

## Dear All,

It has been a long, cold winter and we are ready for Spring and some much needed sunshine! Proxy season is in full swing and we at L&A have been busy helping our public clients with proxy and CD&A disclosures. Compensation decisions don't end with the numbers and approvals – the communication to shareholder and stakeholders is just as critical.

While on the subject of proxies, we have a great article to share with you on CEO salaries that directly relates to the CEO pay ratios companies are now required to disclose. The article provides insightful information about some of the effects that unjustified CEO salaries can have on employee retention and overall business performance. As a reminder, L&A's CEO pay ratio specialists are available to assist you in the development of the ratio and how to disclose within the proxy.

The next piece is an L&A original on the subject of incentive plans for non-profit companies. While we encourage non-profits to use incentive plans, in this article we provide some guiding principles and considerations to ensure goals are met while avoiding the delicate issues non-profits often face.

Lastly, we would like to share an article on Tesla's Elon Musk and his controversial compensation plan. It gives an in-depth look at Musk's package and explains the strategy behind it.

We appreciate each and every one of you. As always, let us know if there is a particular subject you'd like to learn more about.

Sincerely,



Brent Longnecker and the L&A Team  
Chairman and CEO  
Longnecker & Associates

## Paying for Performance in Not for Profits

With the recent passage of the 2017 Tax Act, more scrutiny continues to be applied to not for profit (NFP) organization compensation. This follows recent actions from various state and federal agencies upping the ante on not for profit compensation. As such, we believe there will be more pressure for NFP organizations to prove pay for performance.

[READ MORE](#)

## If the CEO's High Salary Isn't Justified to Employees, Firm Performance May Suffer

**Researcher Ethan Rouen discovers that rank-and-file employees understand the boss deserves a big salary, but only when the number is fully explained.**

It's no surprise that business executives make more money than lower-level employees. But when that pay disparity between a CEO and the average worker is perceived as unfair, the result may be more than unhappy workers: A firm's performance can deteriorate.

[READ MORE](#)

## Why Elon Musk's Compensation Plan Wouldn't Work for Most Executives

Elon Musk's new pay package has attracted almost as much divided opinion as Elon Musk himself. Advocates have claimed that it is "radical" and "bold," praise often used to describe Tesla. Others argue that it is a publicity stunt. But, as with most things, the reality is likely in between these extremes.

The structure of Musk's contract is actually not too different from other executives'. Effectively, Musk is being given the standard package of performance-vesting equity.

[READ MORE](#)

## 2018 Midstream and Upstream Surveys Launch April 1st

Keep your compensation programs competitive by participating in L&A's Midstream and Upstream Industry Compensation surveys and find out what it takes to attract, motivate and retain your teams. The surveys will provide current compensation trends as they relate to pay policies and practices, annual incentive measures and metrics, long-term incentive eligibility, vehicles and distributions, and new-hire and retention bonuses and grants.

Surveys are scheduled to launch April 1st and final survey results will be available only to participating organizations. You don't want to miss out!

Click below to learn more about the surveys or contact [Josh Whittaker](#) at 281.378.1368

[MIDSTREAM SURVEY](#)

[UPSTREAM SURVEY](#)

## CONTACT L&A FOR HELP WITH YOUR PROXY STATEMENT

The deadline to disclose the CEO Pay Ratio in proxy statements is quickly approaching and L&A is here to help. Our internal experts have evaluated the rule, and understand the various alternatives available. Additionally, we are here to assist in developing your CD&A disclosures and can advise on what areas you should concentrate on when putting together your statement.

**GET THE MOST OUT OF YOUR 2018 PROXY STATEMENT AND ANY SHAREHOLDER OUTREACH ENGAGEMENTS.**

[GET HELP NOW](#)

281.378.1350

## JOIN US AT OUR UPCOMING EVENTS

**NACD Austin Networking Lunch- Innovation and Disruption**

**Friday, March 9  
11:00 a.m. – 1:00 p.m.**

Vinson & Elkins Downtown  
2801 Via Fortuna 100  
Austin, TX 78746

Hear from speakers John Hotta, director at First Washington Robotics and the Seattle Foundation; and Eugene Sepulveda, CEO of the Entrepreneurs Foundation, director of Capital Factory, and senior advisor to Austin Mayor Steve Adler.

[REGISTER](#)

**NACD Houston Networking Breakfast- Innovation and Disruption**

**Friday, March 16  
7:00 a.m. – 9:15 a.m.**

Junior League of Houston  
1811 Briar Oaks  
Houston, TX 77057

Hear from award-winning writer, director, and producer Erin Essenmacher and Ayse McCracken, president of eNNOVATE Health Ventures in this engaging discussion on innovative technologies.

[REGISTER](#)

**HC&B March Monthly Meeting- Delivering Low Cost, High Value Benefits**

**Wednesday, March 21  
11:00 a.m. – 1:15 p.m.**

Federal Reserve Bank  
1801 Allen Parkway  
Houston, TX 77019

Learn how two Fortune 500 companies, Crown Castle International Corporation and Hess Corporation, have been innovative to reduce benefits spend yet also be strategic in expanding benefits offerings.

[REGISTER](#)

## Let's Work Together

We know what it takes to attract, retain and motivate key talent. Contact us to develop a plan that works for your business.

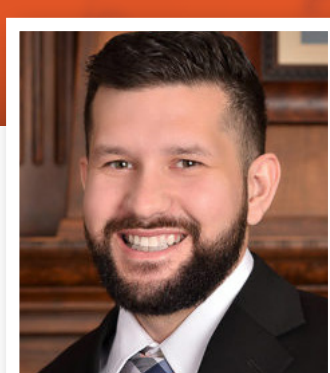
[GET IN TOUCH](#)

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Compensation Services  
Incentive Plan Design  
Litigation Support  
Strategic & Governance Advisory  
Restructuring Services

## Get to Know Us

**Matt Brown**  
CONSULTANT



**What are you passionate about?** Sports and I don't even think twice about it. There isn't a day that goes by that I don't try to catch up with the sporting news or follow sports stats for players or teams.

**Do you have an ideal super power?** Speed. I love The Flash and feel like his powers would represent me well.

**What is the one thing you would take to a desert island?** Assuming I'm all alone I would take flares. Hopefully someone is flying a plane and paying attention.

**Favorite Sports Team:** Any team from Houston. Although, I would have to favor the Houston Rockets over all other teams just by a small margin. I love Basketball.