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Ethics and executive compensation

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Introduction

Executives in United States companies have always been compensated well for their services. This trend continues as executives' pay increases every year. Publicly traded companies must file a statement with the Securities and Exchange Commission every year disclosing the amount and type of compensation plans for their executives. The goals and measures used to determine the amount and type for their compensation is not required to be determined using the same numbers that are audited in the financial statements. Companies can award top executives based on earnings and goals that the company did not actually achieve by making unaudited earnings per share (EPS) adjustments. These adjustments are often disclosed in the annual proxy statements, however, they are usually difficult and confusing to understand. Shareholders, investors, financial analysts, and the public depend on companies having their financial statements audited and their earnings being presented fairly. Using unaudited earnings per share to determine if and how much an executive should be compensated for their services each year is a misleading and unethical practice being used increasingly more in the United States by publicly held companies.

Literature Review

There has been extensive research on various aspects of executive compensation. This has included studies on why executives are given compensation packages as well as what these packages should include in regards to cash, equity, or other forms. Stock options are becoming the preferred compensation for high income owners. The increasing gap between executives and their employees' pay has also been addressed by the financial industry. Additionally, the disclosure of compensation plans to shareholders and the shareholders' right to vote on the approval of compensation plans for their executives has been extensively studied.

Most executive compensation packages include base salary, cash bonuses, stock bonuses, stock options, a non-equity incentive plan, pension, and others. These packages for executives are put together by the board of directors and managers and must be approved by shareholders. Shareholders did not always have the right to vote to approve or deny a plan. After many protests and studies were done in the financial industry, and in response to the Recession of 2008, The Dodd–Frank Wall Street Reform and Consumer Protection Act was signed into federal law by President Obama in 2010. The law requires that shareholders vote and approve executive compensation plans for publicly traded companies (SEC). Shareholders, therefore, play a more active role in the compensation plan approval process and have a direct say in whether or not an executive receives the compensation plan created by the board of directors.

The Dodd-Frank Wall Street Reform Act was intended to give shareholders a voice in the process, to decrease shareholders' disapproval of executive compensation plans, and to decrease the extreme amounts that some executives receive in bonuses. For example, Target's Chief Executive Officer's (CEO) compensation decreased from $20 million to $13 million in response to shareholders' complaints that he made too much money relative to the company's performance (Harris). However, this is not the case in many corporations as the votes are non-binding, and the law has not had quite the effect that was expected. In 2013, "a full 72 percent of companies reporting votes have received 90 percent or more shareholder approval for their pay packages. That compares with 69 percent in both 2012 and 2011" (Eisinger B5).

Additionally, “98% of companies pass their say-on-pay votes in any given year” (Chasan). These approvals may not be the approvals that the law was hoping to require as shown by the 2014 Coca-Cola say-on-pay vote. Coca-Cola claimed in 2014 that its’ executive compensation had been approved by shareholders by an 83% approval vote. However, Coke only counted the shareholders who actually voted and three of the top six largest shareholders did not support the compensation plan and withheld from voting. If Coke were to count all shareholders in computing the vote, only 49% of the shareholders would have been calculated as approving the compensation plan (Sorkin). Shareholders gaining the vote on compensation packages is not decreasing the amounts that executives are being paid; the amounts executives are being paid through compensation plans are continuing to increase each year.

Currently, the executive compensation plans and the various parts that make up a plan are displayed in a table in companies’ proxy statements to be read by current and future investors. The disclosure of the arrangement of compensation plans was not always required. However, it was argued that shareholders did not have all of the information that they ethically should about the company they chose to invest in. The disclosure of compensation amount and structure including stock options and severance is now required by law to be filed with the SEC in companies’ proxy statements, which are available to shareholders as well as to the public following the passing of the SEC Act of 1934 and subsequent amendments. Under this law, companies are subject to Regulation S-K. This regulation requires, “clear, concise, understandable disclosure of all plan and non-plan compensation awarded to, earned by, or paid to the named executive officers…including disclosures of salary, bonuses, pension contributions, the fair value of stock, and option awards as well as the fair value of corporate benefits provided by the firm to the executive" (Bertomeu 474). The requirement of the disclosures of all executives' compensation should increase awareness and understanding of compensation plans by shareholders, investors, financial analysts, and the public.

Additionally, shareholders fought to earn the right to vote on compensation plans. The shareholders can now use the disclosed information to make informed decisions when voting for the board of directors, on the approval of compensation plans, and on other aspects of the business. This was heavily supported by Michael Oxley, co-author of the Sarbanes-Oxley law that helped overhaul corporate governance for U.S. public companies. Oxley had even predicted that, "massive intervention by the government was possible if boards failed to do a better job of reining in compensation" and that "time is running out to see some courage and some leadership by boards of directors, if that doesn't happen, somebody is going to do it [reform compensation] for them" ("The Ethics of Corporate Compensation"). The government had to pass a law to get companies to allow their shareholders to view, understand, vote, and approve the compensation plans created by the board of directors. However, this does not guarantee that shareholders fully understand the calculations used to create compensation plans or that the calculations are standardized or audited. Executive compensation alone is complex enough to generally take up about 30 pages of a company's proxy statement. This allows for companies to change the values used to compute compensation plans without using ethical decision making and without suffering any penalties for exercising unethical accounting practices. The unethical practices being used include giving executives big bonuses and compensation overall that they do not deserve based on the companies audited earnings, and not disclosing the use of non-audited financial measures that are not accepted or standardized by GAAP in creating, calculating, adjusting, and publishing their executive compensation plans. Shareholders are often unaware that these practices are being used or how to interpret the proxy statement where they are disclosed.

The compensation a company offers to an executive is influential in a person's choice to pursue a high level position in that company. A company must offer competitive compensation packages in order to attract and retain essential executives. Recently, most compensation plans are calculated on a case by case basis (Landsberg 19). This means that two people in the same position, level, and company would not necessarily receive the same bonus package. This can be beneficial to the executive based on what the executive prefers such as a plan tailoring to retirement savings, income, or equity. Compensation pay must also relate to the accomplishment of a company's goals, company mission, and vision. Corporate performance goals are often driven by financial earnings or return. Therefore, compensation is used to influence future behavior to strive for good financial performance by the company (Landsberg 19-20).

Compensation plans are determined by the board of directors and are laid out in the company's required SEC filing proxy statement. They are often computed based on the company's yearly earnings relative to their predetermined goals. The board of directors have the ability to define these goals and measures of performance however they wish, thus directly influencing the payment of their top executives.

Compensation packages for executives are shifting towards a greater inclusion of long-term incentives. Long-term incentives are more desirable because they can create a bigger return than short-term incentives. This includes cash performance rewards as well as restricted stock. This type of restricted stock does not reach full value for a specified period of time, creating time for stock prices to increase therefore increasing the compensation received. By tying the performance to compensation using stock options, CEOs should have motivation to strive to maximize stock prices to receive this pay for performance (Cormany). Stock options and shares were 63% of total compensation in 2013. The motivation to maximize stock prices should align CEO's incentives more closely with those of the shareholders and benefit the shareholders. In Coca-Cola, however, these stock options were only available to 5% of the company's work force (Sorkin).

Compensation plans are determined by the board of directors and are laid out in the company's required SEC filing Proxy Statement. They are often computed based on the company's yearly earnings relative to their predetermined goals. The board of directors have the ability to define these goals and measures of performance however they wish, thus directly influencing the payment of their top executives.

If compensation is tied to performance, it can be tax deductible. The Internal Revenue Service (IRS) definition for performance states that performance can be defined by the company as it chooses as determined by a compensation committee of the board of directors (26 U.S. Code § 162 - Trade or Business Expenses). For example, in 2012, "Exelon Corp. awarded more than $20 million in cash bonuses to top managers as tax deductible "performance-based pay"" (Smith). Because the performance targets are set by each company individually, companies' directors can deliberately set targets low so that they are always met in order to get paid. On average, "management's bonus goals were 2.6 cents a share easier to achieve than market analysts' estimates" (Smith). While setting low annual performance goals is present in many corporations, this is not always the case. For example, among the 100 largest companies that had filed proxies by April 4, 2014, 26 CEOs had been given a pay cut. Among them was Coca-Cola CEO Muhtar Kent who took a 16% cut (Sorkin). Mr. Kent still received the large sum of $20,380,660 in total compensation in 2013.

A deduction is available for the first $1,000,000 salary paid to the CEO and next 4 highest employees of a company (26 U.S. Code § 162 - Trade or Business Expenses). Theoretically, this should contain executive pay. However, top executives are still being paid large sums. According to the 2013 Equilar 100 C.E.O. Pay Study, the "median compensation of a chief executive in 2013 was $13.9 million" (Morgenson). Stock options are attractive due to tax benefits. High income taxpayers' incomes are taxed at higher rates. However, stock options are taxed as long-term capital gains, which are taxed at a lower level (Cormany). This is beneficial because the taxpayer will be able pay less taxes on the stock options than if the compensation received from the stock options was classified as regular income. One of the problems that this causes in the United States is that according to the congressional Joint Committee on Taxation, tax advantaged bonuses awards, those meeting the $1,000,000 salary cap or performance based compensation requirement for tax deductions, by corporations "cost the U.S. Treasury $3.5 billion a year" (Smith). This number will continue to grow as more companies take advantage of these tax benefits.

In 2013 the United States House and Senate introduced legislation that would make all executive compensation subject to the $1,000,000 cap for deductibility, eliminating the exception for performance pay. In 2014, with the passing of the Affordable Care Act, "any health insurance executive pay above $500,000 is non-deductible" (Anderson). The Joint Committee on Taxation estimates that if this was applied across the board it would generate $50 billion over 10 years. In addition to generating more tax funds, the passing of more restrictive legislation would encourage companies to reconsider giving such large bonuses to top executives instead of to other employees or shareholders.

It has also been argued that the amount and structure of compensation affects an organization in regards to company culture and loyalty. Since 1979, "the disparity between the pay of executives and their employees has grown from thirty-five times average salary to more than 270 times average salary, and total packages have reached as high as $131 million per year" (Cormany). In 2014 Harvard Business School conducted a study that concluded that "Americans believe CEOs make 30 times as much as unskilled workers, Americans believe that CEOs should only make 7 times as much as unskilled workers, and that in reality, CEOs made 354 times as much in 2012" (Vollmer). Executives are being paid much higher amounts compared to their employees. This gap in compensation between executives and employees can possibly create many hostile employees in the workplace towards their executives, board members, and the company as a whole. Employees are not being compensated as well as their executives in response to the company's success and the gap continues to increase every year. Some companies even choose to continue these compensation plans when their financial statements show that their company had an unsuccessful year and is losing money.

In 2008, there were even hearings held by the government regarding the practice of executives' compensation being increased when the company had lost money and had an unsuccessful year being done by major companies in the United States. Countrywide (purchased by Bank of America in 2008) lost $1.6 billion in 2007 and its stock lost 80% of its value. Merrill Lynch lost $10 billion and its stock lost 45% of its value. Citigroup also lost $10 billion and its stock lost 48% of its value. Despite enormous company losses, the CEOs were still paid substantial amounts in bonuses ("U.S. House Committee Holds Hearing on CEO Pay"). This might indicate that some executives would rather have a high paycheck and bonus than see their business be successful. If executives are forced to step down from their positions due to poor company performance, they are still paid a great amount of money and essentially go unpunished financially.

Companies that are awarding their executives financial rewards through compensation packages are often engaging in unethical business and accounting practices by awarding large amounts using non-audited earnings to determine the type and amount of compensation. They are being greatly rewarded even if their company's stock is decreasing in value and the company is not showing growth and is suffering from losses. They are rewarded at the expense of the shareholders who do not fully understand the calculations made when creating compensation plans. Compensation plans can be created using non-audited earnings and by changing earnings calculations in order to meet predetermined goals because compensation plans are not regulated and audited like the financial statements. Executives can be given compensation that does not accurately reflect the company's actual earnings or financial position, therefore, participating in unethical accounting practices.

There has been debate recently on how executives' compensations are computed because the earnings used to compute these profits are not required to be audited or conform to Generally Accepted Accounting Principles (GAAP). There is speculation that companies make unannounced adjustments to their GAAP accepted earnings, specifically earnings per share, in order to meet performance goals or expectations. Only by reading the proxy statement does a shareholder learn of the adjustments. Because the proxy statement is not regulated by GAAP, this is legally allowed though not necessarily ethical. This can be a misleading calculation to investors or potential investors that receive or consider proxy statements who believe that the compensation plans are based on the earnings listed on the audited financial statements. Companies are required to disclose “factors considered in decisions to increase or decrease compensation materially [and] no quantitative assessment of contingent performance payoff is required” (Bertomeu, 474). This means that companies are not required to disclose their target levels specific to any quantitative or qualitative performance-related factors considered when calculating the compensation. This can lead to unethical decisions made by many companies. Some companies choose voluntarily to disclose additional information in the proxy statement such as specific weights used.

Many companies that have an increase in earnings per share from the previous year do not use the GAAP audited earnings per share when giving their CEOs and other executives pay raises. The Wall Street Journal reported that based on disclosures in proxy statements by companies that have at least $700 million in stock that isn’t in control of the company, 542 companies in 2013 used earnings that did not follow GAAP to determine executive pay (Rapoport). Using adjusted earnings per share that do not follow GAAP can have significant impact on the amount that is ultimately awarded to CEOs.

Additionally, tax deductions could be a contributing factor to the practice of unregulated earnings used in computations of executive compensations. If bonus payments result from the achievement of performance goals they are deductible under the Revenue Reconciliation Act of 1993. This is an incentive for companies to compute their bonuses based on unaudited earnings and achievable goals rather than on the earnings presented on the audited GAAP financial statements. This is unethical because it does not truly reflect how well a company did or did not do that year. This practice is misleading in the long-term to the company's employees, investors, and to the general public.

Method

To investigate the ethics behind compensation plan calculations, to determine if unaudited measures are being used in publicly traded companies, and how often unaudited measures are being used I considered twenty-six companies from a variety of industries. These included technology, agriculture, retail, finance and insurance, health care, natural resources, and others. Industry leading companies were selected to be studied as well as some of personal interest. Companies that have been speculated by financial analysts, recent published articles, or studies as companies that have unethical compensation plans and have used unethical accounting practices in determining executive compensation were also considered. These companies are similar in that they all must meet the same standards in order to be traded publicly.

Upon selecting the companies to study, I began to gather data on them. I mainly looked at the companies' financial statements and proxy statements. All publicly traded companies are required by law to file the proxy statements with the SEC every year, so they are available to the public. Within the proxy statement, "a company must disclose information concerning the amount and type of compensation paid to its chief executive officer, chief financial officer and the three other most highly compensated executive officers" (SEC). Therefore, I looked at the proxy statements to learn the amounts and other financial data about companies' executive compensation plans. For each company I recorded the CEOs total compensation for the past three years as well as the amounts of the salary, bonus, stock, stock options, non-equity incentive plan, pension, and other for the current year. This data is shown in Table 1 in the Appendix. I also studied how the various parts of these plans are computed.

In order to further gain an understanding of a company's executive compensation plans, I studied other aspects of the plans that were disclosed. By law, companies are also required to disclose, "The criteria used in reaching executive compensation decisions and the degree of the relationship between the company's executive compensation practices and corporate performance" (SEC). This information is shown in various tables and descriptions in the proxy statement. I studied these tables and descriptions in order to improve my knowledge of the many ways that companies evaluate and distribute compensation to executives and to evaluate the ethics of these compensation plans.

Results

Of the twenty-six companies that I researched, nine of them had a decrease in earnings per share shown on their annual reports from 2012 to 2013. Apple's EPS decreased by $4.61, however, the CEO received an increase in total compensation of $77, 735 or 2%. This was comprised of salary, stock options, and other. The other eight companies showing a decrease in earnings per share in 2013 also decreased their CEO's compensation by an average of 35% from 2012. For example, Casey's notes in their proxy statement that the range in EPS to result in bonus was $3.10-$3.32. Actual EPS was well below this range and decreased from the previous year. As a result, no awards were earned under the annual incentive plan for the 2013 fiscal year. Casey's CEO's total compensation decreased by 49%. Table 2 and Chart 1 in the Appendix compares the companies that had a decrease in earnings per share and their CEO's increase (decrease) in total compensation. This data shows that based on the sample, companies' compensation committees are responding to a decrease in earnings per share.

Of the twenty-six companies sampled, twelve companies admitted to shareholders in their proxy statements to using an adjusted earnings per share for determining CEO and executives' compensation. Many of these adjustments had positive results for the CEOs. The companies in the sample that disclosed a non-GAAP earnings per share adjustment in their respective proxy statement are shown in Table 3 in the Appendix. The table compares companies' GAAP earnings per share to the CEO total compensation. For example, in 2013 Cisco had a 25% increase in GAAP earnings per share and adjusted the earnings per share to result in an 80% or $9,361,835 increase in total CEO compensation. Exelon had a 41% increase in GAAP earnings per share in 2013 that was adjusted by an increase of $0.50 a share to result in a 69% or $6,990,448 increase for the CEO's total compensation. Johnson & Johnson's CEO received a 54% or $5,933,851 increase in total compensation, however, the unadjusted GAAP earnings per share only increased by 25%. Proctor & Gamble had only a 5% increase in GAAP earnings per share, but the CEO received an 18% or $2,766,073 increase in total compensation. These examples show that when earnings increase, CEOs' total compensations also increase but by a substantially bigger amount.

While some companies disclose the way that they adjusted their GAAP earnings per share in the proxy statement, some simply give a description of the adjustments without providing any numerical data. JP Morgan Chase shows a calculation of a $1.35 adjustment, Walgreens shows a calculation of a $0.56 adjustment, and Exelon shows a calculation of a $0.50 adjustment. Exelon's calculation as shown in the 2014 Proxy Statement:

2013 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$ 2.50**
Adjustments:	
Mark-to-Market Impact of Economic Hedging Activities	0.35
Unrealized Gains Related to NDT Fund Investments	0.09
Plant Retirements and Divestitures	0.02
Asset Retirement Obligation	(0.01)
Merger and Integration Costs	(0.10)
Amortization of Commodity Contract Intangibles	(0.41)
Amortization of the Fair Value of Certain Debt	0.01
Reassessment of State Deferred Income Taxes	—
Midwest Generation Bankruptcy Charges	(0.02)
Remeasurement of Like-Kind Exchange Tax Position	(0.31)
Long-lived asset impairments	(0.14)
FY 2013 GAAP Earnings (Loss) Per Share	**$ 2.00**

Figure 1: Exelon Adjusted Operating Earnings Per Share

Other companies use a variety of methods to adjust earnings per share such as excluding stock payments to employees, stripping out goodwill write-downs, or excluding expenses related to acquisitions but still counting the earnings generated by acquisitions (Rapoport). Cisco's proxy statement does not give a calculation or numerical data of the non-GAAP earnings per share adjustment, but provides a description of the adjustment:

> Share-based compensation expense; compensation expense related to acquisitions and investments; changes in estimates of contingent consideration related to acquisitions and investments; amortization or impairment of acquired intangible assets including in-

> process research and development; impacts to cost of sales from purchase accounting adjustments to inventory; all external acquisition-related costs such as finder's fees, advisory, legal, accounting, valuation, hedging or other professional or consulting fees directly associated with acquisitions and investments; and each of the following subject to pre-established thresholds; the impact of any cumulative effect of changing to newly adopted accounting principles; operating income of the acquired entity and its subsidiaries as reflected on the financial records thereof; losses due to impairments or loss contingencies; direct losses on Cisco's tangible assets from natural catastrophe, war, insurrection, riot, terrorism, confiscation, expropriation, nationalization, deprivation, or seizure; and restructuring charges (Cisco).

This shows how companies will go to great lengths to use and justify non-GAAP, unaudited adjustments made to earnings per share that are used to determine executive compensation. This is evident whether they choose to disclose the adjustments through a table with calculations or a description of the adjustments made. Some companies even use these non-GAAP adjusted measures as the profit targets they must hit in order for executives to receive incentives.

Executive compensation continues to be awarded in high amounts whether or not the company's actual performance was high. As shown in Table 4 in the Appendix, in the sample taken of 26 companies for the year ended 2013, the average CEO total compensation was $18,251,421 and the highest total compensation was $78,440,657 awarded to the CEO at Oracle. The lowest total compensation was an honorary $1 awarded to the CEO of Google although he still owns a stake in the company worth billions. The next lowest total compensation was $1,195,591 awarded to the CEO of Casey's. The data also shows that on average, the highest portion of total compensation is stock which makes up 55% of the average total compensation. Chart 2 in the Appendix displays the various parts of compensation packages and what percentage each part is of the average total compensation of the sampled companies.

The SEC requires that publicly traded companies disclose the amount and type of their compensation plans that reward their executives. It does not, however, have the jurisdiction to require a standard structure for the amount and type of compensation that a company grants, or standardize how it is calculated.

Because companies are not required to give their executives' compensation based on any standard, they can administer bonuses however they wish. Companies have to make a business decision on how they will reward their executives. Nevertheless, just because they are making a wise business decision does not mean that it is an ethical decision. Many of the companies researched did not make these decisions ethically and instead shaped their goals and performance measures so that they would comfortably meet these goals and measures in order for the executives to receive large compensation. For example, 93% of Walt Disney's CEO's compensation was based on performance (Eavis). He collected "a fully deductible $16.5 million cash bonus, 38 percent above the goal, according to the 2013 proxy statement". This was based "predominantly on an evaluation of four financial measures including an adjusted earnings per share range with a midpoint of 4.1 percent below the consensus estimate and 9.4 percent below the earnings result" (Smith). This example shows how performance measures can be manipulated in order for the company to meet its' goals and the executives can receive a larger bonus.

Conclusion

Executives are being paid high amounts based on unaudited financial goals and measures. While companies are required by the SEC to disclose the amount and type of compensation plans used each year in the proxy statement, they are not required to disclose how it is calculated. Companies are adjusting their GAAP compliant earnings from the financial statements so that goals are easily achieved and large executive compensations can be rationalized. These adjustments are not required to be disclosed although many companies do share them. However, even if the unaudited adjustments are shown in the proxy statement, this does not guarantee that shareholders know or understand that they are being used. Shareholders, investors, financial analysts, and the public rely on financial earnings that are audited in compliance with GAAP, not on confusingly presented disclosures buried deep in a lengthy proxy statement.

The analysis of the structure and calculation of compensation plans is significantly beneficial in the financial industry. It encourages the public to consider if the calculations used in creating executive compensation plans are ethical and if they agree with the board of directors and executives on how these plans are created and computed. Shareholders are encouraged to consider this analysis when voting to approve compensation plans. Companies are encouraged to use ethical accounting practices and make ethical decisions using audited financial measures including earnings when computing compensations to top executives and disclosing executive compensation information in their annual proxy statement. “The definition and purpose for each adjustment should be explained and the corresponding item in the financial statements should be identified, located and quantified. When an adjustment is not a GAAP measure, the basis for its computation should be explained” (IFAC 10). Companies should disclose more information of adjustments being made and make a greater effort to make these disclosures easier to read and be understood by the average shareholder. This would allow for shareholders to make more informed decisions when voting on compensation plans at the annual meetings. Awareness should also be increased of non-audited measures being used for executive compensation plans by financial analysts, scholarly journals, and other well-read publications such as the Wall Street Journal. Companies should attempt to avoid using the unethical accounting practice of using non-audited financial measures that are not accepted or standardized by GAAP in creating, calculating, adjusting, and publishing their executive compensation plans.

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Appendix

Table 1

Company Name	EPS 2011	EPS 2012	EPS 2013	CEO Compensation (Total) 2011	CEO Compensation (Total) 2012	CEO Compensation (Total) 2013	Salary	Bonus	Stock	Options	Non-equity incentive plan	Pension	Other
Amazon	1.39	-0.09	0.6	1,681,840	1,681,840	1,681,840	81,840	-	-	-	-	-	1,600,000
Apple	28.05	44.64	40.03	377,996,537	4,174,992	4,252,727	1,400,006	-	-	2,800,000	-	-	52,721
Bank of America	0.01	0.25	0.94	8,087,181	8,321,300	13,139,357	1,454,167	-	11,143,643	-	-	44,796	497,751
Casey's	2.89	3.07	2.24	1,219,143	2,365,258	1,195,591	880,000	-	-	-	-	278,745	36,846
Caterpillar	8.48	5.75	3.01	16,902,023	22,374,744	14,989,569	1,600,008	-	-	7,966,091	2,241,766	2,964,405	217,299
CBS	1.97	2.45	3.09	69,900,677	62,157,026	66,932,581	2,086,539	28,500,000	26,499,925	5,845,000	-	1,343,336	1,230,859
Cisco	1.17	1.5	1.87	12,886,125	11,687,666	21,049,501	1,100,000	-	15,237,652	-	4,700,080	-	11,769
Citigroup Inc	3.71	2.53	4.27	10,658,652	12,377,508	17,558,119	1,500,000	5,200,000	7,915,912	-	2,923,069	3,838	15,300
Coca Cola	1.88	2	1.94	29,115,573	30,460,186	20,380,660	1,600,000	-	6,399,988	7,113,946	2,200,000	2,204,814	861,912
Deere & Co	6.71	7.72	9.18	18,802,364	19,031,943	19,148,372	1,435,644	-	6,241,025	3,058,773	6,705,518	1,187,345	520,067
DuPont	3.82	2.94	5.22	15,926,631	15,662,717	14,152,638	1,435,000	-	6,740,550	2,700,001	2,014,000	864,679	398,408
Emerson Electric	3.27	2.67	2.76	12,786,600	10,360,122	25,318,952	1,300,000	2,000,000	21,556,450	-	-	-	462,502
Exelon Corporation	3.72	1.42	2	5,562,144	10,201,250	17,191,698	1,191,539	-	12,606,074	1,565,250	-	1,584,841	243,994
Exxon Mobil	8.43	9.7	7.37	34,920,506	40,266,501	28,138,329	2,717,000	3,670,000	21,254,625	0	0	0	496,704
Google	38.82	32.81	30.17	1	1	1	1	-	-	-	-	-	-
HCA Holdings	4.97	3.49	3.37	5,738,346	46,359,246	16,527,665	1,339,973		10,771,475		3,292,380	1,040,355	23,482
J P Morgan Chase	4.48	5.2	4.35	23,105,415	18,717,013	11,791,833	1,500,000	-	10,000,000	-	-	-	291,833
Johnson & Johnson	3.54	3.94	4.92	6,836,860	10,977,109	16,910,960	1,453,846	-	5,988,975	2,669,999	4,867,361	1,739,000	191,779
Microsoft	2.73	2.02	2.61	1,376,915	1,318,128	1,261,218	697,500	550,000	-	-	-	-	13,718
Miller Energy Resources	-0.48	-0.6	-0.48	2,766,484	1,029,245	1,298,750	742,212		544,000				12,538
Oracle	1.67	1.96	2.26	77,559,820	96,160,696	78,440,657	1	1,126	76.893.600	1.165.502	-1.165.502		1.545.930
Proctor & Gamble	3.93	3.66	3.86	16,188,037	15,198,597	17,964,670	1,817,391	4,945,600	6,446,532	4,235,006			520,141
Southern Company	2.55	2.67	1.87	9,754,242	13,035,348	8,438,291	1,152,289		3,128,625	2,085,747	1,199,307	805,738	66,485
United Parcel Service	3.84	0.83	4.61	13,053,098	12,147,349	10,335,665	1,079,913		8,272,663	475,277	465,877		41,935
Walgreens	2.94	2.42	2.56	13,654,636	12,041,058	12,116,245	1,333,333		6,836,271	2,724,490	2,047,499	21,895	691,148
Walt Disney Co	2.56	3.17	3.42	33,434,398	40,227,848	34,321,055	2,500,000	-	8,804,278	8,478,239	13,570,000	-	968,538

Table 2

Company Name	Apple	Casey's	Caterpillar	Coca Cola	Exxon Mobil	Google	HCA Holdings	J P Morgan Chase	Southern Company
2012 EPS	44.64	3.07	5.75	2.00	9.70	32.81	3.49	5.20	2.67
2013 EPS	40.03	2.24	3.01	1.94	7.37	30.17	3.37	4.35	1.87
Increase (Decrease)	(4.61)	(0.83)	(2.74)	(0.06)	(2.33)	(2.64)	(0.12)	(0.85)	(0.80)
2012 Total CEO Compensation	4,174,992	2,365,258	22,374,744	30,460,186	40,266,501	1	46,359,246	18,717,013	13,035,348
2013 Total CEO Compensation	4,252,727	1,195,591	14,989,569	20,380,660	28,138,329	1	16,527,665	11,791,833	8,438,291
Increase (Decrease)	77,735	(1,169,667)	(7,385,175)	(10,079,526)	(12,128,172)	0	(29,831,581)	(6,925,180)	(4,597,057)
Increase (Decrease)	2%	-49%	-33%	-33%	-30%	0%	-64%	-37%	-35%

Table 3

Company Name	Cisco	Coca Cola	Deere & Co	Exelon Corporation	J P Morgan Chase	Johnson & Johnson	Oracle	Proctor & Gamble	Southern Company	United Parcel Service	Walgreens	Walt Disney Co
2012 EPS	1.50	2.00	7.72	1.42	5.20	3.94	1.96	3.66	2.67	0.83	2.42	3.17
2013 EPS	1.87	1.94	9.18	2.00	4.35	4.92	2.26	3.86	1.87	4.61	2.56	3.42
Increase (Decrease)	0.37	(0.06)	1.46	0.58	(0.85)	0.98	0.30	0.20	(0.80)	3.78	0.14	0.25
Increase (Decrease)	25%	-3%	19%	41%	-16%	25%	15%	5%	-30%	455%	6%	8%
2012 Total CEO Compensation	11,687,666	30,460,186	19,031,943	10,201,250	18,717,013	10,977,109	96,160,696	15,198,597	13,035,348	12,147,349	12,041,058	40,227,848
2013 Total CEO Compensation	21,049,501	20,380,660	19,148,372	17,191,698	11,791,833	16,910,960	78,440,657	17,964,670	8,438,291	10,335,665	12,116,245	34,321,055
Increase (Decrease)	9,361,835	(10,079,526)	116,429	6,990,448	(6,925,180)	5,933,851	(17,720,039)	2,766,073	(4,597,057)	(1,811,684)	75,187	(5,906,793)
Increase (Decrease)	80%	-33%	1%	69%	-37%	54%	-18%	18%	-35%	-15%	1%	-15%

Table 4

Calculation	CEO Comp. (Total) 2011	CEO Comp. (Total) 2012	CEO Comp. (Total) 2013	Salary	Bonus	Stock	Options	Non-equity incentive plans	Pension	Other
Average	32,729,296	20,666,114	18,914,204	1,332,654	6,409,532	10,336,245	3,694,130	3,555,912	1,005,985	342,075
Max	377,996,537	96,160,696	78,440,657	2,717,000	28,500,000	26,499,925	8,478,239	13,570,000	2,964,405	1,230,859
Min	1	1	1	1	1,126	544,000	0	0	0	11,769
% of Average Total Compensation				7%	34%	55%	20%	19%	5%	2%

Chart 1

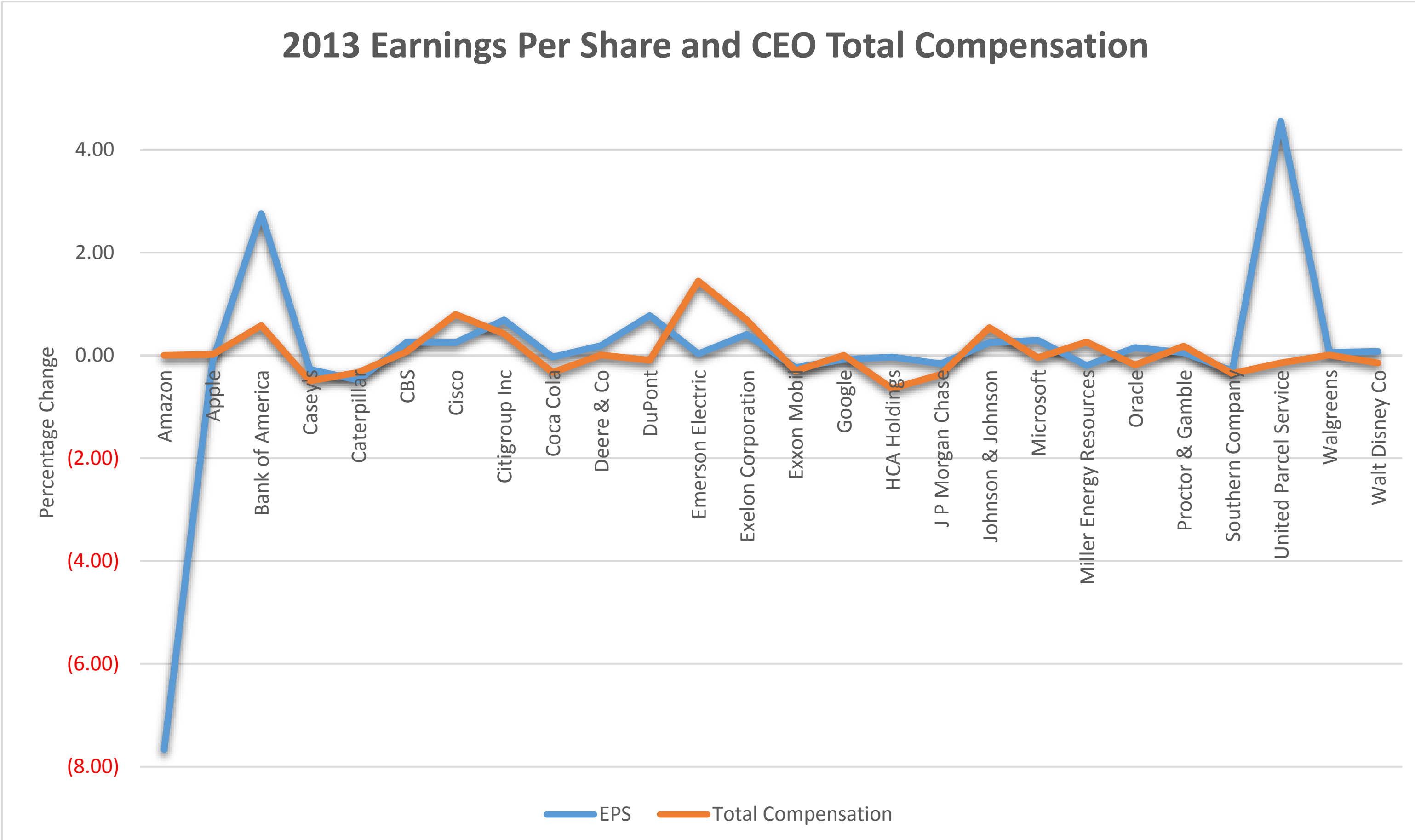
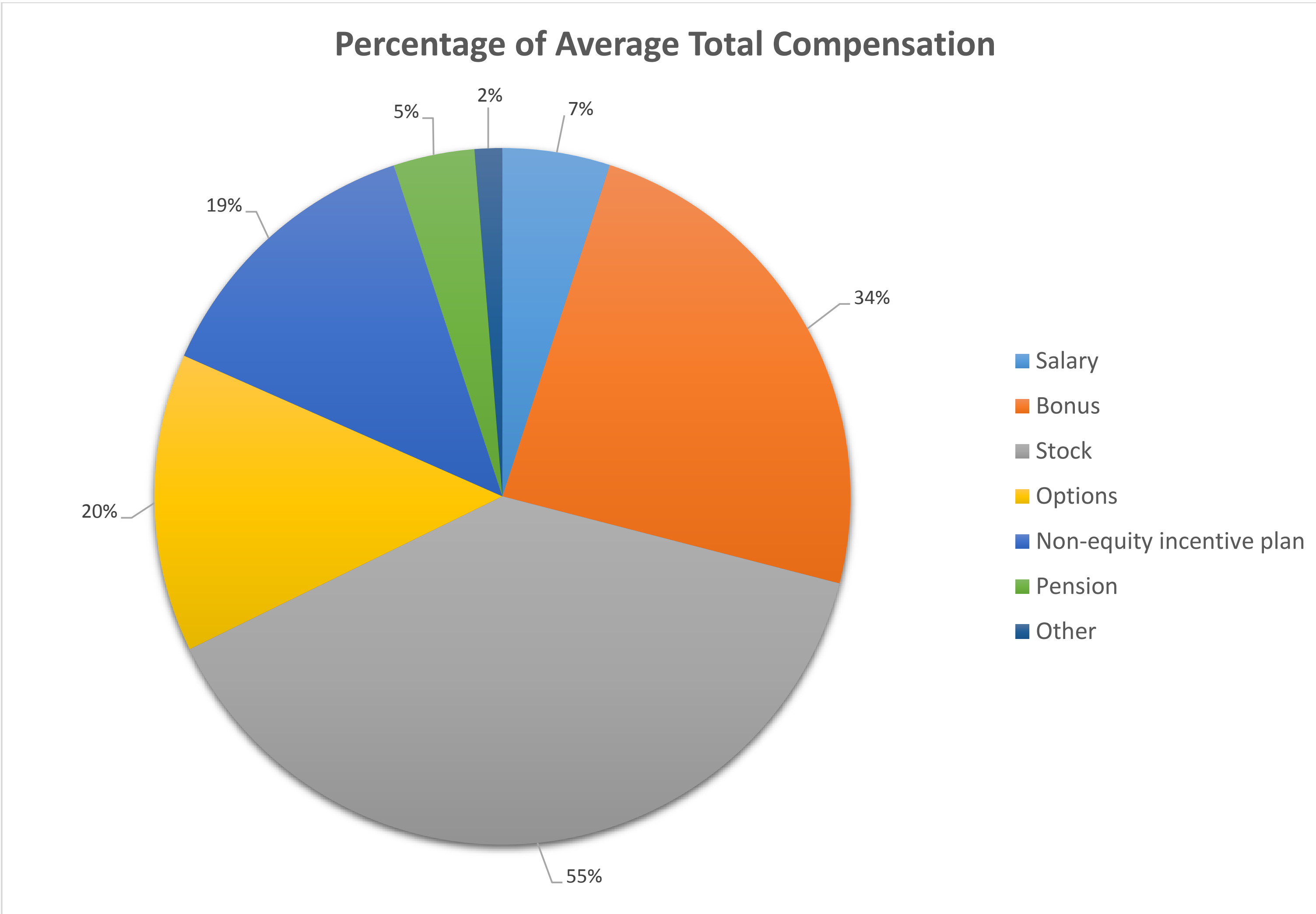

2013 Earnings Per Share and CEO Total Compensation
4.00
2.00
0.00
(2.00)
(4.00)
(6.00)
(8.00)
Percentage Change
Amazon
Apple
Bank of America
Casey's
Caterpillar
CBS
Cisco
Citigroup Inc
Coca Cola
Deere & Co
DuPont
Emerson Electric
Exelon Corporation
Exxon Mobil
Google
HCA Holdings
J P Morgan Chase
Johnson & Johnson
Microsoft
Miller Energy Resources
Oracle
Proctor & Gamble
Southern Company
United Parcel Service
Walgreens
Walt Disney Co
EPS
Total Compensation

Chart 2


Percentage of Average Total Compensation
2%
7%
5%
19%
34%
20%
55%
Salary
Bonus
Stock
Options
Non-equity incentive plan
Pension
Other

This Study by: Brittany Silvey

Entitled: Ethics and Executive Compensation

has been approved as meeting the thesis or project requirement for the Designation

University Honors

12-10-2014
Date

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Date

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