

CONSECO INC
Form PRE 14A
April 07, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

CONSECO, INC.

(Name of Registrant as Specified In Its Charter)
Conseco, Inc.

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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1) Amount Previously Paid:

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**Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 21, 2008

Notice Is Hereby Given That the Annual Meeting of Shareholders of Conseco, Inc. (the Company), will be held at the Conseco Conference Center, 11825 North Pennsylvania Street, Carmel, Indiana, at 8:00 a.m., Eastern Daylight Time, on May 21, 2008, for the following purposes:

1. To elect ten directors, each for a one-year term ending in 2009;
2. To approve an amendment to the Company s Amended and Restated Certificate of Incorporation to eliminate the plurality voting standard in uncontested director elections;
3. To approve an amendment to the Company s Amended and Restated Certificate of Incorporation to declassify the board of directors;
4. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2008; and
5. To consider such other matters, if any, as may properly come before the meeting.

Holders of record of outstanding shares of the common stock of the Company as of the close of business on April 14, 2008, are entitled to notice of and to vote at the meeting. Holders of common stock have one vote for each share held of record.

Whether or not you plan to be present at the meeting, *please complete, sign and return the enclosed form of proxy*. No postage is required to return the form of proxy in the enclosed envelope. The proxies of shareholders who attend the meeting in person may be withdrawn, and such shareholders may vote personally at the meeting.

By Order of the Board of Directors

Karl W. Kindig, *Assistant Secretary*

April , 2008
Carmel, Indiana

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Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Conseco, Inc. (Conseco or the Company) for the Annual Meeting of Shareholders (the Annual Meeting) to be held at the Conseco Conference Center, 11825 North Pennsylvania Street, Carmel, Indiana on May 21, 2008, at 8:00 a.m., Eastern Daylight Time. It is expected that this Proxy Statement and proxy will be mailed to the shareholders on or about April 21, 2008. **The enclosed proxy is solicited by our Board of Directors.** Proxies are being solicited principally by mail. Directors, officers and regular employees of Conseco may also solicit proxies in person, through the mail or by telecommunications. All expenses relating to the preparation and mailing to the shareholders of the Notice, this Proxy Statement and form of proxy are to be paid by Conseco.

If the enclosed form of proxy is properly executed and returned in time for the meeting, the named proxy holders will vote the shares represented by the proxy in accordance with the instructions marked on the proxy. Proxies returned unmarked will be voted for each of the board's nominees for director (Proposal 1), for each of the amendments to the Company's Certificate of Incorporation (Proposals 2 and 3) and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008 (Proposal 4). A shareholder may revoke a proxy at any time before it is exercised by mailing or delivering to Conseco a written notice of revocation or a later-dated proxy, or by attending the meeting and voting in person.

Only holders of record of shares of Conseco's common stock as of the close of business on April 14, 2008, will be entitled to vote at the meeting. On such record date, Conseco had _____ shares of common stock outstanding and entitled to vote. Each share of common stock will be entitled to one vote with respect to each matter submitted to a vote at the meeting. The presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum.

If you hold your shares in street name (that is, if you hold your shares through a broker, bank or other holder of record), you may be able to vote by telephone or via the Internet. Please refer to the information on the voting instruction form forwarded to you by your bank, broker or other holder of record to see which voting options are available to you.

You may receive proxy solicitation materials from Otter Creek Partners I, L.P. (Otter Creek) in connection with its nomination of R. Keith Long to be a director of Conseco. The Board of Directors recommends that you **not** sign or return the proxy card that may be sent to you by Otter Creek.

If you want to vote in person at the Annual Meeting and you hold your shares in street name, you must obtain a legal proxy from your bank, broker or other holder of record authorizing you to vote. You must then bring the legal proxy to the Annual Meeting.

The election of directors (Proposal 1) will be determined by the plurality of the votes cast by the holders of shares represented (in person or by proxy) and entitled to vote at the Annual Meeting provided a quorum is present.

Consequently, the 10 nominees who receive the greatest number of votes cast will be elected as directors of the Company. The vote required to approve the amendments to the Certificate of Incorporation

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(Proposals 2 and 3) is the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. The vote required to approve the ratification of the appointment of our independent registered public accounting firm (Proposal 4) is the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. Shares present which are properly withheld as to voting, and shares present with respect to which a broker indicates that it does not have authority to vote (broker non-votes), will not be counted for any purpose other than determining the presence of a quorum at the Annual Meeting. Abstentions from voting will have the same legal effect as voting against Proposal 2, Proposal 3 and Proposal 4.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 21, 2008

Under new Securities and Exchange Commission rules, you are receiving this notice that the proxy materials for the Annual Meeting are available on the Internet. The proxy statement and the annual report to shareholders are available at *investor.conseco.com*.

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The following table sets forth certain information concerning the beneficial ownership of our common stock as of April 14, 2008 (except as otherwise noted) by each person known to us who beneficially owns more than 5% of the outstanding shares of our common stock, each of our directors, each of our current executive officers that are named in the Summary Compensation Table on page 24 and all of our current directors and executive officers as a group.

Title of Class	Name of Beneficial Owner	Shares Beneficially Owned	
		Number	Percentage
Common stock	Columbia Wanger Asset Management, L.P.(1)	18,690,500	10.0%
Common stock	Steel Partners II, L.P.(2)	17,380,141	9.4
Common stock	Hotchkis and Wiley Capital Management, LLC(3)	15,740,800	8.4
Common stock	Lord, Abnett & Co., LLC(4)	14,746,768	7.9
Common stock	SuttonBrook Capital Management, LLC(5)	14,227,106	7.6
Common stock	Franklin Mutual Advisers LLC(6)	11,429,739	6.1
Common stock	Brandes Investment Partners, L.P.(7)	10,661,744	5.7
Common stock	R. Glenn Hilliard(8)	1,454,357	*
Common stock	Donna A. James	4,557	*
Common stock	Debra J. Perry(9)	34,131	*
Common stock	C. James Prieur(10)	305,000	*
Common stock	Philip R. Roberts(9)	37,657	*
Common stock	Neal C. Schneider(9)	35,157	*
Common stock	Michael S. Shannon(9)	120,616	*
Common stock	Michael T. Tokarz(9)	32,657	*
Common stock	John G. Turner(9)	40,657	*
Common stock	Doreen A. Wright	6,057	*
Common stock	Edward J. Bonach	51,000	*
Common stock	Eric R. Johnson(11)	198,237	*
Common stock	Scott R. Perry(15)	75,830	*
Common stock	All directors and executive officers as a group (20 persons)(13)	2,725,370	1.5

* Less than 1%.

(1) Based solely on the Amendment No. 2 to Schedule 13G filed with the SEC on February 14, 2008 by Columbia Wanger Asset Management, L.P. The Amendment No. 2 to Schedule 13G reports sole power to vote or direct the vote of 18,322,500 shares and sole power to dispose or direct the disposition of 18,690,500 shares. The business address for Columbia Wanger Asset Management, L.P. is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

(2) Based solely on the Amendment No. 3 to Schedule 13D filed with the SEC on March 25, 2008 by Steel Partners II, L.P. The business address for Steel Partners II, L.P. is 590 Madison Avenue, 32nd Floor, New York, NY 10022.

- (3) Based solely on the Amendment No. 2 to Schedule 13G filed with the SEC on February 13, 2008 by Hotchkis and Wiley Capital Management, LLC. The Amendment No. 2 to Schedule 13G reports sole power to vote or direct the vote of 11,593,600 shares and sole power to dispose or to direct the disposition of 15,740,800 shares. The business address for Hotchkis and Wiley Capital Management, LLC is 725 S. Figueroa Street, 39th Floor, Los Angeles, CA 90017.
- (4) Based solely on the Amendment No. 3 to Schedule 13G filed with the SEC on February 14, 2008 by Lord Abbett & Co., LLC. The Amendment No. 3 to Schedule 13G reports sole power to vote or direct the vote of 14,235,268 shares and sole power to dispose or direct the disposition of 14,746,768 shares. The business address for Lord Abbett & Co., LLC is 90 Hudson Street, Jersey City, NJ 07302.

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- (5) Based solely on the Amendment No. 1 to Schedule 13G filed with the SEC on February 14, 2008, by SuttonBrook Capital Management LLC. The business address for SuttonBrook Capital Management, LLC is 598 Madison Avenue, 6th Floor, New York, NY 10022.
- (6) Based solely on the Amendment No. 1 to Schedule 13G filed with the SEC on January 14, 2008 by Franklin Mutual Advisers, LLC. The business address for Franklin Mutual Advisers, LLC is 101 John F. Kennedy Parkway, Short Hills, NJ 07078.
- (7) Based solely on the Schedule 13G filed with the SEC on February 14, 2008 by Brandes Investment Partners, L.P. The Schedule 13G reports sole power to vote or direct the vote of 7,595,762 shares and the sole power to dispose or direct the disposition of 10,661,744 shares. The business address of Brandes Investment Partners, L.P. is 11988 El Camino Real, Suite 500, San Diego, CA 92130.
- (8) Includes 98,119 shares held by a family charitable foundation, of which Mr. Hilliard is a trustee. He disclaims beneficial ownership of such shares. Also includes options, exercisable currently or within 60 days of April 14, 2008, to purchase 755,000 shares of common stock.
- (9) Includes options, exercisable currently or within 60 days of April 14, 2008, to purchase 15,400 shares of common stock.
- (10) Includes options, exercisable currently or within 60 days of April 14, 2008, to purchase 75,000 shares of common stock.
- (11) Includes options, exercisable currently or within 60 days of April 14, 2008, to purchase 150,000 shares of common stock.
- (12) Includes options, exercisable currently or within 60 days of April 14, 2008, to purchase 29,250 shares of common stock.
- (13) Includes options, exercisable currently or within 60 days of April 14, 2008, to purchase an aggregate of 1,343,975 shares of common stock held by directors and executive officers.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our board of directors is currently comprised of 10 members, divided into two classes as follows: Messrs. Prieur, Roberts and Tokarz and Ms. Perry and Ms. James are Class I Directors, and Messrs. Hilliard, Schneider, Shannon and Turner and Ms. Wright are Class II Directors. The terms of office of the current Class I Directors and the current Class II Directors expire at our 2008 annual meeting of shareholders. Other than the term of office of the initial Class II Directors (which was two years from 2003 until 2005), the term of office of each class of directors will expire at the next succeeding annual meeting of shareholders. Accordingly, all directors are now elected annually for one-year terms. All directors will serve until their successors are duly elected and qualified.

Board Nominees

Unless authority is specifically withheld, the shares of common stock represented by the enclosed form of proxy will be voted in favor of all board nominees identified below. Should any of the nominees become unable to accept election, the persons named in the proxy will exercise their voting power in favor of such person or persons as the board of directors of Consecoco may recommend. All of the nominees have consented to being named in this Proxy Statement and to serve if elected. The board of directors knows of no reason why any of its nominees would be unable to accept election.

Set forth below is information regarding each person nominated by the board of directors for election as a Class I or Class II Director.

Nominees for Election as Class I Directors:

Donna A. James, 50, has been a director of Consecoco since May 2007. Since 2006 Ms. James has been President and managing director of Lardon & Associates, a business and executive advisory services firm. Before retiring in 2006, Ms. James worked in various capacities with Nationwide Mutual Insurance Company and its public company subsidiary, Nationwide Financial Services, Inc., beginning in 1981, including President, Nationwide Strategic Investments (2003-2006), Executive Vice President and Chief administrative Officer (2000-2003) and Senior Vice President and Chief Human Resources Officer (1998-2000). She is also a director of Coca-Cola Enterprises, Inc. and Limited Brands, Inc.

Debra J. Perry, 56, has served as a director of Consecoco since June 2004. Since 2008 Ms. Perry has been the managing member of Perry Consulting LLC. From 1992-2004, she was a senior executive at Moody's Investors Service and Moody's Corporation. During her career there, she served as Chief Administrative Officer and Chief Credit Officer, and had responsibility for several ratings groups, including Americas Corporate Finance, Leverage Finance, Public Finance, and Finance, Securities and Insurance. Until recently, Ms. Perry served on the board of MBIA Inc., the largest financial guaranty insurance company. At the request of the MBIA board, she became a consultant to its Credit Risk Committee to refine and implement the company's risk strategy as part of a five-year transformation plan. Ms. Perry is also a director of Korn/Ferry International.

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C. James Prieur, 56, has been chief executive officer and a director since September 2006. Before joining Consecoco, Mr. Prieur had been with Sun Life Financial since 1979. He began his career in private placements, then equity and fixed income portfolio management, rising to vice president of investments for Canada in 1988, and then vice president of investments for the U.S. in 1992. In 1997 he was named senior vice president and general manager for all U.S. operations, and became corporate president and chief operating officer in 1999.

Philip R. Roberts, 66, joined our board of directors in September 2003. Mr. Roberts is retired. From 2000 until 2007, Mr. Roberts was principal of Roberts Ventures L.L.C., consultant for merger and acquisition and product development for investment management firms. From 1996 until 2000, Mr. Roberts served as chief investment officer of trust business for Mellon Financial Corporation and headed its institutional asset management businesses from 1990 to 1996.

Michael T. Tokarz, 58, joined our board of directors in September 2003. Mr. Tokarz is the chairman of MVC Capital, Inc. (a registered investment company). In addition, he has been a managing member of the Tokarz Group, LLC (venture capital investments) since 2002. He was a general partner with Kohlberg Kravis Roberts & Co. from 1985 until he retired in 2002. Mr. Tokarz is chairman of Walter Industries, Inc. and is also a director of IDEX Corp. and Dakota Growers Pasta Companies, Inc.

Nominees for Election as Class II Directors:

R. Glenn Hilliard, 65, has served as chairman of our board of directors since September 2003. During the period from August 2004 until September 2005, he served as executive chairman and at all other times since September 2003 he has served as non-executive Chairman. Mr. Hilliard has been chairman and chief executive officer of Hilliard Group, LLC, an investment and consulting firm, since 2003. From 1999 until his retirement in 2003, Mr. Hilliard served as chairman, chief executive officer and a member of the executive committee for ING Americas. From 1994 to 1999 he was chairman and CEO of ING North America. Mr. Hilliard is a Trustee of Columbia Funds Series Trust, Columbia Funds Master Investment Trust, Columbia Funds Variable Insurance Trust I (formerly Nations Separate Account Trust) and Banc of America Funds Trust.

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Neal C. Schneider, 63, joined our board of directors in September 2003. Between 2002 and 2003, Mr. Schneider was a partner of Smart and Associates, LLP, a business advisory and accounting firm. Between 2000 and 2002, he was an independent consultant. Until his retirement in 2000, Mr. Schneider spent 34 years with Arthur Andersen & Co., including service as partner in charge of the Worldwide Insurance Industry Practice and the North American Financial Service Practice. Mr. Schneider has been chairman of the board of PMA Capital Corporation since 2003.

Michael S. Shannon, 49, joined our board of directors in September 2003. Mr. Shannon founded KSL Capital Partners in 2004 and founded its predecessor KSL Recreation Corporation in 1992, serving as its president and chief executive officer. He founded and became chief executive officer of KSL Resorts (manager of golf courses and destination resorts in the U.S.) in 2004 following the sale of KSL Recreation Corporation. Before joining our board, Mr. Shannon was lead director of ING Americas. Mr. Shannon currently serves as a director of ING Direct, the Vail Valley Foundation, the United States Ski and Snowboard Association and Eisenhower Memorial Hospital.

John G. Turner, 68, joined our board of directors in September 2003. Mr. Turner has been chairman of Hillcrest Capital Partners, a private equity investment firm since 2002. Mr. Turner served as chairman and CEO of ReliaStar Financial Corp. from 1991 until it was acquired by ING in 2000. After the acquisition he became vice chairman and a member of the executive committee for ING Americas until his retirement in 2002. Mr. Turner is a director of Hormel Foods Corporation and ING Funds.

Doreen A. Wright, 51, joined our board of directors in May 2007. Ms. Wright has been Senior Vice President and Chief Information Officer of Campbell Soup Company since 2001. Prior to joining Campbell Soup Company, she was Executive Vice President and Chief Information Officer at Nabisco, Inc. from 1999-2001. From 1995 through 1998, Ms. Wright was Senior Vice President, Operations and Systems for Prudential Insurance Company's Prudential Investment Group. From 1984 until 1994, she held various leadership positions at Bankers Trust Company as a Managing Director and Senior Vice President of numerous large-scale institutional customer service and technology groups. Ms. Wright serves on the board of directors of The Riverside Symphonia, is a trustee of the Campbell Soup Foundation and previously served on the board of directors of The Yankee Candle Company.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION TO THE BOARD OF EACH OF THE COMPANY'S DIRECTOR NOMINEES LISTED ABOVE

Otter Creek Nominee

On March 21, 2008, Consecoco received notice from Otter Creek Partners I, L.P., by its General Partner, Otter Creek Management, Inc. of its nomination of R. Keith Long to stand for election to the Consecoco Board of Directors. If you receive proxy solicitation materials from Otter Creek, the Board of Directors unanimously recommends that you NOT return the proxy card or otherwise vote for Mr. Long. If you have returned a proxy

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card to Otter Creek, you can revoke it by properly executing and returning the Company's proxy card, or, if you hold your shares in street name, then by following the voting instruction form that was forwarded to you.

Board Committees

Audit and Enterprise Risk Committee. The Audit and Enterprise Risk Committee's functions, among others, are to recommend the appointment of independent accountants; review the arrangements for and scope of the audit by the independent accountants; review the independence of the independent accountants; consider the adequacy of the system of internal accounting controls and review any proposed corrective actions; review and monitor the Company's compliance with legal and regulatory requirements; and discuss with management and the independent accountants our draft annual and quarterly financial statements and key accounting and/or reporting matters. The Audit and Enterprise Risk Committee currently consists of Messrs. Schneider, Roberts and Turner and Ms. Wright, with Mr. Schneider serving as chairman of the committee and as audit committee financial expert, as defined under Securities and Exchange Commission rules promulgated under the Sarbanes-Oxley Act. All current members of the Audit and Enterprise Risk Committee are independent within the meaning of the regulations adopted by the Securities and Exchange Commission and the listing requirements adopted by the New York Stock Exchange regarding audit committee membership. The current members also satisfy the financial literacy qualifications of the New York Stock Exchange listing standards. The committee met on 11 occasions in 2007. A copy of the Audit and Enterprise Risk Committee's charter is available on our website at www.conseco.com.

Governance and Strategy Committee. The Governance and Strategy Committee is responsible for, among other things, establishing criteria for board membership; considering, recommending and recruiting candidates to fill new positions on the board; reviewing candidates recommended by shareholders; and considering questions of possible conflicts of interest involving board members, executive officers and key employees. It is also responsible for developing principles of corporate governance and recommending them to the board for its approval and adoption, and reviewing periodically these principles of corporate governance to insure that they remain relevant and are being complied with. The Governance and Strategy Committee currently consists of Messrs. Tokarz and Shannon and Ms. Perry, with Mr. Tokarz serving as chairman of the committee. All current members of the Governance and Strategy Committee are independent within the meaning of the listing requirements adopted by the New York Stock Exchange regarding nominating committee membership. The committee held five meetings during 2007. A copy of the Governance and Strategy Committee's charter is available on our website at www.conseco.com. The Governance and Strategy Committee does not have a written policy regarding shareholder nominations for director candidates. The Governance and Strategy Committee will, however, consider candidates for director nominees put forward by shareholders. See Shareholder Proposals for 2009 Annual Meeting for a description of the advance notice procedures for shareholder nominations for directors.

Human Resources and Compensation Committee. The Human Resources and Compensation Committee is responsible for, among other things, approving overall compensation policy; recommending to the board the compensation of the chief executive officer and other senior officers; and reviewing and administering our incentive compensation and equity award plans. The Human Resources and Compensation Committee currently consists of Ms. Perry, Ms. James and Messrs. Tokarz and Shannon, with Ms. Perry serving as committee chair. All current members of the Human Resources and Compensation Committee are independent within the meaning of the listing requirements adopted by the New York Stock Exchange regarding compensation committee membership. The committee met on nine occasions in 2007. A copy of the Human Resources and Compensation Committee's charter is available on our website at www.conseco.com.

Investment Committee. The Investment Committee is responsible for, among other things, reviewing investment policies, strategies and programs; reviewing the procedures which Conseco utilizes in determining that funds are invested in accordance with policies and limits approved by it; and reviewing the quality and performance of our

investment portfolios and the alignment of asset duration to liabilities. The Investment Committee currently consists of Messrs. Prieur, Schneider, Roberts and Turner, with Mr. Roberts serving as chairman of the committee. The committee met on three occasions in 2007. A copy of the Investment Committee's charter is available on our website at www.conseco.com.

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Executive Committee. Subject to the requirements of applicable law, including our certificate of incorporation and bylaws, the Executive Committee is responsible for exercising, as necessary, the authority of the board of directors in the management of our business affairs during intervals between board meetings. The Executive Committee currently consists of Messrs. Hilliard, Prieur and Turner, with Mr. Turner serving as chairman of the committee. A copy of the Executive Committee's charter is available on our website at www.conseco.com.

Director Compensation

Our non-employee directors currently receive an annual cash retainer of \$70,000. The chairs of the Audit and Enterprise Risk Committee and the Human Resources and Compensation Committee each currently receive an additional annual cash fee of \$30,000, and directors who chair one of our other board committees receive an additional annual cash fee of \$20,000. Each member of the Audit and Enterprise Risk Committee (including the chairman) receives an additional annual cash retainer of \$15,000. Cash fees are paid quarterly in advance. Our non-employee directors have also been entitled to receive \$70,000 in annual equity awards. The amount of fees paid to our non-employee directors has not changed since it was first set in September 2003, except for a \$10,000 increase implemented in 2007 in the additional fee paid to the chair of the Human Resources and Compensation Committee. In addition, the directors, other than our chairman, who joined the Board upon our emergence from bankruptcy in 2003 or within one year thereafter (Messrs. Roberts, Schneider, Shannon, Tokarz and Turner and Ms. Perry) were awarded a one-time equity grant for joining the Board, consisting of 2,000 shares of restricted common stock and an option to purchase 10,000 shares of common stock. The Board's policy is to review and set the compensation of the non-employee directors each year at the annual Board meeting and to make equity awards to those directors at that time. Directors are reimbursed for out-of-pocket expenses, including first-class airfare, incurred in connection with the performance of their responsibilities as directors. The compensation paid in 2007 to our non-employee directors is summarized in the table below:

DIRECTOR COMPENSATION IN 2007

Name	Fees earned or paid in cash(1)	Stock awards(2)	Option awards(3)	All other compensation(4)	Total
R. Glenn Hilliard(5)	\$ 110,447	\$ 1,154,960	\$ 389,701	\$ 26,333	\$ 1,681,441
Donna A. James	42,692	69,966			112,658
Debra J. Perry	94,148	75,365			169,513
Philip R. Roberts	105,000	69,966			174,966
Neal C. Schneider	115,000	69,966			184,966
Michael S. Shannon	80,000	69,966			149,966
Michael T. Tokarz	90,000	69,966			159,966
John G. Turner	105,000	69,966			174,966
Doreen A. Wright	51,841	69,966			121,807

(1) This column represents the amount of cash compensation paid in 2007 for Board service, for service on the Audit and Enterprise Risk Committee and for chairing a committee.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to 2007 for the fair value of stock awards granted in 2007 and prior years, in accordance with SFAS 123R. Fair

value is calculated using the closing price of Consecoco common stock on the date of grant.

- (3) This column represents the dollar amount recognized for financial statement reporting purposes with respect to 2007 for the fair value of stock options granted in 2004 to Mr. Hilliard in accordance with his agreement with the Company described below. No options have been granted to any of the directors since 2004. The fair value was estimated using the Black-Scholes option-pricing model in accordance with

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Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (SFAS 123R). Set forth below is the grant date fair value of each stock award to the non-employee directors in 2007, computed in accordance with SFAS 123R.

Name	Grant Date	Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock Awards
R. Glenn Hilliard	5/22/07	5,335	\$ 104,939
Donna A. James	5/22/07	3,557	69,966
Debra J. Perry	5/22/07	3,557	69,966
Philip R. Roberts	5/22/07	3,557	69,966
Neal C. Schneider	5/22/07	3,557	69,966
Michael S. Shannon	5/22/07	3,557	69,966
Michael T. Tokarz	5/22/07	3,557	69,966
John G. Turner	5/22/07	3,557	69,966
Doreen A. Wright	5/22/07	3,557	69,966

The directors have the following number of options outstanding at December 31, 2007 Mr. Hilliard (755,000); Ms. Perry (15,400), Mr. Roberts (15,400), Mr. Schneider (15,400), Mr. Shannon (15,400), Mr. Tokarz (15,400) and Mr. Turner (15,400).

- (4) The other compensation shown above for Mr. Hilliard represents the amount paid to him until September as reimbursement for office expenses in accordance with his agreement with the Company described below.
- (5) The amounts shown for Mr. Hilliard under stock awards and option awards include expenses recorded in 2007 for awards made in 2003 and 2004 pursuant to the terms of Mr. Hilliard's agreement with the Company described below.

On June 18, 2003, our predecessor entered into an agreement with Mr. Hilliard pursuant to which he provided consulting services to our predecessor during the pendency of the Chapter 11 cases, agreed to serve as our non-executive chairman for an initial term of four years following our emergence from bankruptcy and agreed not to accept full time employment with any other company during the term of his Consecro agreement. This agreement, which became effective upon our emergence from bankruptcy on September 10, 2003, was negotiated with our predecessor's creditors committee and was approved by the Bankruptcy Court in connection with the approval of the plan of reorganization. At the expiration of his four-year agreement in September 2007, the board set Mr. Hilliard's fee for serving as Non-Executive Chairman at 175% of the base cash fees and equity awards paid to the other, non-management directors. Mr. Hilliard is subject to a non-solicitation and non-competition clause that continues in effect until September 2008.

Board Meetings and Attendance

During 2007, the board of directors met on 12 occasions. All directors attended at least 96 percent of the aggregate meetings of the board and the committees on which they served (eight directors had perfect attendance while two directors missed one meeting each). The non-management directors regularly meet in executive session without the CEO or any other member of management. Mr. Hilliard presides at such executive sessions. The independent directors

also meet periodically in executive session without Mr. Prieur or Mr. Hilliard. Mr. Turner presides at such sessions.

Director Independence

The Board annually determines the independence of directors based on a review by the directors. Although the board of directors has not adopted categorical standards of materiality for independence purposes, no director is considered independent unless the board has determined that he or she has no material relationship with Consecoco, either directly or as an officer, shareholder or partner of an organization that has a material relationship with Consecoco. Material relationships can include commercial, industrial, banking,

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consulting, legal, accounting, charitable and familial relationships, among others. The board considers the New York Stock Exchange guidelines in making its determination regarding independence and the materiality of any relationships with Consecoco. Under the NYSE corporate governance standards, a director is not independent if he or she has been an employee or executive officer of the Company within the last three years. Because Mr. Hilliard was employed by Consecoco and served as Executive Chairman from August 2004 until September 2005, the board has determined that Mr. Hilliard is not independent at this time. The board has determined that all current directors other than Mr. Prieur and Mr. Hilliard are independent.

Approval of Related Party Transactions

Transactions and agreements with related persons (directors and executive officers or members of their immediate families or shareholders owning five percent or more of the Company's outstanding stock) that meet the minimum threshold for disclosure in the proxy statement under applicable SEC rules (generally transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest) must be approved by the board of directors or a committee comprised solely of independent directors. In considering the transaction or agreement, the board or committee will consider all relevant factors including the business reason for the transaction, available alternatives on comparable terms, actual or apparent conflicts of interest and the overall fairness of the transaction to the Company. Any proposed transactions that might be considered a related person transaction are to be raised with the Chairman of the Board or the Chairman of the Governance and Strategy Committee. They will jointly determine whether the proposed transaction should be considered by the full board (recusing any directors with conflicts) or by a board committee of independent directors. Related person transactions are to be approved in advance whenever practicable, but if not approved in advance are to be ratified (if the board or committee considers it appropriate to do so) as soon as practicable after the transaction.

Various Company policies and procedures, including the Code of Business Conduct and Ethics and annual questionnaires completed by all company directors, officers and employees, require disclosure of transactions or relationships that may constitute conflicts of interest or otherwise require disclosure under applicable SEC rules. Any related person transactions that are identified under these additional policies and procedures are to be considered under the policy and procedures described above.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all officers, directors and employees regarding their obligations in the conduct of the Company's affairs. A copy of the Code of Business Conduct and Ethics is available on our website at www.consecoco.com.