

SOUTHERN CALIFORNIA GAS CO
Form DEF 14C
May 01, 2012

SCHEDULE 14C INFORMATION

**Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934 (Amendment No.)**

Check the appropriate box:

- Preliminary Information Statement **Confidential, for Use of the Commission Only**
(as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

Southern California Gas Company

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Southern California Gas Company (SoCalGas) will be held on June 13, 2012, at 1:00 p.m. at 101 Ash Street, San Diego, California. SoCalGas is a subsidiary of Sempra Energy.

The Annual Meeting will be held for the following purposes:

- (1) To elect directors for the ensuing year.
- (2) To obtain advisory approval of our executive compensation.
- (3) To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on April 25, 2012, are entitled to notice of and to vote at the Annual Meeting.

The Annual Meeting is a business-only meeting. It will not include any presentations by management and the company does not encourage shareholder attendance.

Only shareholders are entitled to attend the Annual Meeting. Shareholders who own shares registered in their names will be admitted to the meeting upon verification of record share ownership. Shareholders who own shares through banks, brokers or other nominees must present proof of beneficial share ownership (such as the most recent account statement prior to April 25, 2012) to be admitted.

Additional information regarding the company is included in its Annual Report on Form 10-K and other documents filed with the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549. These documents also are available on the Sempra Energy website at www.sempra.com under the Investors and Company SEC Filings tabs. The company will furnish a copy of its 2011 Form 10-K (excluding exhibits, except those that are specifically requested) without charge to any of its shareholders who so request by writing to the office of the Corporate Secretary at 101 Ash Street, San Diego, California, 92101-3017. Information on the website does not constitute part of this Information Statement.

Jennifer F. Jett

Corporate Secretary

Important Notice Regarding the Availability of Information Statement Materials for the SoCalGas Shareholders Meeting to be Held on June 13, 2012.

The Information Statement for the Annual Meeting of Shareholders to be held on June 13, 2012 and the Annual Report are available on the Internet at <http://www.amstock.com/ProxyServices/ViewMaterials.asp>.

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY AND

YOU ARE REQUESTED NOT TO SEND US A PROXY

Southern California Gas Company is providing this Information Statement to its shareholders in connection with its Annual Meeting of Shareholders to be held on June 13, 2012. The Notice of Annual Meeting and Information Statement and the annual report to shareholders are being mailed to shareholders beginning on or about May 3, 2012.

THE COMPANY

Southern California Gas Company, which we refer to as SoCalGas, is an indirect investor-owned public utility subsidiary of Sempra Energy. SoCalGas's principal executive offices are located at The Gas Company Tower, 555 West Fifth Street, Los Angeles, California, 90013-1046. Its telephone number is (213) 244-1200.

OUTSTANDING SHARES AND VOTING RIGHTS

SoCalGas's Board of Directors has fixed April 25, 2012, as the record date for determining the shareholders of SoCalGas entitled to notice of and to vote at the SoCalGas Annual Meeting. On that date, SoCalGas's outstanding shares consisted of 91,300,000 shares of common stock and 862,043 shares of preferred stock. All SoCalGas common stock and 50,970 shares of SoCalGas preferred stock are owned by Pacific Enterprises (PE).

In electing directors, each share is entitled to one vote for each of the four director positions and shareholders will be entitled to cumulate votes if any shareholder gives notice of an intention to do so at the meeting and prior to the voting. If that notice is given, all shareholders may cast all of their votes for any one director candidate whose name has been placed in nomination prior to the voting or distribute their votes among two or more such candidates in such proportions as they may determine. In voting on any other matters that may be considered at the Annual Meeting, each share is entitled to one vote.

The shares of SoCalGas owned by PE and indirectly owned by Sempra Energy represent over 99% of SoCalGas's outstanding shares and the number of votes entitled to be cast on the matters to be considered at the SoCalGas Annual Meeting. PE has advised SoCalGas that it intends to vote FOR each of the nominees for election to the Board of Directors and FOR advisory approval of our executive compensation. Therefore, each matter to be considered at the Annual Meeting will be approved.

GOVERNANCE OF THE COMPANY

The business and affairs of SoCalGas are managed and all corporate powers are exercised under the direction of its Board of Directors in accordance with the California General Corporation Law as implemented by its Articles of Incorporation and Bylaws.

Board of Directors

Board Meetings; Annual Meeting of Shareholders

During 2011, the Board of Directors of SoCalGas held 14 meetings and acted five times by unanimous written consent. Each director of SoCalGas attended at least 75% of the meetings.

The Annual Meeting of Shareholders is a business-only meeting without presentations by management. The company does not encourage attendance at the meeting by public shareholders. Last year, all of the directors attended the meeting.

Leadership Structure

The Chief Executive Officer of the company also serves as the Chairman of the company's Board of Directors. The company has no lead director. As a subsidiary of Sempra Energy, SoCalGas is not subject to stock exchange listing standards requiring independent directors and various board committees and, accordingly, has not established independence standards for its directors. All of the directors of the company are also officers of the company or Sempra Energy and, as such, none is an independent director. The SoCalGas board does not maintain any committees.

Nominees for election as directors are determined by the Board of Directors, and the board will not consider director candidates recommended by shareholders other than its direct and indirect parent companies. The board consists of the Chief Executive Officer of the company and three senior officers of Sempra Energy with varying professional and business expertise. Although Sempra Energy and SoCalGas promote diversity in hiring employees and in the appointment of their senior officers, diversity is not otherwise considered in selecting the officers that serve as directors of the company.

Sempra Energy's Board of Directors is composed of a substantial majority of independent directors and maintains standing Audit, Compensation and Corporate Governance Committees composed solely of independent directors. The Sempra Energy board also has adopted a Code of Business Conduct and Ethics for Directors and Officers that is applicable to the directors and officers of SoCalGas, and officers of SoCalGas also are subject to Business Conduct Guidelines that apply to all employees of SoCalGas.

Risk Oversight

Assessing and monitoring risks and risk management are functions of the Board of Directors of SoCalGas. The board reviews and oversees strategic, financial and operating plans that generally are intended to provide reliable earnings with modest risk. SoCalGas's management is responsible for identifying and moderating risk in a manner consistent with these goals. SoCalGas has a board-established Risk Management Committee composed of members of management that is responsible for the oversight of risk management within the company's gas procurement department. The board fulfills its risk oversight function through management that reports directly to the board.

Review of Related Person Transactions

Securities and Exchange Commission rules require that SoCalGas disclose certain transactions involving more than \$120,000 in which the company is a participant and any of its directors, nominees as directors or executive officers, or any member of their immediate families, has or will have a direct or indirect material interest. The Board of Directors has adopted a written policy that requires the board to review any such related person transaction before the company enters into the transaction. There have been no transactions or proposed transactions requiring such review during 2011 or 2012 through the mailing date of this Information Statement.

Communications with the Board

Shareholders or interested parties who wish to communicate with the Board of Directors or an individual director may do so by writing directly to the board or the director at the address set forth under the caption "The Company."

Compensation of Directors

All of our directors are employees of SoCalGas or Sempra Energy and are not otherwise compensated for their service on the Board of Directors.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Representatives of Deloitte & Touche LLP, the independent registered public accounting firm for SoCalGas, are expected to attend the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders. Deloitte & Touche also serves as the independent registered public accounting firm for Sempra Energy and its other public subsidiary, San Diego Gas & Electric Company (SDG&E).

The following table shows the fees paid to Deloitte & Touche for services provided to SoCalGas for 2011 and 2010 (in thousands of dollars).

	SoCalGas			
	2011			2010
	Fees	% of Total	Fees	% of Total
Audit Fees				
Consolidated Financial Statements and Internal Controls Audit	\$ 1,995		\$ 1,946	
Regulatory Filings and Related Services			25	
Total Audit Fees	1,995	92%	1,971	92%
Audit-Related Fees				
Employee Benefit Plan Audits	181		172	
Other Audit-Related Services				
Total Audit-Related Fees	181	8%	172	8%
Tax Fees				
Tax Planning and Compliance				
Other Tax Services				
Total Tax Fees				
All Other Fees				
Total Fees	\$ 2,176		\$ 2,143	

The Audit Committee of Sempra Energy's Board of Directors is directly responsible and has sole authority for selecting, appointing, retaining and overseeing the work and approving the compensation of the independent registered public accounting firm for Sempra Energy and its subsidiaries, including SoCalGas. As a matter of good corporate governance, the SoCalGas board also reviewed the performance of Deloitte & Touche and concurred with the determination by the Sempra Energy Audit Committee to retain them as our independent registered public accounting firm. Sempra Energy's board has determined that each member of its Audit Committee is an independent director and is financially literate, and that the chair of the committee is an audit committee financial expert.

Except where pre-approval is not required by the Securities and Exchange Commission rules, Sempra Energy's Audit Committee pre-approves all audit and permissible non-audit services provided by Deloitte & Touche for Sempra Energy and its subsidiaries. The committee's pre-approval policies and procedures provide for the general pre-approval of specific types of services and give detailed guidance to management as to the services that are eligible for general pre-approval. They require specific pre-approval of all other permitted services. For both types of pre-approval, the committee considers whether the services to be provided are consistent with maintaining the firm's independence. The policies and procedures also delegate authority to the chair of the committee to address any requests for pre-approval of services between committee meetings, with any pre-approval decisions to be reported to the committee at its next scheduled meeting.

AUDIT REPORT

The Board of Directors of SoCalGas has reviewed and discussed the audited financial statements of the company for the year ended December 31, 2011, with management and Deloitte & Touche LLP, the independent registered public accounting firm.

The board has discussed with Deloitte & Touche the matters required to be discussed by AU Section 380 of the Public Company Accounting Oversight Board, Communications with Audit Committees, as amended and adopted by the Public Company Accounting Oversight Board. The board also has received from Deloitte & Touche a letter providing the disclosures required by the applicable requirements of the Public Company Accounting Oversight Board with respect to Deloitte & Touche's independence and has discussed their independence with them.

Based on these considerations, the Board of Directors directed that the audited financial statements of SoCalGas be included in its Annual Report on Form 10-K for the year ended December 31, 2011, for filing with the Securities and Exchange Commission.

BOARD OF DIRECTORS

Michael W. Allman, *Chair*

Javade Chaudhri

Steven D. Davis

Joseph A. Householder

SHARE OWNERSHIP

All of the outstanding SoCalGas common stock is owned by PE and all of the outstanding common stock of PE is owned by Sempra Energy. None of the directors or officers of SoCalGas owns any preferred shares of SoCalGas and SoCalGas is unaware of any person who beneficially owns more than 5% of our preferred shares.

The following table sets forth the number of shares of Sempra Energy common stock beneficially owned on March 30, 2012, by each director of SoCalGas, by each executive officer of SoCalGas named in the compensation tables of this Information Statement, and by all current directors and executive officers of SoCalGas as a group. The shares of common stock beneficially owned by our directors and executive officers as a group total less than 1.0% of Sempra Energy's outstanding shares. In calculating this percentage, shares under the heading "Phantom Shares" are not included because these shares cannot be voted and may only be settled for cash.

Share Ownership	Current Beneficial Holdings (A)	Shares Subject To Exercisable Options (B)	Phantom Shares (C)	Total
Michael W. Allman	22,406	53,275	5,015	80,696
Javade Chaudhri	45,874	86,375	4,309	136,558
Steven D. Davis (D)	18,184	58,150	3,234	79,568
Joseph A. Householder	35,323	57,675	4,484	97,482
Erbin B. Keith	35,654	53,350	1,385	90,389
Lee Schavrien	24,962	19,325	1,874	46,161
Robert M. Schlax	2,359	17,250	3,910	23,519
Anne S. Smith	10,138	33,900	2,064	46,102
Current SoCalGas Directors and Executive Officers as a group (9 persons)	214,774	404,375	29,395	648,544

- (A) Includes unvested shares of restricted Sempra Energy common stock that may be voted but are not transferable until they vest. These total 1,957 shares for Mr. Schavrien; and 1,957 shares for all SoCalGas directors and executive officers as a group.
- (B) Shares of Sempra Energy common stock which may be acquired through the exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (C) Represents deferred compensation deemed invested in phantom shares of Sempra Energy common stock. These shares track the performance of Sempra Energy common stock but cannot be voted and may only be settled for cash.
- (D) Mr. Davis was appointed as a director of SoCalGas on September 22, 2011 to fill the vacancy created by Mark Snell's resignation from the board on September 13, 2011.

Sempra Energy has approximately 230,000 shareholders. There are three persons known to us to own beneficially more than 5.0% of Sempra Energy outstanding shares: BlackRock, Inc., 40 East 52nd Street, New York, New York; Franklin Resources, Inc., One Franklin Parkway, San Mateo, California; and State Street Corporation, One Lincoln Street, Boston, Massachusetts. BlackRock has reported that at December 30, 2011, it and related entities beneficially owned 16,591,184 shares for which they had sole voting and dispositive power, representing approximately 6.9% of Sempra Energy outstanding shares. Franklin Resources has reported that at December 31, 2011, it and related entities beneficially owned 13,749,243 shares for which they had sole voting power over 13,644,033 shares and sole dispositive power over 13,749,243 shares, representing approximately 5.7% of Sempra Energy outstanding shares. State Street has reported that at December 31, 2011, it and related entities beneficially owned 12,278,835 shares for which they shared voting and dispositive power, representing approximately 5.1% of Sempra Energy outstanding shares.

Employee savings and stock ownership plans of Sempra Energy and its subsidiaries held 16,111,100 shares of Sempra Energy common stock (approximately 6.7% of the outstanding shares) for the benefit of employees as of March 30, 2012.

For information regarding share ownership requirements applicable to the company's directors and officers, please see Executive Compensation Discussion and Analysis Share Ownership Requirements.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers are required to file reports with the Securities and Exchange Commission regarding their ownership of our shares. Based solely on our review of the reports filed and written representations from directors and executive officers that no other reports were required, we believe that all filing requirements were timely met during 2011.

ELECTION OF DIRECTORS

At the Annual Meeting, four directors will be elected to hold office until the next Annual Meeting and until their successors have been elected and qualified. The four director candidates receiving the highest number of affirmative votes will be elected as directors of the company. Votes against the directors and votes withheld will have no legal effect.

The four current directors of the company have been nominated for re-election to the board. The name of each nominee, biographical information regarding each nominee and a description of each nominee's specific experience and attributes that make him a well qualified and valuable board member are set forth below. The directors have held the positions set forth below or various positions with the same or affiliated organizations for at least the last five years.

Michael W. Allman, 51, became a director and the Chief Executive Officer, President and Chairman of the Board of Directors of SoCalGas in 2010. Prior to that, he was a Vice President of Sempra Energy. From 2006 to early 2010, Mr. Allman was the President and Chief Executive Officer of Sempra Generation, a subsidiary of Sempra Energy. From 2005 to 2006, Mr. Allman served as Vice President and Chief Financial Officer of Sempra Energy's competitive energy businesses.

Mr. Allman has extensive experience developing and managing large natural gas and renewable energy facilities, broad knowledge of the natural gas industry, a background in finance and significant executive experience.

Javade Chaudhri, 59, became a director of SoCalGas in 2010. He is an Executive Vice President and the General Counsel of Sempra Energy.

Mr. Chaudhri has extensive experience in legal affairs and compliance matters gained from his many years as a practicing attorney. Prior to joining Sempra Energy, he served as General Counsel of Gateway Inc. and before that was a partner at several prominent law firms.

Steven D. Davis, 56, became a director of SoCalGas in 2011. He is the Senior Vice President - External Affairs of Sempra Energy. Prior to assuming his current role with Sempra Energy, Mr. Davis served as Vice President - Investor Relations and Corporate Communications, where he oversaw Sempra Energy's shareholder relations and communications with the financial community and investors as well as all corporate communications. Prior to that, he was Senior Vice President of External Relations and Chief Financial Officer for the company and for SDG&E, Sempra Energy's California regulated utilities. Mr. Davis is a board member and chairman of the Audit Committee for the Campanile Foundation at San Diego State University. He also serves on the advisory boards of San Diego Senior Community Centers and the San Diego Burn Institute.

Mr. Davis brings over 30 years of service to our company and its affiliates in a broad range of management roles. He has benefitted from years of hands-on experience with utility and energy infrastructure operations. That experience brings a multifaceted perspective and in-depth industry understanding to the board.

Joseph A. Householder, 56, became a director of SoCalGas in 2010. He has been Executive Vice President and Chief Financial Officer of Sempra Energy since October 2011. Previously, he was Senior Vice President and Controller of Sempra Energy. Mr. Householder has served as Sempra Energy's Chief Accounting Officer since 2007.

Prior to joining Sempra Energy, Mr. Householder was a partner at PricewaterhouseCoopers' national tax office and served as Vice President of Corporate Development and Assistant Chief Financial Officer at Unocal. Mr. Householder has

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in-depth knowledge of corporate accounting, tax and compliance practices, particularly within the energy industry.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Our Board of Directors recognizes that performance-based executive compensation is an important element in driving long-term shareholder value. Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are asking shareholders to approve an advisory resolution on SoCalGas's executive compensation as reported in this Information Statement. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to express their views on the compensation of our executive officers named in the executive compensation tables in this Information Statement (named executive officers).

To be approved, the proposal must receive votes FOR the proposal constituting a majority of the shares represented and voting at the Annual Meeting at which a quorum is present, and the approving majority must also represent more than 25% of our outstanding voting stock. If you indicate ABSTAIN, it will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the annual meeting, but will not be considered a vote cast with respect to this proposal.

Compensation Discussion and Analysis

As described more fully in the Compensation Discussion and Analysis section of this Information Statement, SoCalGas's executive compensation program is designed to attract, motivate, and retain key employees, including our named executive officers, and promote strong, sustainable, long-term performance. We urge our shareholders to read Executive Compensation Compensation Discussion and Analysis, which describes in detail how our executive compensation policies and procedures operate and, more specifically, describes our 2011 executive compensation program and decisions. Our Board of Directors believes that our executive compensation program fulfills these objectives and is reasonable, competitive and aligned with our performance and the performance of our executives.

Resolution

We are asking our shareholders to indicate their support for the compensation of our named executive officers as described in this Information Statement by voting in favor of the following resolution:

RESOLVED, as an advisory matter, the shareholders of Southern California Gas Company approve the compensation paid to the company's named executive officers as disclosed in the company's Information Statement for the 2012 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

This say-on-pay vote is advisory and will not be binding on the company.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

What information is provided in this section of the Information Statement?

In this Compensation Discussion and Analysis, we:

- Outline our compensation philosophy and discuss how the SoCalGas Board of Directors determines executive pay.
- Describe each element of executive pay, including base salaries, short-term and long-term incentives and executive benefits.
- Describe how we manage risk in our incentive compensation plans.

What is our Compensation Philosophy?

Our Board of Directors sets the company's executive pay philosophy.

Our compensation philosophy emphasizes:

- Aligning pay with short-term and long-term company performance.
- Performance-based incentives aligned with value creation for shareholders.
- Balance between short-term and long-term incentives.
- More pay tied to performance at higher levels of responsibility.

Elements of our pay program that demonstrate our pay-for-performance philosophy include:

- Over 70 percent of our CEO's target pay is performance-based.
- Performance measures in our short-term and long-term incentive plans are directly linked to the company's and Sempra Energy's financial performance and Sempra Energy shareholder returns.
- One hundred percent of short-term and long-term incentive compensation is performance-based.
- Long-term incentive compensation is delivered through performance-based restricted stock units with a performance measure tied to Sempra Energy's four-year relative cumulative total shareholder return.

We believe this compensation philosophy enables us to attract, motivate and retain key executive talent and promote strong, sustainable long-term performance.

Our compensation program goals include:

- Attracting and retaining executives of outstanding ability and proven experience who demonstrate high standards of integrity and ethics.
- Aligning compensation with company performance.
- Motivating executives to achieve superior performance.
- Strongly linking executive compensation to both annual and long-term corporate, business unit and individual performance.

Company performance is the key indicator of whether our programs are effective. In 2011, SoCalGas employees participated in an annual incentive plan. The primary performance measures under the annual incentive plan were SoCalGas earnings before interest and taxes (EBIT), nonfinancial operational measures and Sempra Energy earnings. In contrast, Sempra Energy total return to shareholders is the key measure for long-term performance.

What compensation governance measures are in place?

Our compensation practices, which are highlighted below, reflect our pay for performance philosophy and our commitment to sound corporate governance.

What We Do:

We link pay to performance and shareholder interests. We use company earnings and relative total shareholder return as the primary incentive plan performance measures.

We review external market data when making compensation decisions.

Our clawback policy provides for the forfeiture, recovery or reimbursement of incentive plan awards as required by law or stock exchange rules. In addition, compensation may be recouped if the company determines that the results on which compensation was paid were not actually achieved, or in instances of an employee's fraudulent or intentional misconduct.

All officers are subject to stock ownership requirements ranging from 3x base pay for SoCalGas's CEO to 1x base pay for vice presidents.

Change in control severance benefits are payable only upon a change in control with termination of employment (double trigger).

Mr. Allman does not participate in decisions regarding his own compensation. Our other executive officers also do not determine or approve their own pay.

What We Don't Do:

Long-term incentive plan grants are made from a Sempra Energy shareholder-approved plan that prohibits stock option repricing and cash buyouts.

Employees are prohibited from trading in puts, calls, options or other similar securities related to Sempra Energy common stock.

No named executive officers received tax gross-ups.

Officers are not given pension credit for years not worked.

LABOR MARKET BENCHMARKING

How is external market data used in determining pay?

External pay data is used to help align executive compensation levels, in total and by component, with the labor market. The SoCalGas Board of Directors views the labor market for our most senior positions as a nationwide, broad cross-section of companies in various industries.

During this benchmarking process, our Board:

Reviews external market data from the Aon Hewitt Associates Total Compensation Database covering 180 non-financial Fortune 500 companies. Particular emphasis is given to the 108 companies with revenues between \$5 billion and \$15 billion. Reviews summary statistics of the companies included in this database (but not company-specific information) with the goal of managing total target pay opportunities to the median of this summary data. Actual pay levels will rise above or fall below these standards as a result of actual company and individual performance.

Analyzes data for utility-specific positions periodically.

How is internal equity used in determining pay?

Internal equity is used to determine the compensation for positions that are unique or difficult to benchmark against market data. Internal equity is also considered in establishing compensation for positions considered to be equivalent in responsibilities and importance.

COMPENSATION COMPONENTS

The primary components of our compensation program are: