing Co.
Multi-Factor Test

- The eight *Mayson* multi-factor tests follow:
  1. the employee’s particular qualifications for the job,
  2. the nature, scope, and extent of the work actually performed by the employee,
  3. the size and complexity of the subject business enterprise,
  4. the economic conditions and background of the industry involved,
  5. the subject company’s dividend history
  6. comparable salaries paid in the industry,
  7. the compensation paid to the subject company's other employees, and
  8. the subject employee prior years’ compensation (especially for years in which the employee was clearly undercompensated).

*Mayson Manufacturing Co.*, 178 F.2d 115 (6th Cir. 1949)
Elliotts and Multi-Pak Multi-Factor Test

- The *Elliotts, Inc.* (and the *Multi-Pak Corp.*) five reasonableness of compensation factors follow:
  1. the employee’s role in the subject corporation,
  2. an external comparison with other comparable companies,
  3. the character and the condition of the subject corporation,
  4. any potential conflicts of interest, and
  5. the internal consistency of executive compensation practices within the subject corporation.

*Elliotts, Inc.*, 716 F.2d 1241 (9th Cir. 1983)
The *Trucks, Inc.* Multi-Factor Test

- The *Trucks, Inc.* v. *U.S.* multi-factor tests follow:
  1. employee qualifications and training
  2. nature, extent, and scope of employee duties
  3. responsibilities and number of hours involved
  4. size and complexity of the subject business
  5. results of the employee’s efforts
  6. prevailing rates for comparable employees in comparable businesses
  7. ratio of compensation to company growth and net income (measured before salaries and tax)
  8. absence of usual fringe benefits (pension or profit-sharing plan, stock options, etc.), which are available to executives of other companies of comparable size
  9. employee’s responsibility for the company’s inception and/or success
  10. time of year the compensation was determined and by whom
The *Trucks, Inc.* Multi-Factor Test (cont.)

- The *Trucks, Inc. v. U.S.* multi-factor tests follow: (cont.)
  11. correlation between the shareholder/executive compensation and his/her ownership interest
  12. the corporation’s dividend history
  13. prevailing economic conditions
  14. examination of the financial condition of the subject company after paying the compensation
  15. whether an independent investor would be willing to compensate the shareholder/executive at the amount that he/she was compensated

Pulsar Components International, Inc. Multi-Factor Tests

- The *Pulsar Components International, Inc.* multi-factor tests follow:
  1. the employee’s qualifications
  2. the nature, extent, and scope of the employee’s work
  3. the size and complexities of the employer’s business
  4. a comparison of salaries paid with the employer’s gross and net income
  5. the prevailing general economic conditions
  6. a comparison of salaries with distributions to officers and retained earnings
  7. the prevailing rates of compensation for comparable positions in comparable concerns
  8. the salary policy of the employer as to all employees
  9. the compensation paid to the particular employee in previous years the employer’s financial condition
  10. whether the employer and the employee dealt at arm’s-length
Pulsar Components International, Inc. Multi-Factor Tests (cont.)

- The *Pulsar Components International, Inc.* multi-factor tests follow: (cont.)
  11. whether the employee guaranteed the employer’s debt
  12. whether the employer offered a pension plan or profit sharing plan to its employees
  13. whether the employee was reimbursed by the employer for business expenses that the employee paid personally

*Pulsar Components International, Inc.*, TCM 1996-129
General Sources of Executive Compensation

• Subscription-Based Sources
  – Compdata Surveys, Dolan Technologies, Corp.,
    www.compdatasurveys.com
  – Compensation.BLR.com, Business & Legal Resources,
    www.blr.com
  – CompQuest Online, Towers Watson Data Sources,
    www.twdataservices.com
  – EquilarInsight, Equilar, Inc., www.equilar.com
  – Executive Compensation Assessor, Economic Research Institute,
    www.erieri.com
  – Kenexa CompAnalyst Executive, Kenexa, Inc.,
    www.kenexa.com
General Sources of Executive Compensation (cont.)

- Free or Inexpensive Sources
  - Salary.com for Business, Salary.com, [www.salary.com](http://www.salary.com)
Selected Healthcare Compensation Sources

• **AAMC Data Book: Medical Schools and Teaching Hospitals by the Numbers**, Association of American Medical Colleges, annual. Contains a section on total compensation attributable to teaching, patient care, and research for full-time faculty at accredited medical schools.

• **Academic Practice Compensation and Production Survey for Faculty and Management**, Medical Group Management Association, annual. Provides compensation and productivity information for full-time equivalent faculty physicians and nonphysician providers and compensation for executives and middle managers employed at academic medical centers and teaching hospitals.

• **Hospital Salary & Benefits Report**, Hospital & Healthcare Compensation Service, annual. Provides salaries and bonuses for 179 hospital positions including management, nursing, therapy, laboratory, radiological, rehabilitation, dietary, pharmacy, technical, and clerical.
Selected Healthcare Compensation Sources (cont.)

- *Management Compensation Survey*, Medical Group Management Association, annual. Provides annual compensation and benefit information for physician executives, executive management, senior management, general management, specialists, and supervisors within a medical group practice environment.

- *Medical Group Compensation and Financial Survey*, American Medical Group Association, annual. Provides compensation and productivity data for various medical specialties for physicians, nonphysician providers, and administrative staff.

- *MGMA Physician Compensation and Production Survey*, Medical Group Management Association, annual. Provides ranges of compensation and productivity for both full-time equivalent physicians and nonphysician providers.
Selected Healthcare Compensation Sources (cont.)

Illustrative Example of ERI
Executive Compensation Assessor

- Illustrative fact set: Pharmaceutical company CEO
- Industry SIC or NAICS code: SIC code 2830
- Area: Chicago, Illinois
- Organization size (revenue): $4,000,000,000
- Planning date (can be historical): September 30, 2012
- Position: CEO

- It is possible to select the mean or median. The percentiles can also be changed. The lowest percentile is 10% and the highest percentile is 90%.
EXECUTIVE COMPENSATION ASSESSOR

Position Description

Chief Executive Officer

Alternate Titles
CEO; Chairman of the Board & CEO; Executive Director CEO; President; Top Executive; Top Executive Officer; Top Group Executive

Overview
Plans, develops, establishes, and oversees interpretation and implementation of policies and objectives of organization in accordance with board directives and corporation charter.

Typical Functions
Responsible for the profitability of the entire organization.

Holds position of the top executive and principal organization leader in the organization.

This position is distinguished from others in that it is the top ranking executive and, in most cases, is the highest paid executive in the organization.

Confers with organization officials to plan business objectives, to develop organizational policies to coordinate functions and operations between divisions and departments, and to establish responsibilities and procedures for attaining objectives.

Reviews activity reports and financial statements to determine progress and status in attaining objectives and revises objectives and plans in accordance with current conditions.

Directs and coordinates formulation of financial programs to provide funding for new or continuing operations to maximize returns on investments, and to increase productivity.

Plans and develops industrial, labor, and public relations policies designed to improve company's image and relations with customers, employees, stockholders, and public.

Evaluates performance of executives for compliance with established policies and objectives of firm and contributions in attaining objectives.

May preside over Board of Directors.

May serve as chairman of committees, such as management, executive, engineering, and sales.
ERI Data Example (cont.)
EXECUTIVE COMPENSATION ASSESSOR
Individual Position Profile

Chief Executive Officer

<table>
<thead>
<tr>
<th>Revenue</th>
<th>25th Percentile</th>
<th>Survey Median</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,000,000,000</td>
<td>1,738,918</td>
<td>2,269,102</td>
<td>2,958,610</td>
</tr>
<tr>
<td>3,800,000,000</td>
<td>1,711,706</td>
<td>2,233,576</td>
<td>2,912,265</td>
</tr>
<tr>
<td>3,500,000,000</td>
<td>1,686,795</td>
<td>2,177,555</td>
<td>2,839,182</td>
</tr>
</tbody>
</table>

Specifications

Prepared For:
Area: Chicago, Illinois
Industry: Pharmaceuticals
Industry Codes: SIC: 2833, NAICS: 325400, NA: 2833
Organization Size: 4,000,000,000 (Revenue)
Planning Date: September 27, 2012
Database as of: July 1, 2012
Annualized Salary Trend: (unavailable)
eDOT: 189.117-026
O*Net/SOC: 111011
Printout Date: September 27, 2012
ERI Data File: (items in bold affect salary estimates)

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(425) 516-0500 FAX (425) 885-5991 Internet: http://www.eriief.com E-MAIL: info@eriief.com

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Illustrative Presentation to the Alpha Institute of Medical Research Compensation Committee
October 1, 2012

Reasonableness of Compensation
Paid to Certain Senior Executives
Reasonableness of Executive Compensation Analysis – Objective of the Analysis

• We performed an analysis to conclude the reasonableness of executive compensation paid to certain executives by the Alpha Institute of Medical Research (“Alpha”).

• We analyzed the compensation paid to the following executives:
  – Benjamin Beta (“Mr. Beta”) is the Alpha chief executive officer and chairman of the board.
  – Gary Gamma, M.D. (“Dr. Gamma”) is the Alpha president and chief operating officer. He is also responsible for, and has full authority and control of, the Alpha discovery and development operations.
  – David Delta (“Mr. Delta”) is the Alpha executive vice president and chief financial officer.
  – Edward Epsilon, Esq. (“Mr. Epsilon”) is the Alpha chief legal officer.
  – Zachariah Zeta, Ph.D. (“Dr. Zeta) is the Alpha scientific director.
Reasonableness of Executive Compensation Analysis – Purpose of the Analysis

• Tax-exempt organizations, as defined in Section 501(c)(3), are prohibited from providing private inurement (that is, giving excess benefits to private individuals). Section 4958 defines an excess benefit transaction as “any transaction in which an economic benefit is provided by an applicable tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit.”

• Prohibited transactions for tax-exempt organizations, as defined in Section 503, include payment of compensation “in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered.”
Reasonableness of Executive Compensation Analysis – Purpose of the Analysis (cont.)

• For for-profit organizations, Regulation 1.162-7(b)(3) defines reasonable compensation as “such amount as would ordinarily be paid for like services by like enterprises under like circumstances.”

• For purposes of this analysis, reasonable compensation is the amount that would ordinarily be paid for like services by like enterprises under like circumstances, not exceeding the value of the personal services rendered.
Reasonableness of Executive Compensation Analysis – Framework and Relevant Factors

- The *Internal Revenue Manual* lists the factors that the Service considers in its determination of the reasonableness of executive compensation, for both for-profit entities and not-for-profit entities.

- The *Internal Revenue Manual* factors are often referred to as the *Mayson* factors, because they were first listed in *Mayson Mfg. Co. v. Commissioner*, 178 F.2d 115, 119 (6th Cir. 1949).
Reasonableness of Executive Compensation Analysis – Three Benchmark Analyses

- Analysts typically use the following three benchmark analyses to estimate reasonable compensation for not-for-profit entity executives:
  - a salary survey analysis,
  - a proxy statement analysis, and
  - a financial ratio analysis.

- **Salary Survey Analysis**
  - First, we estimated a range of reasonable compensation by reference to published executive compensation survey data. We relied on the following two executive compensation surveys:
    - Economic Research Institute (ERI)
    - Towers Watson Data Services
  - However, these two surveys do not include any non-cash compensation, such as awards of stock or stock options.
  - In order to provide a compensation package that is competitive with what executives could earn at for-profit organizations, Alpha will have to offer higher levels of cash compensation.
Reasonableness of Executive Compensation Analysis – Three Benchmark Analyses (cont.)

- Proxy Statement Analysis
  - Second, we performed an analysis of compensation, including the value of stock awards and stock options granted, paid by public companies in health-related industries. These compensation amounts are reported on proxy statements or other SEC documents.
Reasonableness of Executive Compensation Analysis – Three Benchmark Analyses (cont.)

- Financial Ratio Analysis
  - Third, we calculated the ratios of (1) total officer/director compensation to year end fund balance and (2) total officer/director compensation to beginning of year total assets for not-for-profit health-related and medical organizations. We applied these ratios to the Alpha fund balance and the Alpha total assets.
  - Next, we subtracted the compensation paid to the Alpha officers/directors (other than each subject executive) in order to estimate the reasonableness of compensation paid to each executive.
  - This analysis estimates the amount of compensation “available” to pay to each executive while keeping the total amount of officer/director compensation within a reasonable range.
Reasonableness of Executive Compensation Analysis – Three Benchmark Analyses (cont.)

• We did not assign specific weight to the third analysis in our final conclusion.

• The financial ratio analysis confirmed that the amount of compensation concluded from (1) the salary surveys and (2) the public company proxy statements fell within a reasonable range.
### Salary Survey Analysis – Benjamin Beta

**ERI Executive Compensation Assessor for Chairman of the Board and Chief Executive Officer**

<table>
<thead>
<tr>
<th>Industry Description</th>
<th>75th Revenue</th>
<th>Median Compensation</th>
<th>75th Percentile Compensation</th>
<th>85th Percentile Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>2,000,000,000</td>
<td>1,726,945</td>
<td>2,251,770</td>
<td>2,529,542</td>
</tr>
<tr>
<td>General Medical and Surgical Hospitals</td>
<td>2,000,000,000</td>
<td>1,187,832</td>
<td>1,680,086</td>
<td>1,940,620</td>
</tr>
<tr>
<td>Medical Laboratories</td>
<td>2,000,000,000</td>
<td>1,203,270</td>
<td>1,701,921</td>
<td>1,965,842</td>
</tr>
<tr>
<td>Research, Development, and Testing</td>
<td>2,000,000,000</td>
<td>1,420,324</td>
<td>1,940,257</td>
<td>2,215,440</td>
</tr>
</tbody>
</table>

**Towers Watson Compensation Regression Analysis for Chief Executive Officer**

<table>
<thead>
<tr>
<th>Industry Description</th>
<th>75th Revenue</th>
<th>Median Compensation</th>
<th>75th Percentile Compensation</th>
<th>85th Percentile Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Organizations (excluding financial services)</td>
<td>2,000,000,000</td>
<td>1,357,026</td>
<td>1,992,461</td>
<td>2,397,186</td>
</tr>
<tr>
<td>High Technology</td>
<td>2,000,000,000</td>
<td>1,382,535</td>
<td>1,895,800</td>
<td>2,203,218</td>
</tr>
<tr>
<td>Health Care</td>
<td>2,000,000,000</td>
<td>1,516,021</td>
<td>2,004,790</td>
<td>2,293,524</td>
</tr>
<tr>
<td>Engineering Services</td>
<td>2,000,000,000</td>
<td>1,293,578</td>
<td>1,803,108</td>
<td>2,115,755</td>
</tr>
</tbody>
</table>

### Indicated Range of Reasonable Annual Compensation Levels

<table>
<thead>
<tr>
<th>Range of Annual Compensation</th>
<th>Low</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Survey Analysis</td>
<td>955,888</td>
<td>2,307,516</td>
<td>1,631,702</td>
</tr>
<tr>
<td>Towers Watson Regression Analysis</td>
<td>1,119,185</td>
<td>2,212,936</td>
<td>1,666,061</td>
</tr>
</tbody>
</table>

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**Willamette Management Associates**

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## Total Compensation Excluding Stock Options

<table>
<thead>
<tr>
<th>Guideline Company Size</th>
<th>Number of Guideline Companies</th>
<th>Median Compensation</th>
<th>25th Percentile Compensation</th>
<th>75th Percentile Compensation</th>
<th>84th Percentile Compensation</th>
<th>Average Compensation</th>
<th>Executives Receiving Option Awards</th>
<th>Average Value of Option Awards</th>
<th>Average Receiving Value of Option Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies with $3.5 Billion in Assets - $10 Billion in Assets</td>
<td>16</td>
<td>6,469,537</td>
<td>4,623,484</td>
<td>7,940,983</td>
<td>8,550,719</td>
<td>6,214,968</td>
<td>50.0%</td>
<td>1,893,767</td>
<td></td>
</tr>
<tr>
<td>Companies with $800 Million in Assets - $3.5 Billion in Assets</td>
<td>23</td>
<td>2,911,174</td>
<td>2,129,020</td>
<td>4,414,061</td>
<td>5,934,264</td>
<td>3,771,740</td>
<td>82.6%</td>
<td>3,107,879</td>
<td></td>
</tr>
<tr>
<td>Companies with $500 Million in Assets - $800 Million in Assets</td>
<td>11</td>
<td>1,583,158</td>
<td>917,910</td>
<td>1,993,104</td>
<td>2,199,257</td>
<td>1,509,846</td>
<td>45.5%</td>
<td>813,173</td>
<td></td>
</tr>
</tbody>
</table>

## Indicated Range of Reasonable Annual Compensation [a]

<table>
<thead>
<tr>
<th>Type of Compensation</th>
<th>Low</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation Excluding Stock Options, Median - 84th Percentile</td>
<td>2,911,174</td>
<td>5,934,264</td>
<td>4,422,719</td>
</tr>
<tr>
<td>Zero to Average Option Awards</td>
<td>-</td>
<td>3,107,879</td>
<td>1,553,940</td>
</tr>
<tr>
<td>Total Annual Compensation</td>
<td>2,911,174</td>
<td>9,042,143</td>
<td>5,976,658</td>
</tr>
</tbody>
</table>

**Footnote:**

[a] Using guideline companies with $800 million in assets to $3.5 billion in assets. This range of asset size represents approximately 50 percent to 200 percent of the 9/30/2012 total asset size of Alpha.
## Supplemental Financial Ratio Analysis: Benjamin Beta

**ASSET BALANCE FROM $800,000,000 TO $3,500,000,000**

**NATIONAL CENTER FOR CHARITABLE STATISTICS - FORM 990 CORE FILES**

**ANNUAL COMPENSATION AS A PERCENT OF TOTAL ASSETS**

<table>
<thead>
<tr>
<th>Total Assets at Beginning of Year</th>
<th>Compensation of Officers/ Directors</th>
<th>Compensation as a % of Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,224,691,848</td>
<td>$200,247</td>
<td>0.006%</td>
</tr>
<tr>
<td>$3,023,233,140</td>
<td>$9,433,421</td>
<td>0.312%</td>
</tr>
<tr>
<td>$2,958,848,111</td>
<td>$8,230,168</td>
<td>0.278%</td>
</tr>
<tr>
<td>$2,950,889,948</td>
<td>$10,426,468</td>
<td>0.353%</td>
</tr>
<tr>
<td>$2,930,050,297</td>
<td>$4,879,958</td>
<td>0.167%</td>
</tr>
<tr>
<td>$2,775,777,168</td>
<td>$4,297,831</td>
<td>0.155%</td>
</tr>
<tr>
<td>$2,736,974,953</td>
<td>$12,844,548</td>
<td>0.469%</td>
</tr>
<tr>
<td>$2,727,541,033</td>
<td>$11,420,955</td>
<td>0.419%</td>
</tr>
<tr>
<td>$2,694,067,000</td>
<td>$12,251,000</td>
<td>0.455%</td>
</tr>
<tr>
<td>$2,578,396,030</td>
<td>$12,950,331</td>
<td>0.502%</td>
</tr>
<tr>
<td>$800,504,683</td>
<td>$4,337,604</td>
<td>0.542%</td>
</tr>
</tbody>
</table>

**Median Total Compensation as a % of Total Assets** 0.465%

**25th Percentile Total Compensation as a % of Total Assets** 0.248%

**75th Percentile Total Compensation as a % of Total Assets** 0.668%

**84th Percentile Total Compensation as a % of Total Assets** 0.841%
Supplemental Financial Ratio Analysis: Benjamin Beta (cont.)

**FUND BALANCE FROM $600,000,000 TO $2,500,000,000**

**NATIONAL CENTER FOR CHARITABLE STATISTICS - FORM 990 CORE FILES**

**ANNUAL COMPENSATION AS A PERCENT OF FUND BALANCE**

<table>
<thead>
<tr>
<th>Fund Balance at End of Year</th>
<th>Compensation of Officers/ Directors</th>
<th>Name of Organization</th>
<th>Compensation as a % of Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,038,637,976</td>
<td>4,297,831</td>
<td>TEXAS CHILDREN'S HOSPITAL</td>
<td>0.211%</td>
</tr>
<tr>
<td>$1,907,013,413</td>
<td>2,608,082</td>
<td>ST JUDE CHILDREN'S RESEARCH HOSPITAL INC</td>
<td>0.137%</td>
</tr>
<tr>
<td>$1,849,945,551</td>
<td>25,167,194</td>
<td>ADVOCATE HEALTH AND HOSPITALS CORPORATION</td>
<td>1.360%</td>
</tr>
<tr>
<td>$1,831,220,400</td>
<td>9,433,421</td>
<td>TRINITY HEALTH-MICHIGAN</td>
<td>0.515%</td>
</tr>
<tr>
<td>$1,757,202,000</td>
<td>11,307,000</td>
<td>MEMORIAL SLOAN-KETTERING CANCER CENTER</td>
<td>0.643%</td>
</tr>
<tr>
<td>$1,727,020,143</td>
<td>8,230,168</td>
<td>SISTERS OF ST FRANCIS HEALTH SERVICES INC</td>
<td>0.477%</td>
</tr>
<tr>
<td>$1,722,056,000</td>
<td>6,586,000</td>
<td>UNIVERSITY HOSPITALS HEALTH SYSTEM INC</td>
<td>0.382%</td>
</tr>
<tr>
<td>$1,715,855,818</td>
<td>2,687,081</td>
<td>AMERICAN LEBANESE SYRIAN ASSOCIATION INC</td>
<td>0.157%</td>
</tr>
<tr>
<td>$1,687,332,402</td>
<td>17,827,571</td>
<td>SUTTER HEALTH</td>
<td>1.057%</td>
</tr>
<tr>
<td>$1,674,141,100</td>
<td>18,239,413</td>
<td>BANNER HEALTH</td>
<td>1.089%</td>
</tr>
<tr>
<td>$600,660,854</td>
<td>458,146</td>
<td>TOLEDO HOSPITAL</td>
<td>0.076%</td>
</tr>
</tbody>
</table>

Median Total Compensation as a % of Fund Balance: 0.588%
25th Percentile Total Compensation as a % of Fund Balance: 0.351%
75th Percentile Total Compensation as a % of Fund Balance: 0.994%
84th Percentile Total Compensation as a % of Fund Balance: 1.325%
Reasonable Compensation Conclusion – Benjamin Beta

<table>
<thead>
<tr>
<th>Benjamin Beta Compensation Analysis</th>
<th>Indicated Range of Reasonable Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Salary Survey Analysis</td>
<td>$</td>
</tr>
<tr>
<td>ERI Executive Compensation Assessor</td>
<td>955,888</td>
</tr>
<tr>
<td>Towers Watson Regression Analysis</td>
<td>1,119,185</td>
</tr>
<tr>
<td>Proxy Statement Analysis</td>
<td>$</td>
</tr>
<tr>
<td>Total Compensation Excluding Stock Options</td>
<td>2,911,174</td>
</tr>
<tr>
<td>Zero to Average Value of Option Awards</td>
<td>-</td>
</tr>
<tr>
<td>Total Annual Compensation</td>
<td>2,911,174</td>
</tr>
<tr>
<td>Financial Ratio Analysis</td>
<td>$</td>
</tr>
<tr>
<td>Total Officer Compensation as a Percent of Fund Balance/Total Assets</td>
<td>4,134,647</td>
</tr>
<tr>
<td>Conclusion (range of midpoints, excluding the financial ratio analysis)</td>
<td>Low</td>
</tr>
<tr>
<td>Indicated Total Compensation for Alpha Chairman and CEO</td>
<td>$</td>
</tr>
<tr>
<td>Benjamin Beta Range of Reasonable Compensation</td>
<td>1,631,702</td>
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</tbody>
</table>
## Supplemental Comparable Employee Analysis: Benjamin Beta

<table>
<thead>
<tr>
<th>Ending</th>
<th>Name</th>
<th>Number of Employees</th>
<th>Fund Balance</th>
<th>Total Assets</th>
<th>EOY Name</th>
<th>Title</th>
<th>Compensation from Organization</th>
<th>Compensation from Related Organizations</th>
<th>Other Compensation</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/31/2012</td>
<td>Howard Hughes Medical Institute</td>
<td>3,645</td>
<td>15,739,866,136</td>
<td>18,237,793,953</td>
<td>Robert Tjian, PhD</td>
<td>President</td>
<td>1,128,070</td>
<td>-</td>
<td>15,000</td>
<td>1,143,070</td>
</tr>
<tr>
<td>12/31/2011</td>
<td>Memorial Sloan-Kettering Cancer Center [a]</td>
<td>13,595</td>
<td>3,897,526,000</td>
<td>6,448,415,000</td>
<td>Harold Varmus, MD</td>
<td>President &amp; CEO, Board Member MSK, MEM, SKI</td>
<td>1,234,315</td>
<td>-</td>
<td>102,732</td>
<td>2,005,371</td>
</tr>
<tr>
<td>12/31/2011</td>
<td>Memorial Sloan-Kettering Cancer Center [a]</td>
<td>13,595</td>
<td>3,897,526,000</td>
<td>6,448,415,000</td>
<td>Craig Thompson, MD</td>
<td>President &amp; CEO, Board Member MSK, MEM, SKI</td>
<td>208,191</td>
<td>-</td>
<td>621</td>
<td>626,436</td>
</tr>
<tr>
<td>12/31/2011</td>
<td>The Cleveland Clinic Foundation</td>
<td>26,606</td>
<td>2,307,475,265</td>
<td>5,996,125,874</td>
<td>Deos M. Cosgrove</td>
<td>President &amp; CEO</td>
<td>2,067,498</td>
<td>-</td>
<td>246,644</td>
<td>2,314,142</td>
</tr>
<tr>
<td>12/31/2011</td>
<td>Mayo Clinic</td>
<td>19,784</td>
<td>2,182,343,031</td>
<td>6,946,835,499</td>
<td>John M. Noseworthy</td>
<td>CEO &amp; President</td>
<td>1,725,646</td>
<td>714,279</td>
<td>2,439,925</td>
<td></td>
</tr>
<tr>
<td>9/30/2012</td>
<td>Partners HealthCare Systems Inc.</td>
<td>6,065</td>
<td>(45,937,448)</td>
<td>3,349,320,793</td>
<td>James J Mongan, MD, MBA</td>
<td>President &amp; CEO/Trustee</td>
<td>1,851,358</td>
<td>301,230</td>
<td>2,152,588</td>
<td></td>
</tr>
<tr>
<td>9/30/2012</td>
<td>Partners HealthCare Systems Inc.</td>
<td>6,065</td>
<td>(45,937,448)</td>
<td>3,349,320,793</td>
<td>Gary Gottlieb, MD, MBA</td>
<td>President &amp; CEO/Trustee</td>
<td>1,576,310</td>
<td>64,972</td>
<td>1,641,282</td>
<td></td>
</tr>
<tr>
<td>9/30/2012</td>
<td>Children's Hospital Corporation (Boston)</td>
<td>10,266</td>
<td>1,852,729,107</td>
<td>3,065,308,985</td>
<td>James Mandell, MD</td>
<td>CEO/Noncomp Trustee</td>
<td>1,453,631</td>
<td>424,165</td>
<td>1,877,796</td>
<td></td>
</tr>
<tr>
<td>6/30/2012</td>
<td>Cedars-Sinai Medical Center</td>
<td>11,820</td>
<td>1,683,233,760</td>
<td>3,439,460,552</td>
<td>Thomas M. Priselac</td>
<td>President/CEO</td>
<td>2,553,663</td>
<td>1,364,544</td>
<td>3,918,207</td>
<td></td>
</tr>
<tr>
<td>6/30/2012</td>
<td>St. Jude Children's Research Hospital Inc.</td>
<td>4,025</td>
<td>2,123,249,905</td>
<td>2,440,966,547</td>
<td>William E. Evans</td>
<td>Director &amp; CEO</td>
<td>600,479</td>
<td>135,059</td>
<td>735,538</td>
<td></td>
</tr>
<tr>
<td>6/30/2012</td>
<td>Johns Hopkins Hospital</td>
<td>10,726</td>
<td>931,269,889</td>
<td>2,375,941,191</td>
<td>Ronald E. Peterson</td>
<td>President</td>
<td>1,774,090</td>
<td>144,011</td>
<td>1,918,101</td>
<td></td>
</tr>
<tr>
<td>6/30/2012</td>
<td>Baylor Health Care System</td>
<td>2,345</td>
<td>12,671,576</td>
<td>1,996,544,365</td>
<td>Joel Allison</td>
<td>President/CEO/Trustee</td>
<td>1,921,744</td>
<td>353,051</td>
<td>2,274,795</td>
<td></td>
</tr>
<tr>
<td>9/30/2012</td>
<td>The Scripps Research Institute</td>
<td>2,861</td>
<td>683,055,077</td>
<td>850,789,296</td>
<td>Richard A. Lerner, MD</td>
<td>President, CEO</td>
<td>1,039,101</td>
<td>331,227</td>
<td>1,370,328</td>
<td></td>
</tr>
<tr>
<td>9/30/2012</td>
<td>Beckman Research Institute of the City of</td>
<td>972</td>
<td>636,940,312</td>
<td>739,833,649</td>
<td>Michael A Friedman, MD</td>
<td>President and CEO</td>
<td>-</td>
<td>929,821</td>
<td>212,706</td>
<td>1,142,527</td>
</tr>
<tr>
<td>6/30/2012</td>
<td>Fred Hutchinson Cancer Research Center</td>
<td>2,074</td>
<td>193,065,264</td>
<td>555,798,313</td>
<td>Leland H. Hartwell</td>
<td>President &amp; Director</td>
<td>722,011</td>
<td>-</td>
<td>722,011</td>
<td></td>
</tr>
</tbody>
</table>

**Footnotes:**

[a] Harold Varmus, MD served as CEO for approximately 8 months and Craig Thompson, MD served as CEO for approximately 4 months. We annualized total compensation for both executives.
Summary and Conclusion: Benjamin Beta

- The total compensation paid to Mr. Beta is $1.792 million.
- Based on the results of the salary survey analysis, the reasonable annual compensation for Mr. Beta is in the range of $956,000 to $2,308,000 (rounded).
- Based on the results of the proxy statement analysis, the reasonable annual compensation for Mr. Beta is in the range of $2,911,000 to $9,042,000 (rounded).
- Synthesizing the results of the salary survey analysis and proxy statement analysis—the midpoint range of reasonable annual compensation for Mr. Beta is: $1,632,000 to $5,977,000 (rounded).
Summary and Conclusion: Benjamin Beta (cont.)

- Although we did not weight the financial ratio analysis, this analysis indicated the annual compensation available for Mr. Beta is in the range of: $4,135,000 to $14,052,000 (rounded).
- Based on our analysis, Mr. Beta’s compensation is on the lower end of the concluded range.
Illustrative Compensation Committee Presentation Summary and Conclusion

- In our analysis, we considered each of the *Internal Revenue Manual (Mayson)* factors for each executive.
- We specifically relied on the results of a salary survey analysis and a proxy statement analysis.
- We confirmed those results with a financial ratio analysis.
- We also specifically identified and considered comparable executives at comparable institutions.
- Each executive's compensation falls within a reasonable range of compensation.
Independent Investor Test Illustrative Example Fact Set

- Omega & Associates (“Omega”), a C corporation, is an independent insurance agency for AFLAC.

- Sam Psi (“Psi”) is the sole shareholder, sole officer, and sole professional employee.


- Psi’s compensation was: 2009 $875,000
  2010 $800,000
  2011 $800,000

- The analyst decided to use the independent investor test to measure the reasonableness of Psi’s compensation.
### Omega Income Statements

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total receipts</strong></td>
<td>314,724</td>
<td>443,102</td>
<td>425,811</td>
<td>597,574</td>
<td>793,651</td>
<td>1,202,040</td>
<td>1,646,998</td>
<td>1,812,048</td>
<td>1,673,379</td>
<td>1,554,512</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>266,962</td>
<td>421,006</td>
<td>479,626</td>
<td>596,905</td>
<td>727,843</td>
<td>1,197,719</td>
<td>1,576,514</td>
<td>1,584,199</td>
<td>1,654,179</td>
<td>1,594,142</td>
</tr>
<tr>
<td><strong>Special deductions</strong></td>
<td>209</td>
<td>237</td>
<td>43</td>
<td>669</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>5,254</td>
<td>4,663</td>
<td>--</td>
</tr>
<tr>
<td><strong>Taxable income</strong></td>
<td>47,553</td>
<td>21,859</td>
<td>-53,858</td>
<td>--</td>
<td>65,808</td>
<td>4,321</td>
<td>70,484</td>
<td>222,595</td>
<td>14,537</td>
<td>-39,630</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>7,133</td>
<td>3,279</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>11,452</td>
<td>648</td>
<td>12,621</td>
<td>70,062</td>
<td>2,181</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>40,420</td>
<td>18,580</td>
<td>-53,858</td>
<td>--</td>
<td>54,356</td>
<td>3,673</td>
<td>57,863</td>
<td>152,533</td>
<td>12,356</td>
<td>-39,630</td>
</tr>
<tr>
<td><strong>Profit before interest &amp; taxes</strong></td>
<td>47,553</td>
<td>21,859</td>
<td>-53,858</td>
<td>590</td>
<td>65,808</td>
<td>5,308</td>
<td>80,119</td>
<td>244,595</td>
<td>34,592</td>
<td>-36,390</td>
</tr>
<tr>
<td><strong>Pre-tax profit margin</strong></td>
<td>16.55%</td>
<td>5.34%</td>
<td>-12.54%</td>
<td>0.00%</td>
<td>8.31%</td>
<td>0.36%</td>
<td>4.28%</td>
<td>12.34%</td>
<td>0.88%</td>
<td>-2.55%</td>
</tr>
<tr>
<td><strong>After tax profit margin</strong></td>
<td>14.06%</td>
<td>4.54%</td>
<td>-23.65%</td>
<td>0.00%</td>
<td>6.86%</td>
<td>0.31%</td>
<td>3.51%</td>
<td>8.45%</td>
<td>0.75%</td>
<td>-0.26%</td>
</tr>
<tr>
<td><strong>Psi compensation</strong></td>
<td>51,390</td>
<td>234,241</td>
<td>76,794</td>
<td>205,323</td>
<td>350,000</td>
<td>416,253</td>
<td>781,442</td>
<td>875,000</td>
<td>800,000</td>
<td>800,000</td>
</tr>
</tbody>
</table>
# Omega Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>70,140</td>
<td>84,068</td>
<td>58,852</td>
<td>48,899</td>
<td>89,219</td>
<td>77,090</td>
<td>502,903</td>
<td>820,200</td>
<td>1,207,024</td>
<td>1,675,564</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>70,140</td>
<td>84,068</td>
<td>58,852</td>
<td>48,899</td>
<td>89,219</td>
<td>77,090</td>
<td>502,903</td>
<td>820,200</td>
<td>1,207,024</td>
<td>1,675,564</td>
</tr>
<tr>
<td>and stockholders'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total shareholders'</td>
<td>60,862</td>
<td>74,703</td>
<td>2,859</td>
<td>(16,457)</td>
<td>29,918</td>
<td>17,822</td>
<td>65,226</td>
<td>88,862</td>
<td>51,479</td>
<td>123,611</td>
</tr>
<tr>
<td>equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Willamette Management Associates
# Omega Actual Officer’s Compensation

<table>
<thead>
<tr>
<th>Year</th>
<th>Compensation $</th>
<th>Total Revenue $</th>
<th>Net Income $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>800,000</td>
<td>1,554,512</td>
<td>(39,630)</td>
</tr>
<tr>
<td>2010</td>
<td>800,000</td>
<td>1,673,379</td>
<td>12,356</td>
</tr>
<tr>
<td>2009</td>
<td>875,000</td>
<td>1,812,048</td>
<td>152,533</td>
</tr>
<tr>
<td>2008</td>
<td>781,442</td>
<td>1,646,998</td>
<td>57,963</td>
</tr>
<tr>
<td>2007</td>
<td>416,253</td>
<td>1,202,040</td>
<td>3,673</td>
</tr>
<tr>
<td>2006</td>
<td>350,000</td>
<td>793,651</td>
<td>54,356</td>
</tr>
<tr>
<td>2005</td>
<td>205,323</td>
<td>597,574</td>
<td>0</td>
</tr>
<tr>
<td>2004</td>
<td>76,794</td>
<td>425,811</td>
<td>(53,858)</td>
</tr>
<tr>
<td>2003</td>
<td>234,241</td>
<td>443,102</td>
<td>18,580</td>
</tr>
<tr>
<td>2002</td>
<td>51,390</td>
<td>314,724</td>
<td>40,420</td>
</tr>
</tbody>
</table>
### Omega Fair Return on Shareholder Equity Analysis

**Required Return on Equity [a]**

<table>
<thead>
<tr>
<th>Required Return on Equity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free rate [a]</td>
<td>1.96%</td>
<td>2.04%</td>
<td>2.64%</td>
</tr>
<tr>
<td>General equity risk premium [b]</td>
<td>7.20%</td>
<td>7.20%</td>
<td>7.10%</td>
</tr>
<tr>
<td>Small stock equity risk premium [b]</td>
<td>4.01%</td>
<td>4.02%</td>
<td>3.95%</td>
</tr>
<tr>
<td>Company-specific equity risk premium</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>After tax required return on equity</td>
<td>16.17%</td>
<td>16.26%</td>
<td>15.69%</td>
</tr>
<tr>
<td>Total income tax rate [c]</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Pre-tax return on equity (rounded)</td>
<td>24.5%</td>
<td>24.6%</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

**Notes:**

[a] Based on CAPM, build-up model, Duff & Phelps model, public company, DCF model, or any other cost of equity capital model

[b] Industry-adjusted

[c] Combined federal and state income tax rate
## Omega Fair Return on Shareholder Equity Analysis

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable income</td>
<td>222,595</td>
<td>14,537</td>
<td>(39,630)</td>
</tr>
<tr>
<td>Add Psi compensation</td>
<td>875,000</td>
<td>800,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Income before taxes and Psi compensation</td>
<td>1,097,595</td>
<td>814,537</td>
<td>760,370</td>
</tr>
</tbody>
</table>

### Fair return on shareholders’ equity

- **Beginning shareholders’ equity book value**: $65,226, $188,862, $151,479
- **Times required return on equity**: 24.5%, 24.6%, 23.8%
- **Fair return to shareholders**: $15,980, $46,460, $36,052

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available for officer’s compensation</td>
<td>1,081,615</td>
<td>768,077</td>
<td>724,318</td>
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<tr>
<td>Actual compensation</td>
<td>875,000</td>
<td>800,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Under/(over)-compensation</td>
<td>206,615</td>
<td>(31,923)</td>
<td>(75,682)</td>
</tr>
<tr>
<td>Cumulative under/(over)-compensation</td>
<td>206,615</td>
<td>174,692</td>
<td>99,010</td>
</tr>
</tbody>
</table>
Independent Investor Test Illustrative Example Conclusion

- During the subject three year period, Omega paid $2,475,000 in compensation to Psi.

- During the subject three year period, based on our application of the independent investor test, a reasonable level of compensation for Omega to pay to Psi was $2,574,010.

- Even though Psi earned greater than a reasonable level of compensation in 2010 and 2011, his cumulative compensation was reasonable for the subject three year period.
Reasonable Compensation Analysis Caveats

- The “multiple hats” method is not preferred by the courts
- Courts prefer that the subject employee work full time and not be an absentee owner
- Describe all of the subject employee’s activities
- Reconcile the results of the multiple factor analysis and the independent investor analysis
- Explain why you used each method within each type of analysis
- Explain why you used each data source within each type of analysis
- Narratively explain why the subject employee is responsible for any company excess earnings
- Describe all of your due diligence procedures
- The report narrative should be clear, convincing, and cogent
- The analysis should be replicable, verifiable, and transparent
Summary and Conclusion

- Reasons to conduct the reasonable compensation analysis
- Alternative standards to determine reasonableness of compensation
- Two categories of analyses
  - Multiple factor test analyses
  - Independent investor test analyses
- Considerations in the reasonableness of compensation analysis
- Multiple factor test illustrative example
- Independent investor test illustrative example
- Reasonableness of compensation analysis caveats