



INVESTOR ALERT

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This Isn't Horseshoes, So Close Enough Doesn't Count...

How much of the short-term incentive plan should be paid for performance that is less than satisfactory?

In most industries, threshold performance is somewhere near 90% of the target performance. A fairly significant drop-off from expectations should result in a fairly significant drop-off in the short-term incentive. Some management teams suggest that for 90% performance they should receive a 90% payout. While there is a certain odd logic to this suggestion, we might recommend that a 90% performance should receive a 50% payout of the short-term incentive plan. And if performance is below 90% of target, then the payout should be zilch.

This isn't horseshoes or hand grenades; close just doesn't cut it.