

# STUDY OF 2008 PERFORMANCE METRICS AMONG TOP 200 S&P 500 COMPANIES

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# CONTENTS

- Introduction .....4
  - Executive Compensation Overview .....4
  - Performance Metrics Overview .....5
  - The Pay-Performance Formula .....5
- Overview of Study .....6
  - Objectives .....6
  - Expectations .....6
  - Materials.....6
  - Procedures.....6
  - Data .....6
- Study Highlights .....7
  - Stock Option Grants Remain Popular .....7
  - Lack of Information on Pay-for-Performance Relationship .....7
  - Long-Term Incentive Plan (LTIP) Disclosure.....7
  - Short-Term Incentive Plan (STIP) Disclosure .....7
  - Individual Objectives in STIPs .....8
  - Use of Discretion in determining Bonus Payments .....8
  - 162(m) Disclosures .....8
- Detailed Observations .....8
  - Lack of Information on Pay-for-Performance Relationship .....8
  - Prevalence of Performance Measures and Targets.....9
    - Threshold, Target, Maximum .....10
  - Performance Measures for Incentive Plans.....10
    - Short-Term Incentive Plans/Bonus Plans.....10
    - Long-Term Incentive Plans .....10
- Summary of Reported Measures.....11
  - Performance Percentages .....11
  - Absolute vs. Relative Measures.....13
  - Payout Percentages .....13

|   |    |
|---|----|
| Performance-Payout Relationships .....      | 16 |
| Short-Term Incentives .....                 | 16 |
| Long-Term Incentives .....                  | 16 |
| Long-Term Incentive Mix .....               | 17 |
| Conclusions .....                           | 18 |
| The Importance of Disclosure .....          | 18 |
| Appendix 1 .....                            | 20 |
| S&P 500 Large Cap Companies – Top 200 ..... | 20 |
| Appendix 2 .....                            | 22 |
| Executive Grant Type Usage by Company ..... | 22 |

# INTRODUCTION

Determining the compensation for senior executives is a difficult process. The unique environment of the company and the individual needs of executives must be considered as compensation plans are drafted. These considerations alone can be overwhelming; however, the piercing public scrutiny of executive pay decisions and practices complicate the overall process of setting executive pay.

Because incentive compensation comprises the bulk of executive pay packages at publicly-traded companies, boards of directors and senior management are continually searching for the right performance measures to balance rewards with both financial and operational performance as well as non-financial or individual performance. Once companies get beyond the difficulties of designing executive programs that adequately balance pay versus performance, they now have the added pressure of clearly explaining their pay-for-performance formula to investors.

The Securities and Exchange Commission requires that companies disclose, in their annual proxies, the specifics of their executive compensation policies in clear language for investors. This requirement developed from the assertion by the SEC that if executive compensation performance targets are central to a company's decision-making process, these targets must be disclosed to investors. The rules require that all performance measures and goals be released and compared with actual results. This disclosure requirement includes both short- and long-term incentive performance measures.

In order to investigate what (and how much) is being shared in annual proxy statements about executive pay packages, James F. Reda & Associates, LLC conducted a study of the 2009 annual proxy statement disclosures for the top 200 U.S. companies. The company list was derived using the Standard & Poor's large-cap stock indexes (S&P large-cap companies) for years 2007 and 2008, and as reported in 2008 and 2009. A list of the companies included in this study is included in Appendix 1 on page 20.

## EXECUTIVE COMPENSATION OVERVIEW

There are five elements to executive compensation:

- Base salary, including cost of living, merit and promotional increases
- Short-term incentive, including target payout and forms of payout
- Long-term incentive, including target and forms of award
- Benefits and perquisites, including basic benefits, SERPs, retirement, personal use of aircraft, financial counseling and other excess benefit plans
- Severance, including severance with or without a change-in-control, death, disability, or other

There are multiple performance metric factors related to the alignment of pay and performance that are crucial to the overall executive program design. These factors should be included in the compensation philosophy:

- Changes to salary
- Performance measures
- Long-term incentive pay mix
- Amount paid in cash immediately or amount deferred (typically in stock)
- Pay for performance (minimum, target, and maximum)

- Severance pay
- Stock ownership guidelines

## PERFORMANCE METRICS OVERVIEW

Performance can be measured against a fixed goal (such as an earnings per share target) or a relative goal (as compared against a peer group of companies). Long-Term Incentive Plans (LTIPs) often use relative measures and are easier to report than Short-Term Incentive Plans (STIPs), which almost always use fixed goals to maintain a competitive advantage.

Performance measures can be segregated into two main categories: market-based (stock price or total shareholder return) and financial-based (earnings per share, return on assets, etc.). Some refer to these performance classes as “external” and “internal”.

A balanced incentive plan should include financial goals, stock-appreciation goals, absolute goals and relative goals. Thus, if the company does well against its business plan but underperforming in its industry, the incentive payout will fairly reflect performance.

## THE PAY-PERFORMANCE FORMULA

Investors are increasingly aware of executive compensation issues and are anxious to see if pay corresponds with performance. As a result, companies will be focusing on making shareholders more comfortable with their strategies by more clearly communicating their goals.

Goals need to be reasonable and aligned with the business plan and investor communications. In addition, the minimum threshold payout for an incentive plan should be adjusted to be fair to both executives and shareholders. Typically, STI plans have higher thresholds than LTI plans. In other words, the actual performance must be 90 percent of goal before the plan begins to pay out (typically, the plan will pay out 50 percent at this performance level). LTI plans usually have a lower performance threshold since they are more difficult to forecast over multiple years. This is important because some plans set their threshold level too low (or too high) and their maximum payout levels too high.

Performance-based compensation can be used to balance executive pay with corporate performance. A fair balance can be struck between shareholders and senior management under the oversight of the board of directors. However, the selection of performance goals can be difficult and the performance measures and goals must be disclosed to investors.

Because the relationship between pay and performance is often complex, communicating executive performance targets is challenging. However, given the new rules of the 2010 proxy season and the potential for additional rules (given the intense public interest in the subject of executive pay), it is important that companies find a communication plan that makes sense and that is compliant with the SEC requirements.

# OVERVIEW OF STUDY

James F. Reda & Associates conducted a study of the 2009 annual proxy statement disclosures for the top 200 U.S. companies. The company list was derived using the Standard & Poor's large-cap stock indexes (S&P large-cap companies) for 2007 and 2008, and as reported in 2008 and 2009. A list of the companies included in this study is included in Appendix 1 on page 20.

## OBJECTIVES

The objectives of the research study were:

- To identify the characteristics of short- and long-term incentive plan designs
- To analyze the trends in executive compensation plan design and disclosure over time

## EXPECTATIONS

Beginning with the 2008 proxy season, the SEC has required that companies disclose their performance measures and goals and resulting payout levels (otherwise known as the pay-for-performance formula). Since the new proxy disclosure rules require that all performance measures and goals must be released and compared with actual results (including both short- and long-term incentive performance measures), we expected to see an increase in the number of companies disclosing the characteristics of their short- and long-term incentive plan designs.

In addition, because investors are increasingly aware of executive compensation issues and are anxious to see if pay corresponds with performance, we were surprised at the lack of disclosure to include more details of the performance goals and measures, including disclosure of actual performance relative to those goals and payout levels.

With regard to the performance plans themselves, the trend continued that has been in place since 2004, which is shifting the basis for long-term incentive plans away from stock options and towards performance share plans that are based on performance measures and goals.

## MATERIALS

The data used for this study was collected from SEC filings of S&P large-cap companies. The pay-for-performance formula characteristics examined in this study include:

- Performance measures (types of measures and weightings)
- Performance levels (at threshold, target and maximum)
- Payout levels (at threshold, target and maximum)

## PROCEDURES

The data was collected from proxy filings based on information provided in the CD&A. The data was disclosed by companies in a variety of ways, including tables, descriptive text, and footnotes.

## DATA

For the purposes of providing comparable analysis given the variability of reporting and data, judgments were made on how to best combine data. The data was carefully reviewed for completeness and accuracy. We reviewed proxies filed through April 2009 with fiscal years ending in 2008 or early 2009.

# STUDY HIGHLIGHTS

## STOCK OPTION GRANTS REMAIN POPULAR

Even though companies are shifting the basis for long-term incentive plans away from stock options and towards performance share plans that are based on performance measures and goals, stock option grants are still the most prevalent type of long-term incentive program. In fact, usage of stock options increased slightly in 2008 for the 200 largest U.S. public companies. However, the collective use of performance-based grants, including performance units, performance shares, performance-based restricted stock, performance stock options, premium stock options, and long-term cash plans is now more prevalent than plain vanilla stock options. Indeed, we saw an increase from 67% of all companies in 2007 to 75% in 2008.

| <i>Grant Type</i>                         | <i>Percentage of Companies Using Grant Types—2007</i> | <i>Percentage of Companies Using Grant Types—2008</i> |
|---|---|---|
| <b>Stock Options</b>                      | 64%   | 67%   |
| <b>SARs</b>                               | 4%  | 5%  |
| <b>Restricted Stock/Units</b>             | 40%   | 41%   |
| <b>Performance Restricted Share Units</b> | 45%   | 50%   |
| <b>Performance Shares</b>                 | 9%  | 10%   |
| <b>Performance/Premium Stock Options</b>  | 2%  | 2%  |
| <b>Long Term Cash</b>                     | 15%   | 17%   |

## LACK OF INFORMATION ON PAY-FOR-PERFORMANCE

While most companies are disclosing their type of performance measures and/or weights (in the case of more than one measure), they are not disclosing the performance levels (numerical value) that need to be achieved in order to receive threshold, target or maximum awards. Bonus payouts relative to target award levels declined in 2008 as there was roughly a 50% increase in the number of executives receiving less than their target bonus in 2008 (53%) as compared with 2007 (35%).

## LONG-TERM INCENTIVE PLAN (LTIP) DISCLOSURE

Our study indicates that among companies with LTIPs, only 55% included a complete set of metric values in 2008 (e.g. threshold target, maximum) and corresponding payouts in their proxies. This was similar to the results from our 2006 and 2007 studies.

## SHORT-TERM INCENTIVE PLAN (STIP) DISCLOSURE

Our study indicates that among companies with STIPs that are awarded based on achievement of predetermined performance levels, only 38% included a complete set of metric values in 2008 (e.g. threshold target, maximum) and corresponding payouts in their proxies, compared to 44% in 2007 and 30% in 2006.

## INDIVIDUAL OBJECTIVES IN STIPs

More and more companies are expanding their use of individual performance measures in their STIPs. Over half of the companies in the study group included individual performance of NEOs in determining annual incentive payments (four companies with individual performance criteria did not include individual performance for the CEO). Individual performance can be based on a combination of financial and non-financial measures. Of the companies that use individual performance, about one-third disclosed a separate weighting to this measure ranging from 10% to 50%.

## USE OF DISCRETION IN DETERMINING BONUS PAYMENTS

Seventy-five percent of companies in 2008 indicated that their Board of Directors uses discretion in determining bonuses.

## 162(M) DISCLOSURES

- 55% of companies designed their incentive compensation to comply with Internal Revenue Service 162(m) tax treatment (tax deductible compensation).
- 26% of companies stated they did not qualify all incentive compensation for 162(m).
- 19% provided no disclosure regarding whether or not incentive compensation qualified for 162(m).

# DETAILED OBSERVATIONS

## LACK OF INFORMATION ON PAY-FOR-PERFORMANCE RELATIONSHIP

One aspect of our study was to focus on how many companies provided performance measures and weights, and what level of performance would equate to threshold, target, and maximum payout levels. We considered a company having adequate disclosure when the company included the following information:

- Threshold performance levels
- Target performance levels
- Maximum performance levels
- Threshold payout levels
- Target payout levels
- Maximum payout levels

Our results with respect to adequate disclosure are as follows:

| <i>Adequate Exposure</i> | <i>STI</i> | <i>LTI</i> |
|--------------------------|------------|------------|
| <b>2006</b>              | 30%        | 56%        |
| <b>2007</b>              | 47%        | 53%        |
| <b>2008</b>              | 39%        | 57%        |

\*Important Point to Note: The above percentages are based on companies that have disclosed at least one complete set of metrics for one or more measures. If a company does not have an LTI or STI plan with a threshold, target and/or maximum structure, they are not included in the above computation. Furthermore, if a company has a discretionary bonus plan, they are also excluded from the computation.

While full disclosure of metrics has not improved recently, the percentage of companies not disclosing any of their performance goals has substantially decreased since 2006. Our results with respect to no metrics disclosed are as follows:

| <i>No Metrics Disclosed</i> | <i>STI</i> | <i>LTI</i> |
|-----------------------------|------------|------------|
| <b>2006</b>                 | 38%        | 28%        |
| <b>2007</b>                 | 19%        | 26%        |
| <b>2008</b>                 | 16%        | 25%        |

## PREVALENCE OF PERFORMANCE MEASURES AND TARGETS

Many top U.S. publicly-traded companies failed to disclose or explain their incentive performance metrics. Seventy-nine percent (79%) had long-term incentive plans (LTIPs), compared to 72% for a sample of 100 S&P 500 companies in 2007 and in 2006. Of the companies with LTIPs in 2008, only 57% included a complete set of metric values (threshold, target, maximum) for one or more measures, for either current year grants or vested grants.

The reporting of incentive performance metrics has decreased for short term incentive plans (STIPs) since only 39% of the companies provided complete metric and payout information in 2008. This is worse than the previous reporting year, when 47% reported complete metrics, but better than the 2006 results when only 30% reported complete metrics. These figures exclude discretionary bonus plans.

Reporting of long-term incentive performance metrics has been consistently better than reporting of short-term metrics, but this was largely due to the use of relative measures comparing performance with other similar companies on a percentile basis. Relative measures are significantly less sensitive to a company than the disclosing of specific values and targets.

The following table provides more detail regarding the reporting of threshold, target, and maximum values where three metrics is the “required” reporting. These percentages reflect a “best case” situation or the most metrics reported for any given measure at each company. In other words, even if certain measures are not completely reported, if one or more measure included a threshold, target, and maximum value, this was considered “complete” reporting.

## THRESHOLD, TARGET, MAXIMUM

| <i>Number of Metrics Reported (Threshold, Target, Maximum)</i>         | <i>2006</i> |            | <i>2007</i> |            | <i>2008</i> |            |
|--|-------------|------------|-------------|------------|-------------|------------|
|  | <i>STI</i>  | <i>LTI</i> | <i>STI</i>  | <i>LTI</i> | <i>STI</i>  | <i>LTI</i> |
| <b>No Metrics Reported</b>   | 38%         | 28%        | 19%         | 26%        | 16%         | 25%        |
| <b>One Metric Reported (typically target)</b>                          | 24%         | 6%         | 20%         | 15%        | 33%         | 12%        |
| <b>Two Metrics Reported</b>  | 8%          | 10%        | 14%         | 6%         | 12%         | 6%         |
| <b>Three Metrics Reported (full disclosure as required by the SEC)</b> | 30%         | 56%        | 47%         | 53%        | 39%         | 57%        |

An examination of payouts relative to target shows that fewer companies exceeded targets in 2008 than in prior years. Among companies that reported short-term incentive payouts last year, less than half met or exceeded their performance goals (47%), and more than half (53%) fell short of their targets.

Of the companies that disclosed long-term incentive performance and payout information, the percentage that met or exceeded goals was 64% in 2008, which was an increase from 57% in 2007 and 63% in 2006.

## PERFORMANCE MEASURES FOR INCENTIVE PLANS

### SHORT-TERM INCENTIVE PLANS/BONUS PLANS

- Earnings per share (EPS) and income/earnings were the two most common measures used by the companies in the study that disclosed their performance measures. Specifically, 20% of companies used EPS in 2008 (preceded by 27% in 2007 and 29% in 2006) and 17% used some type of income or earnings measure other than EPS in 2008 (down from 24% in 2007 and 22% in 2006).
- Other measures used included return ratios (17% in 2008), sales growth (13% in 2008), and cash flow measures (13% in 2008), which have increased in response to the economic downturn.
- Total shareholder return (TSR) is not often used for short-term incentive bonus plan metrics. In this study there was only a 2% direct use.

### LONG-TERM INCENTIVE PLANS

- The most frequently used measure in LTIPs was TSR at 28% (an increase from 24% in 2007). TSR is usually used as a relative measure that compares company performance to a peer group or index.
- TSR, capital efficiency ratios, and profit measures (including EPS) were the most common classes of performance measures used by companies in our study.
- Profit measures, while still the most widely used (29%), were used less frequently in 2008 than in the two previous years.
- Basic income measures such as earnings before interest, taxes, depreciation and amortization (EBITDA), net income and operating income were used by 9% of the companies, which is the same percentage seen in 2007 but less than the 11% seen in 2006.
- 24% of the companies used a return ratio in 2008 (25% in 2007 and 24% in 2006) such as return on invested capital, return on equity, return on capital, and return on net assets as a performance measure.
- Cash flow measures also saw a significant increase in 2008 from previous years, although they are still not used frequently.

**SUMMARY OF REPORTED MEASURES**  
(REPRESENTS MEASURES USED AS % OF TOTAL)

| Measure  | 2006 |      | 2007 |      | 2008      |           |
|--|------|------|------|------|-----------|-----------|
|  | STI  | LTI  | STI  | LTI  | STI       | LTI       |
| <b>Profit:</b> EPS, net income, EBIT/EBITDA, operating income, pretax profit   | 52%  | 34%  | 52%  | 34%  | 47%/84%   | 29%/49%   |
| <b>Total Shareholder Return:</b> Stock price appreciation plus dividends (relative and absolute), stock price                      | 1%   | 23%  | 0%   | 24%  | 2%/4%     | 28%/44%   |
| <b>Capital Efficiency:</b> Return on equity, return on assets, return on operating income, return on capital, economic value added | 18%  | 24%  | 17%  | 26%  | 18%/29%   | 24%/29%   |
| <b>Revenue:</b> Revenue, revenue growth  | 14%  | 11%  | 16%  | 13%  | 13%/30%   | 11%/15%   |
| <b>Cash Flow:</b> Cash flow, cash flow growth  | 10%  | 3%   | 11%  | 1%   | 13%/24%   | 6%/8%     |
| <b>Other:</b> Quality assurance, new business, market share, customer satisfaction*  | 5%   | 5%   | 4%   | 2%   | 7%/12%    | 3%/4%     |
| <b>TOTAL</b>   | 100% | 100% | 100% | 100% | 100%/183% | 100%/150% |

General Note: Sample size (number of companies):100 (2006), 90 (2007), 200 (2008); Short-term plans: 91 (2006), 85 (2007), 185 (2008) Long-term plans: 72 (2006), 65 (2007), 158 (2008)

\*Important Point to Note: In the case of STI, this chart does not include individual performance plans which over 50% of companies use to some degree in their short-term incentive plans.

\*\* For 2008 the data is presented as a) percent of all measures uses which compares with prior years and b) percent of companies with STI or LTI programs using each type of measure. This is presented in 2008 as (a/b).

**PERFORMANCE PERCENTAGES**

For short-term incentives, the threshold performance level as a percent of target has declined somewhat, perhaps related to the weakening economy. The caps on maximum performance as a percent of target have also declined with nearly 50% of limits set at less than 110% of target.

STI: Threshold Performance Percentages

| Percent of Target | Percent of Measures |      |      |
|-------------------|---------------------|------|------|
|                   | 2006                | 2007 | 2008 |
| <49%              | 7%                  | 5%   | 10%  |
| 50%               | 2%                  | 6%   | 3%   |
| 51%-89%           | 49%                 | 41%  | 41%  |
| 90%               | 7%                  | 11%  | 12%  |
| 91%-99%           | 24%                 | 27%  | 34%  |
| 100%              | 10%                 | 10%  | 1%   |

STI: Maximum Performance Percentages

| Percent of Target | Percent of Measures |      |      |
|-------------------|---------------------|------|------|
|                   | 2006                | 2007 | 2008 |
| <110%             | 33%                 | 40%  | 48%  |
| 110%              | 2%                  | 3%   | 3%   |
| 111%-149%         | 51%                 | 44%  | 39%  |
| 150%-199%         | 6%                  | 10%  | 6%   |
| 200%              | 0%                  | 0%   | 5%   |
| >201%             | 6%                  | 3%   | 1%   |

Long-term performance thresholds for absolute and relative measures have also shown declines, primarily in 2008. However, the maximum performance limits, or caps, have increased in 2008 over prior years.

LTI: Threshold Performance Percentages for Absolute Measures

| Percent of Target | Percent of Companies |      |      |
|-------------------|----------------------|------|------|
|                   | 2006                 | 2007 | 2008 |
| 0%                | 3%                   | 0%   | 6%   |
| 1%-49%            | 6%                   | 4%   | 12%  |
| 50%-69%           | 12%                  | 12%  | 16%  |
| 70%               | 0%                   | 0%   | 2%   |
| 71%-79%           | 0%                   | 8%   | 5%   |
| 80%               | 9%                   | 4%   | 5%   |
| 81%-89%           | 12%                  | 16%  | 15%  |
| 90%               | 15%                  | 16%  | 3%   |
| 91%-95%           | 12%                  | 20%  | 18%  |
| 96%-100%          | 30%                  | 20%  | 20%  |

LTI: Maximum Performance Percentages for Absolute Measures

| Percent of Target | Percent of Companies |      |      |
|-------------------|----------------------|------|------|
|                   | 2006                 | 2007 | 2008 |
| 100%              | 38%                  | 21%  | 15%  |
| 101%-109%         | 26%                  | 25%  | 23%  |
| 110%-119%         | 21%                  | 29%  | 14%  |
| 120%              | 3%                   | 4%   | 3%   |
| 121%-124%         | 0%                   | 4%   | 2%   |
| 125%              | 0%                   | 4%   | 5%   |
| 126%-149%         | 6%                   | 4%   | 15%  |
| 150%              | 0%                   | 0%   | 3%   |
| 151%-199%         | 6%                   | 8%   | 10%  |
| 200%              | 0%                   | 0%   | 5%   |
| 201%-267%         | 0%                   | 0%   | 4%   |
| No Cap            | 0%                   | 0%   | 2%   |

As compared with previous studies, the threshold performance level for relative measures in 2008 was much more concentrated at the 25<sup>th</sup> percentile of performance (46%). Also, because of a sample mix in 2008 that comprised larger companies, many of whom are leaders in their industry, we found more performance caps at the 100<sup>th</sup> percentile.

LTI: Threshold Percentiles for Relative Measures

| Percentile                         | Percent of Relative LTIP |      |      |
|------------------------------------|--------------------------|------|------|
|                                    | 2006                     | 2007 | 2008 |
| <25 <sup>th</sup>                  | 14%                      | 18%  | 17%  |
| 25 <sup>th</sup>                   | 11%                      | 29%  | 46%  |
| 26 <sup>th</sup> -34 <sup>th</sup> | 21%                      | 11%  | 5%   |
| 35 <sup>th</sup>                   | 18%                      | 7%   | 12%  |
| 36 <sup>th</sup> -39 <sup>th</sup> | 0%                       | 0%   | 3%   |
| 40 <sup>th</sup>                   | 21%                      | 21%  | 16%  |
| 41 <sup>st</sup> -49 <sup>th</sup> | 0%                       | 0%   | 0%   |
| 50 <sup>th</sup>                   | 14%                      | 14%  | 2%   |
| >50 <sup>th</sup>                  | 0%                       | 0%   | 0%   |

LTI: Target Percentiles for Relative Measures

| Percentile        | Percent of Relative LTIP |      |      |
|-------------------|--------------------------|------|------|
|                   | 2006                     | 2007 | 2008 |
| <50 <sup>th</sup> | 7%                       | 7%   | 12%  |
| 50 <sup>th</sup>  | 79%                      | 75%  | 67%  |
| >50 <sup>th</sup> | 14%                      | 18%  | 21%  |

LTI: Maximum Percentiles for Relative Measures

| Percentile                         | Percent of Relative LTIP |      |      |
|------------------------------------|--------------------------|------|------|
|                                    | 2006                     | 2007 | 2008 |
| <75 <sup>th</sup>                  | 13%                      | 13%  | 5%   |
| 75 <sup>th</sup>                   | 23%                      | 27%  | 34%  |
| 76 <sup>th</sup> -79 <sup>th</sup> | 3%                       | 0%   | 0%   |
| 80 <sup>th</sup>                   | 23%                      | 20%  | 12%  |
| 81 <sup>st</sup> -89 <sup>th</sup> | 3%                       | 10%  | 8%   |
| 90 <sup>th</sup>                   | 13%                      | 10%  | 11%  |
| 91 <sup>st</sup> -99 <sup>th</sup> | 3%                       | 3%   | 2%   |
| 100 <sup>th</sup>                  | 17%                      | 17%  | 29%  |

## ABSOLUTE VS. RELATIVE MEASURES

Six percent of short-term incentive plans used relative measures to determine performance. This is consistent with the observations found in 2007. Forty-seven percent of long-term incentive plans used relative measures to determine performance and 90% of those companies used TSR as their relative measure.

## PAYOUT PERCENTAGES

For short-term incentive plans, the most common payout range (threshold to maximum) was 0% to 200% (19% in 2008). The next most common was 50% to 200% (8% in 2008) and then 50% to 150% (6% in 2008).

| <i>STI Threshold/Maximum Payouts</i> |             |             |             |
|--------------------------------------|-------------|-------------|-------------|
|                                      | <i>2006</i> | <i>2007</i> | <i>2008</i> |
| <b>0%-200%</b>                       | 23%         | 21%         | 19%         |
| <b>50%-200%</b>                      | 11%         | 16%         | 8%          |
| <b>50%-150%</b>                      | 12%         | 9%          | 6%          |

The performance thresholds for short-term incentive plans have recently declined. Similarly, the threshold payout percentages have also declined. Seventy-one percent of threshold payout levels are below 50% of target, which is up from 55% in the prior two years. The maximum payout percentages of target are higher in 2008.

STI: Threshold Payout Percentages

| <i>Percent of Target</i> | <i>Percent of Companies</i> |             |             |
|--------------------------|-----------------------------|-------------|-------------|
|                          | <i>2006</i>                 | <i>2007</i> | <i>2008</i> |
| <b>0%</b>                | 39%                         | 36%         | 36%         |
| <b>1%-24%</b>            | 7%                          | 7%          | 14%         |
| <b>25%</b>               | 4%                          | 9%          | 7%          |
| <b>26%-49%</b>           | 4%                          | 3%          | 14%         |
| <b>50%</b>               | 33%                         | 34%         | 19%         |
| <b>51%-99%</b>           | 11%                         | 11%         | 8%          |
| <b>100%</b>              | 2%                          | 1%          | 2%          |

STI: Maximum Payout Percentages

| <i>Percent of Target</i> | <i>Percent of Companies</i> |             |             |
|--------------------------|-----------------------------|-------------|-------------|
|                          | <i>2006</i>                 | <i>2007</i> | <i>2008</i> |
| <b>&lt;149%</b>          | 10%                         | 12%         | 7%          |
| <b>150%</b>              | 20%                         | 12%         | 11%         |
| <b>151%-199%</b>         | 7%                          | 8%          | 5%          |
| <b>200%</b>              | 55%                         | 55%         | 50%         |
| <b>201%-249%</b>         | 0%                          | 1%          | 9%          |
| <b>250%</b>              | 3%                          | 4%          | 6%          |
| <b>&gt;250%</b>          | 5%                          | 9%          | 12%         |

For long-term incentive plans there was a more even distribution between the ranges of payouts, with a significant decrease in the percentage of companies using a 50%-200% range to 20% of the total (-8% from 2007) and an increase in the percentage of companies using a 0%-200% range to 13% (+2% from 2007).

| <i>LTI Threshold/Maximum Payouts</i> |             |             |             |
|--------------------------------------|-------------|-------------|-------------|
|                                      | <i>2006</i> | <i>2007</i> | <i>2008</i> |
| <b>0%-200%</b>                       | 16%         | 11%         | 13%         |
| <b>50%-200%</b>                      | 19%         | 28%         | 20%         |
| <b>50%-150%</b>                      | 9%          | 9%          | 6%          |

LTI payout thresholds have changed from year-to-year but without any distinctive pattern. The LTI payout caps increased slightly in 2008.

LTI: Threshold Payout Percentages

| Percent of Target | Percent of Companies |      |      |
|-------------------|----------------------|------|------|
|                   | 2006                 | 2007 | 2008 |
| 0%                | 34%                  | 23%  | 25%  |
| 1%-24%            | 6%                   | 9%   | 10%  |
| 25%               | 15%                  | 11%  | 17%  |
| 26%-49%           | 3%                   | 3%   | 8%   |
| 50%               | 32%                  | 42%  | 33%  |
| 51%-100%          | 10%                  | 12%  | 7%   |

LTI: Maximum Payout Percentages

| Percent of Target | Percent of Companies |      |      |
|-------------------|----------------------|------|------|
|                   | 2006                 | 2007 | 2008 |
| 100%              | 14%                  | 9%   | 5%   |
| 101%-149%         | 8%                   | 8%   | 3%   |
| 150%              | 16%                  | 15%  | 21%  |
| 151%-199%         | 3%                   | 5%   | 3%   |
| 200%              | 51%                  | 57%  | 54%  |
| 201%-544%         | 8%                   | 6%   | 14%  |

The charts below suggest threshold performance as a percent of target has been relatively steady, while the payout thresholds have declined slightly. On the other hand, maximum performance relative to target has declined since 2007 but is somewhat on par with 2006. Maximum payouts have increased.

STI: Statistics of Threshold Performance and Payout

|                             | Threshold Performance as a Percentage of Target Performance |      |      | Threshold Payout as a Percentage of Target Payout |      |      |
|-----------------------------|---|------|------|---|------|------|
|                             | 2006  | 2007 | 2008 | 2006  | 2007 | 2008 |
| Minimum                     | 0%  | 0%   | 0%   | 0%  | 0%   | 0%   |
| 25 <sup>th</sup> Percentile | 78%   | 75%  | 75%  | 0%  | 0%   | 0%   |
| Median                      | 85%   | 86%  | 86%  | 33%   | 25%  | 20%  |
| Average                     | 82%   | 80%  | 90%  | 30%   | 30%  | 26%  |
| 75 <sup>th</sup> Percentile | 95%   | 93%  | 93%  | 50%   | 50%  | 50%  |
| Maximum                     | 100%  | 100% | 100% | 100%  | 100% | 100% |

STI: Statistics of Maximum Performance and Payout

|                             | Maximum Performance as a Percentage of Target Performance |      |      | Maximum Payout as a Percentage of Target Payout |       |       |
|-----------------------------|---|------|------|---|-------|-------|
|                             | 2006  | 2007 | 2008 | 2006  | 2007  | 2008  |
| Minimum                     | 100%  | 100% | 100% | 100%  | 100%  | 100%  |
| 25 <sup>th</sup> Percentile | 104%  | 106% | 107% | 150%  | 163%  | 200%  |
| Median                      | 115%  | 115% | 110% | 200%  | 200%  | 200%  |
| Average                     | 128%  | 131% | 125% | 190%  | 202%  | 227%  |
| 75 <sup>th</sup> Percentile | 126%  | 125% | 122% | 200%  | 200%  | 220%  |
| Maximum                     | 353%  | 500% | 400% | 400%  | 1000% | 1806% |

Relative thresholds declined in 2008 with a greater emphasis on the 25<sup>th</sup> percentile than in previous years. Target percentile ranks have held steady. Maximum percentile ranks have also been relatively steady aside from a higher prevalence of 100<sup>th</sup> percentile caps.

LTI: Statistics of Performance Percentiles for Plans with Relative Measures

|                                   | <i>Threshold Percentile</i> |                  |                  | <i>Target Percentile</i> |                  |                  | <i>Maximum Percentile</i> |                   |                   |
|-----------------------------------|-----------------------------|------------------|------------------|--------------------------|------------------|------------------|---------------------------|-------------------|-------------------|
|                                   | <i>2006</i>                 | <i>2007</i>      | <i>2008</i>      | <i>2006</i>              | <i>2007</i>      | <i>2008</i>      | <i>2006</i>               | <i>2007</i>       | <i>2008</i>       |
| <b>Minimum</b>                    | 8 <sup>th</sup>             | 8 <sup>th</sup>  | 0                | 42 <sup>nd</sup>         | 42 <sup>nd</sup> | 25 <sup>th</sup> | 50 <sup>th</sup>          | 50 <sup>th</sup>  | 50 <sup>th</sup>  |
| <b>25<sup>th</sup> Percentile</b> | 25 <sup>th</sup>            | 25 <sup>th</sup> | 25 <sup>th</sup> | 50 <sup>th</sup>         | 50 <sup>th</sup> | 50 <sup>th</sup> | 75 <sup>th</sup>          | 75 <sup>th</sup>  | 75 <sup>th</sup>  |
| <b>Median</b>                     | 35 <sup>th</sup>            | 30 <sup>th</sup> | 25 <sup>th</sup> | 50 <sup>th</sup>         | 50 <sup>th</sup> | 50 <sup>th</sup> | 80 <sup>th</sup>          | 80 <sup>th</sup>  | 80 <sup>th</sup>  |
| <b>Average</b>                    | 33 <sup>rd</sup>            | 31 <sup>st</sup> | 27 <sup>th</sup> | 51 <sup>st</sup>         | 51 <sup>st</sup> | 51 <sup>st</sup> | 81 <sup>st</sup>          | 81 <sup>st</sup>  | 81 <sup>st</sup>  |
| <b>75<sup>th</sup> Percentile</b> | 40 <sup>th</sup>            | 40 <sup>th</sup> | 35 <sup>th</sup> | 50 <sup>th</sup>         | 50 <sup>th</sup> | 50 <sup>th</sup> | 90 <sup>th</sup>          | 90 <sup>th</sup>  | 100 <sup>th</sup> |
| <b>Maximum</b>                    | 50 <sup>th</sup>            | 50 <sup>th</sup> | 50 <sup>th</sup> | 70 <sup>th</sup>         | 65 <sup>th</sup> | 80 <sup>th</sup> | 100 <sup>th</sup>         | 100 <sup>th</sup> | 100 <sup>th</sup> |

As with relative thresholds, absolute thresholds relative to target declined in 2008 while maximum performance relative to target has increased, widening the performance spread. The payout spreads have also increased.

LTI: Statistics of Performance Percentages for Plans with Absolute Measures

|                                   | <i>Threshold Performance as a Percentage of Target Performance</i> |             |             | <i>Maximum Performance as a Percentage of Target Payout</i> |             |             |
|-----------------------------------|--|-------------|-------------|---|-------------|-------------|
|                                   | <i>2006</i>  | <i>2007</i> | <i>2008</i> | <i>2006</i>   | <i>2007</i> | <i>2008</i> |
| <b>Minimum</b>                    | 0%   | 48%         | 0%          | 100%  | 100%        | 100%        |
| <b>25<sup>th</sup> Percentile</b> | 80%  | 80%         | 63%         | 100%  | 103%        | 106%        |
| <b>Median</b>                     | 90%  | 90%         | 80%         | 105%  | 110%        | 125%        |
| <b>Average</b>                    | 82%  | 84%         | 70%         | 110%  | 115%        | 136%        |
| <b>75<sup>th</sup> Percentile</b> | 100%   | 94%         | 92%         | 113%  | 118%        | 150%        |
| <b>Maximum</b>                    | 100%   | 100%        | 100%        | 167%  | 159%        | 267%        |

Note: For 2008, 5% had no cap for maximum performance

LTI: Statistics of Threshold and Maximum Payout

|                                   | <i>Threshold Payout as a Percentage of Target Performance</i> |             |             | <i>Maximum Payout as a Percentage of Target Payout</i> |             |             |
|-----------------------------------|---|-------------|-------------|--|-------------|-------------|
|                                   | <i>2006</i>   | <i>2007</i> | <i>2008</i> | <i>2006</i>  | <i>2007</i> | <i>2008</i> |
| <b>Minimum</b>                    | 0%  | 0%          | 0%          | 0%   | 100%        | 100%        |
| <b>25<sup>th</sup> Percentile</b> | 0%  | 5%          | 1%          | 150%   | 150%        | 150%        |
| <b>Median</b>                     | 25%   | 50%         | 25%         | 200%   | 200%        | 200%        |
| <b>Average</b>                    | 30%   | 35%         | 30%         | 181%   | 178%        | 190%        |
| <b>75<sup>th</sup> Percentile</b> | 50%   | 50%         | 50%         | 200%   | 200%        | 200%        |
| <b>Maximum</b>                    | 100%  | 100%        | 100%        | 680%   | 252%        | 544%        |

## PERFORMANCE-PAYOUT RELATIONSHIPS

In 2008, we reviewed the most typical performance-payout curves or relationships. This is defined as the performance threshold as a percent of target and the performance maximum as a percent of target as compared to the payout percentages of target at threshold and maximum.

### SHORT-TERM INCENTIVES

The most common performance vs. payout combination is 90% threshold and 115% maximum with a payout ranging from 0% to 200%. Other popular combinations are 90%-110%/50%-200% and 95%-110%/50%-200%.

| <i>Performance-Payout</i> | <i>% of Relative Measures</i> |
|---------------------------|-------------------------------|
| 90%-115% / 0%-200%        | 36%                           |
| 90%-110% / 50%-200%       | 10%                           |
| 95%-110% / 50%-200%       | 7%                            |

### LONG-TERM INCENTIVES

For absolute measures, the two most common performance vs. payout combinations are 92% threshold with 110% maximum for performance and a payout range of 50% to 200% or 97% threshold with 105% maximum and 50% to 200% for the corresponding payout range.

| <i>Performance-Payout</i> | <i>% of Relative Measures</i> |
|---------------------------|-------------------------------|
| 92% - 110% / 50% -200%    | 8.7%                          |
| 97% - 105% / 50% -200%    | 8.7%                          |
| 96% - 104% / 75% -125%    | 7.0%                          |
| 83% - 117% / 0%-200%      | 4.3%                          |
| 75% - 125% / 50%-150%     | 4.3%                          |
| 65% - 150% / 50%-200%     | 3.5%                          |
| 90% - 110% / 25% -150%    | 3.5%                          |

The performance-payout curve for relative measures is more diverse with no conclusive results. The top three performance-payout combinations in total comprise just fewer than 20% of the 35 different combinations reported (see table below).

| <i>Performance-Payout</i>  | <i>% of Relative Measures</i> |
|--|-------------------------------|
| 0 <sup>th</sup> -50 <sup>th</sup> -87 <sup>th</sup> / 0%-200%    | 6.5%                          |
| 25 <sup>th</sup> -50 <sup>th</sup> -75 <sup>th</sup> / 50%-200%  | 6.5%                          |
| 35 <sup>th</sup> -50 <sup>th</sup> -75 <sup>th</sup> / 0%-200%   | 6.5%                          |
| 25 <sup>th</sup> -50 <sup>th</sup> -100 <sup>th</sup> / 25%-300% | 4.3%                          |
| 25 <sup>th</sup> -50 <sup>th</sup> -75 <sup>th</sup> / 50%-150%  | 4.3%                          |
| 25 <sup>th</sup> -50 <sup>th</sup> -90 <sup>th</sup> / 50%-200%  | 4.3%                          |
| 35 <sup>th</sup> -50 <sup>th</sup> -100 <sup>th</sup> / 50%-150% | 4.3%                          |

## LONG-TERM INCENTIVE MIX

In 2009, we reviewed the proxy statement to determine the most prevalent LTI mixes. 80% of companies granted more than one type of equity. We combined grant types into five groups:

- Appreciation Rights (plain vanilla stock options, premium stock options, performance stock options, and stock appreciation rights) -**SO**
- Restricted stock and restricted stock units-time vested-**RS**
- Performance restricted stock units (with hurdle)-**PRSU**
- Performance shares and performance stock units-**PS**
- Long-term cash plans

| <i>LTI Mix</i>    | <i>% of Companies</i> |
|-------------------|-----------------------|
| 100% SO           | 8.8%                  |
| 50% SO / 50% PS   | 6.1%                  |
| 50% SO / 50% PRSU | 5.5%                  |
| 100% PS           | 4.4%                  |
| 100% RS           | 4.4%                  |
| 50% SO / 50% RS   | 2.8%                  |
| 60% SO / 40% RS   | 2.8%                  |

# CONCLUSIONS

Reporting of performance metrics and related payouts has not improved at the largest companies in the U.S. In fact, the numbers have deteriorated over the last year. This study determined:

- TSR, EPS, income and return ratios were once again the most commonly used long-term incentive measures in 2008. Together they account for 68% of the measures used, a decrease from 70% in 2007.
- Income/profit and EPS were the most commonly used short term incentive measures.
- Most companies with long term incentive plans had one (53%) or two (31%) performance measures. However there was a shift to the use of more measures as the percentage of companies using only one measure declined, while the percentage of companies using two or more measures increased.
- Short-term incentive plans usually included multiple performance measures (60%) in 2008; 31% had 2 measures, 19% had 3 measures and 10% had 4 or more performance measures.
- Performance measures relative to a peer group or index were rarely found in short term incentive plans (6% in 2006, 5% in 2007 and 6% in 2008).
- Thirty-nine percent (39%) of the largest 200 companies used a relative measure for a long-term incentive grant, as compared to 30% in 2007 and 28% in 2006 for a typical S&P 500 company.
- Fifty-three percent (53%) of the largest 200 companies with a long-term incentive plan used a relative measure, as compared to 44% in 2007 and 2006 for a typical S&P 500 company.
- Sixty-eight percent (68%) of long term incentive plans with a relative performance measure used TSR (73% in 2006 and 71% in 2007). In these plans, 54% of TSR targets set at the 50<sup>th</sup> percentile of their comparator group.
- Maximum payouts were most often capped at 200% of target for both short-term and long-term incentives (48% for STI and 53% for LTI).

## THE IMPORTANCE OF DISCLOSURE

The study found that while incentive plans enhance executive performance, little is revealed to investors about them. Though the requests by the SEC seem straightforward, implementation is proving to be difficult. This is especially true for financial executives, whose involvement is critical, but who also are already burdened by Sarbanes-Oxley compliance and other financial issues that arise on a daily basis. Although disclosure of executive compensation plans and programs has typically been the responsibility of human resources departments and general counsel offices, senior financial executives should not overlook their crucial role in ensuring compliance with the SEC requirements.

While LTIP metrics use relative measures and are easier to report than STIPs, it is troubling to see companies providing few or no metrics at all in situations where non-discretionary plans are in place. However, it is understandable that companies do not want to include specific performance targets that could reveal competitive information.

Even when companies have included discussion of performance goals in their proxy statements, the SEC has not been entirely satisfied with the results. That's because after examining hundreds of proxy statements during the 2007 proxy season, the SEC determined that the specifics of executive compensation decisions and policies need to be explained in clearer language for investors, which led to the new requirements for the 2008 proxy season.

Many have commented on the obscure and often missing disclosures about incentive performance metrics. In Release 2007-214 entitled “Commission Staff Publishes Its Observations in the Review of Executive Compensation Disclosure,” the SEC made several key observations and comments, including:

“We issued more comments regarding performance targets than any other disclosure topic in our review of the executive compensation and other related disclosure of the 350 companies. We often found it difficult to understand how companies used these performance targets or considered qualitative individual performance to set compensation policies and make compensation decisions.”

In regard to disclosing performance targets, the Commission Staff stated:

“Where it appeared that performance targets were material to a company’s policy and decision-making processes and the company did not disclose those targets, we asked it to disclose the targets or demonstrate to us that disclosure of the particular targets could cause it competitive harm. We reminded companies of Instruction 4 to Item 402(b) which requires them to discuss how difficult it will be for the executive or how likely it will be for the company to achieve undisclosed target levels or other factors. Where a company omitted a performance target amount but discussed how difficult or likely it would be for the company or individual to achieve that target, we often sought more specific disclosure that would enhance investor understanding of the difficulty or likelihood.”

Many companies are refusing to comply with the new rules, citing potential competitive harm that could result from disclosure. Another concern of these companies is the possible difference between investor guidance and compensation-related performance goals. In other words, the compensation-related goals are below those disclosed to investors. There are also some companies that prefer keeping their goals flexible and subject to change, which makes disclosure particularly challenging.

Generally, shareholders do not mind if executives are paid high incentives, but only for outstanding performance. Executive compensation disclosure rules attempt to share the pay versus performance story with investors. Despite the anxieties some executives may feel toward disclosure, most companies have a positive story to tell and should showcase their performance strategy to shareholders.

# APPENDIX 1

## S&P 500 LARGE CAP COMPANIES – TOP 200

|                              |                              |                              |
|------------------------------|------------------------------|------------------------------|
| 3M CO                        | COMPUTER SCIENCES CORP       | GOODYEAR TIRE & RUBBER CO    |
| ABBOTT LABORATORIES          | CONAGRA FOODS INC            | GOOGLE INC                   |
| AES CORP                     | CONOCOPHILLIPS               | HALLIBURTON CO               |
| AETNA INC                    | CONSOLIDATED EDISON INC      | HESS CORP                    |
| AFLAC INC                    | CONSTELLATION ENERGY GRP INC | HEWLETT-PACKARD CO           |
| ALCOA INC                    | COSTCO WHOLESALE CORP        | HOME DEPOT INC               |
| ALLSTATE CORP                | COVENTRY HEALTH CARE INC     | HONEYWELL INTERNATIONAL INC  |
| ALTRIA GROUP INC             | CSX CORP                     | HUMANA INC                   |
| AMAZON.COM INC               | CUMMINS INC                  | ILLINOIS TOOL WORKS          |
| AMERICAN ELECTRIC POWER CO   | CVS CAREMARK CORP            | INGERSOLL-RAND CO LTD        |
| AMERICAN EXPRESS CO          | DANAHER CORP                 | INTEGRYS ENERGY GROUP INC    |
| AMERISOURCEBERGEN CORP       | DEAN FOODS CO                | INTEL CORP                   |
| AMGEN INC                    | DEERE & CO                   | INTL BUSINESS MACHINES CORP  |
| ANADARKO PETROLEUM CORP      | DELL INC                     | INTL PAPER CO                |
| APACHE CORP                  | DEVON ENERGY CORP            | ITT CORP                     |
| APPLE INC                    | DIRECTV GROUP INC            | JABIL CIRCUIT INC            |
| ARCHER-DANIELS-MIDLAND CO    | DISNEY (WALT) CO             | JACOBS ENGINEERING GROUP INC |
| AT&T INC                     | DOMINION RESOURCES INC       | JOHNSON & JOHNSON            |
| AUTONATION INC               | DONNELLEY (R R) & SONS CO    | JOHNSON CONTROLS INC         |
| BAKER HUGHES INC             | DOW CHEMICAL                 | JPMORGAN CHASE & CO          |
| BANK OF AMERICA CORP         | DU PONT (E I) DE NEMOURS     | KELLOGG CO                   |
| BANK OF NEW YORK MELLON CORP | DUKE ENERGY CORP             | KIMBERLY-CLARK CORP          |
| BAXTER INTERNATIONAL INC     | EATON CORP                   | KOHL'S CORP                  |
| BEST BUY CO INC              | EDISON INTERNATIONAL         | KRAFT FOODS INC              |
| BOEING CO                    | EMC CORP                     | KROGER CO                    |
| BRISTOL-MYERS SQUIBB CO      | EMERSON ELECTRIC CO          | L-3 COMMUNICATIONS HLDGS INC |
| BURLINGTON NORTHERN SANTA FE | ENTERGY CORP                 | LILLY (ELI) & CO             |
| CAPITAL ONE FINANCIAL CORP   | EXELON CORP                  | LOCKHEED MARTIN CORP         |
| CARDINAL HEALTH INC          | EXPRESS SCRIPTS INC          | LOEWS CORP                   |
| CARNIVAL CORP/PLC (USA)      | EXXON MOBIL CORP             | LOWE'S COMPANIES INC         |
| CATERPILLAR INC              | FEDEX CORP                   | MACY'S INC                   |
| CBS CORP                     | FIRSTENERGY CORP             | MARATHON OIL CORP            |
| CENTERPOINT ENERGY INC       | FLUOR CORP                   | MARRIOTT INTL INC            |
| CHESAPEAKE ENERGY CORP       | FORD MOTOR CO                | MARSH & MCLENNAN COS         |
| CHEVRON CORP                 | FPL GROUP INC                | MCDONALD'S CORP              |
| CHUBB CORP                   | FREEPORT-MCMORAN COP&GOLD    | MCKESSON CORP                |
| CIGNA CORP                   | GAP INC                      | MEDCO HEALTH SOLUTIONS INC   |
| CISCO SYSTEMS INC            | GENERAL DYNAMICS CORP        | MEDTRONIC INC                |
| CITIGROUP INC                | GENERAL ELECTRIC CO          | MERCK & CO                   |
| COCA-COLA CO                 | GENERAL MILLS INC            | METLIFE INC                  |
| COCA-COLA ENTERPRISES INC    | GENERAL MOTORS               | MICROSOFT CORP               |
| COLGATE-PALMOLIVE CO         | GILEAD SCIENCES INC          | MONSANTO CO                  |
| COMCAST CORP                 | GOLDMAN SACHS GROUP INC      | MORGAN STANLEY               |

## S&P 500 LARGE CAP COMPANIES – TOP 200

|                                   |                            |
|-----------------------------------|----------------------------|
| MOTOROLA INC                      | SUN MICROSYSTEMS INC       |
| MURPHY OIL CORP                   | SUNOCO INC                 |
| NATIONAL OILWELL VARCO INC        | SUNTRUST BANKS INC         |
| NEWS CORP                         | SUPERVALU INC              |
| NIKE INC                          | SYSCO CORP                 |
| NORTHROP GRUMMAN CORP             | TARGET CORP                |
| NUCOR CORP                        | TESORO CORP                |
| OCCIDENTAL PETROLEUM CORP         | TEXAS INSTRUMENTS INC      |
| OFFICE DEPOT INC                  | TEXTRON INC                |
| OMNICOM GROUP                     | TIME WARNER CABLE INC      |
| ORACLE CORP                       | TIME WARNER INC            |
| PACCAR INC                        | TJX COMPANIES INC          |
| PARKER-HANNIFIN CORP              | TRAVELERS COS INC          |
| PENNEY (J C) CO                   | TYCO ELECTRONICS LTD       |
| PEPSI BOTTLING GROUP INC          | TYSON FOODS INC            |
| PEPSICO INC                       | U S BANCORP                |
| PFIZER INC                        | UNION PACIFIC CORP         |
| PG&E CORP                         | UNITED PARCEL SERVICE INC  |
| PHILIP MORRIS INTERNATIONAL       | UNITED STATES STEEL CORP   |
| PPG INDUSTRIES INC                | UNITED TECHNOLOGIES CORP   |
| PROCTER & GAMBLE CO               | UNITEDHEALTH GROUP INC     |
| PROGRESSIVE CORP                  | VALERO ENERGY CORP         |
| PRUDENTIAL FINANCIAL INC          | VERIZON COMMUNICATIONS INC |
| PUBLIC SERVICE ENTERPRISE GRP INC | VIACOM INC                 |
| QUALCOMM INC                      | WALGREEN CO                |
| QWEST COMMUNICATION INTL INC      | WAL-MART STORES INC        |
| RAYTHEON CO                       | WASTE MANAGEMENT INC       |
| SAFEWAY INC                       | WELLPOINT INC              |
| SARA LEE CORP                     | WELLS FARGO & CO           |
| SCHERING-PLOUGH                   | WHIRLPOOL CORP             |
| SCHLUMBERGER LTD                  | WILLIAMS COS INC           |
| SEARS HOLDINGS CORP               | WYETH                      |
| SOUTHERN CO                       | XCEL ENERGY INC            |
| SPRINT NEXTEL CORP                | XEROX CORP                 |
| STAPLES INC                       | YUM BRANDS INC             |
| STATE STREET CORP                 |                            |

# APPENDIX 2

## EXECUTIVE GRANT TYPE COMPANY BY USAGE

### Executive Compensation Long Term Grants

■ = Continuing  
 ▲ = New Grant Type  
 ● = Dropped  
 ■ (Green) = Increase in Weight from 2007  
 ■ (Red) = Decline in Weight from 2007  
 ■ (Orange) = Same Weight as 2007

|                              | Stock Options | Premium/Performance Stock Options | SARS      | Time-Based Restricted Stock/Stock Units | Performance Restricted Stock Units | Performance Shares/Units | Cash       |
|------------------------------|---------------|-----------------------------------|-----------|---|------------------------------------|--------------------------|------------|
| 3M CO                        | ■ (Orange)    |                                   |           |   |                                    | ■ (Orange)               |            |
| ABBOTT LABORATORIES          | ■ (Orange)    |                                   |           |   | ■ (Orange)                         |                          |            |
| AES CORP                     | ■ (Orange)    |                                   |           |   | ■ (Orange)                         |                          | ■ (Orange) |
| AETNA INC                    |               |                                   | ■ (Green) | ■ (Red)                                 | ▲ (Green)                          |                          |            |
| AFLAC INC                    | ■ (Green)     |                                   |           |   |                                    | ■ (Red)                  |            |
| ALCOA INC                    |               |                                   |           | ■ (Red)                                 |                                    | ■ (Green)                |            |
| ALLSTATE CORP                | ■ (Red)       |                                   |           | ▲ (Green)                               |                                    |                          | ■ (Orange) |
| ALTRIA GROUP INC             |               |                                   |           | ■ (Orange)                              |                                    |                          | ■ (Orange) |
| AMAZON.COM INC               |               |                                   |           | ■ (Orange)                              |                                    |                          |            |
| AMERICAN ELECTRIC POWER CO   |               |                                   |           |   |                                    | ■ (Orange)               |            |
| AMERICAN EXPRESS CO          | ■ (Red)       |                                   |           |   | ■ (Green)                          |                          | ■ (Green)  |
| AMERISOURCEBERGEN CORP       | ■ (Red)       |                                   |           | ■ (Orange)                              |                                    |                          | ▲ (Green)  |
| AMGEN INC                    | ■ (Orange)    |                                   |           | ▲ (Green)                               |                                    | ■ (Red)                  |            |
| ANADARKO PETROLEUM CORP      | ■ (Green)     |                                   |           | ■ (Red)                                 |                                    | ■ (Red)                  |            |
| APACHE CORP                  | ■ (Orange)    |                                   |           | ■ (Orange)                              |                                    |                          |            |
| APPLE INC                    |               |                                   |           | ■ (Orange)                              |                                    |                          |            |
| ARCHER-DANIELS-MIDLAND CO    | ■ (Red)       |                                   |           | ■ (Green)                               |                                    |                          |            |
| AT&T INC                     |               |                                   |           |   |                                    | ■ (Orange)               |            |
| AUTONATION INC               | ■ (Orange)    |                                   |           |   |                                    |                          |            |
| BAKER HUGHES INC             | ■ (Orange)    |                                   |           | ■ (Orange)                              |                                    | ■ (Orange)               |            |
| BANK OF AMERICA CORP         |               |                                   |           |   |                                    |                          |            |
| BANK OF NEW YORK MELLON CORP | ■ (Green)     |                                   |           | ■ (Red)                                 |                                    | ▲ (Green)                |            |
| BAXTER INTERNATIONAL INC     | ■ (Red)       |                                   |           | ■ (Red)                                 |                                    | ▲ (Green)                |            |
| BEST BUY CO INC              | ■ (Red)       |                                   |           |   |                                    | ▲ (Green)                |            |
| BOEING CO                    | ■ (Orange)    |                                   |           |   |                                    | ■ (Orange)               |            |
| BRISTOL-MYERS SQUIBB CO      | ■ (Green)     |                                   |           | ■ (Orange)                              |                                    | ■ (Red)                  |            |
| BURLINGTON NORTHERN SANTA FE | ■ (Orange)    |                                   |           |   |                                    | ■ (Orange)               |            |
| CAPITAL ONE FINANCIAL CORP   | ■ (Orange)    |                                   |           | ■ (Orange)                              |                                    |                          |            |
| CARDINAL HEALTH INC          | ■ (Orange)    |                                   |           | ■ (Orange)                              |                                    |                          | ■ (Orange) |
| CARNIVAL CORP/PLC (USA)      |               |                                   |           | ■ (Orange)                              |                                    |                          |            |
| CATERPILLAR INC              |               |                                   | ■ (Green) | ■ (Red)                                 |                                    |                          | ■ (Orange) |

## EXECUTIVE GRANT TYPE COMPANY BY USAGE

### Executive Compensation Long Term Grants

|                              | Stock Options | Premium/Performance Stock Options | SARS | Time-Based Restricted Stock/Stock Units | Performance Restricted Stock Units | Performance Shares/Units | Cash |
|------------------------------|---------------|-----------------------------------|------|---|------------------------------------|--------------------------|------|
| CBS CORP                     | ■             |                                   |      | ●                                       | ■                                  | ■                        |      |
| CENTERPOINT ENERGY INC       |               |                                   |      | ■                                       |                                    | ■                        |      |
| CHESAPEAKE ENERGY CORP       |               |                                   |      | ■                                       |                                    |                          |      |
| CHEVRON CORP                 | ■             |                                   |      |   |                                    | ■                        |      |
| CHUBB CORP                   |               |                                   |      | ■                                       |                                    | ■                        |      |
| CIGNA CORP                   | ■             |                                   |      |   |                                    | ■                        |      |
| CISCO SYSTEMS INC            | ■             |                                   |      | ●                                       |                                    | ▲                        |      |
| CITIGROUP INC                |               |                                   |      |   |                                    |                          |      |
| COCA-COLA CO                 | ■             |                                   |      |   |                                    | ■                        |      |
| COCA-COLA ENTERPRISES INC    | ■             |                                   |      |   |                                    | ■                        |      |
| COLGATE-PALMOLIVE CO         | ■             |                                   |      | ●                                       |                                    | ■                        |      |
| COMCAST CORP                 | ■             |                                   |      |   |                                    | ■                        |      |
| COMPUTER SCIENCES CORP       | ■             |                                   |      | ■                                       |                                    |                          |      |
| CONAGRA FOODS INC            | ■             |                                   |      |   |                                    | ●                        |      |
| CONOCOPHILLIPS               | ■             |                                   |      |   |                                    | ■                        |      |
| CONSOLIDATED EDISON INC      |               |                                   |      |   |                                    | ■                        |      |
| CONSTELLATION ENERGY GRP INC | ■             |                                   |      | ●                                       |                                    | ■                        |      |
| COSTCO WHOLESALE CORP        |               |                                   |      | ■                                       |                                    |                          |      |
| COVENTRY HEALTH CARE INC     | ■             |                                   |      |   | ■                                  |                          | ■    |
| CSX CORP                     |               |                                   |      |   |                                    | ■                        |      |
| CUMMINS INC                  |               |                                   |      |   | ■                                  |                          | ■    |
| CVS CAREMARK CORP            | ■             |                                   |      | ■                                       |                                    | ▲                        | ■    |
| DANAHER CORP                 | ■             |                                   |      |   | ■                                  |                          |      |
| DEAN FOODS CO                | ■             |                                   |      | ■                                       |                                    |                          |      |
| DEERE & CO                   | ■             |                                   |      | ■                                       |                                    |                          | ■    |
| DELL INC                     | ●             |                                   |      | ●                                       |                                    |                          |      |
| DEVON ENERGY CORP            | ■             |                                   |      | ■                                       |                                    |                          |      |
| DIRECTV GROUP INC            | ■             |                                   |      |   |                                    | ■                        |      |
| DISNEY (WALT) CO             | ■             |                                   |      | ■                                       | ▲                                  |                          |      |
| DOMINION RESOURCES INC       |               |                                   |      | ■                                       |                                    |                          | ■    |
| DONNELLEY (R R) & SONS CO    | ■             |                                   |      | ■                                       |                                    | ●                        |      |
| DOW CHEMICAL                 | ■             |                                   |      | ■                                       |                                    | ■                        |      |
| DU PONT (E I) DE NEMOURS     | ■             |                                   |      | ■                                       |                                    | ■                        |      |
| DUKE ENERGY CORP             |               |                                   |      | ■                                       |                                    | ■                        |      |
| EATON CORP                   | ■             |                                   |      | ■                                       |                                    |                          | ■    |
| EDISON INTERNATIONAL         | ■             |                                   |      |   | ■                                  |                          |      |

## EXECUTIVE GRANT TYPE COMPANY BY USAGE

### Executive Compensation Long Term Grants

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 ● = Dropped  
 ■ (Green) = Increase in Weight from 2007  
 ■ (Red) = Decline in Weight from 2007  
 ■ (Orange) = Same Weight as 2007

|                              | Stock Options | Premium/Performance Stock Options | SARS | Time-Based Restricted Stock/Stock Units | Performance Restricted Stock Units | Performance Shares/Units | Cash |
|------------------------------|---------------|-----------------------------------|------|---|------------------------------------|--------------------------|------|
| EMC CORP                     | ■             | ■                                 |      | ■                                       |                                    | ■                        |      |
| EMERSON ELECTRIC CO          | ▲             |                                   |      | ▲                                       |                                    | ●                        |      |
| ENTERGY CORP                 | ■             |                                   |      |   |                                    | ■                        |      |
| EXELON CORP                  | ●             |                                   |      | ▲                                       |                                    | ●                        |      |
| EXPRESS SCRIPTS INC          | ▲             |                                   | ●    | ■                                       |                                    | ■                        |      |
| EXXON MOBIL CORP             |               |                                   |      | ■                                       |                                    |                          |      |
| FEDEX CORP                   | ■             |                                   |      | ■                                       |                                    |                          | ■    |
| FIRSTENERGY CORP             |               |                                   |      |   |                                    | ■                        |      |
| FLUOR CORP                   | ■             |                                   |      | ■                                       |                                    |                          | ■    |
| FORD MOTOR CO                | ■             |                                   |      | ●                                       |                                    | ▲                        |      |
| FPL GROUP INC                | ■             |                                   |      |   | ■                                  | ■                        |      |
| FREEPORT-MCMORAN COP&GOLD    | ■             |                                   |      |   | ■                                  |                          |      |
| GAP INC                      | ▲             |                                   |      | ●                                       |                                    | ■                        |      |
| GENERAL DYNAMICS CORP        | ■             |                                   |      | ■                                       |                                    |                          |      |
| GENERAL ELECTRIC CO          | ●             |                                   |      | ●                                       |                                    | ●                        | ▲    |
| GENERAL MILLS INC            | ■             |                                   |      | ■                                       |                                    |                          |      |
| GENERAL MOTORS CORP          |               |                                   |      |   |                                    |                          |      |
| GILEAD SCIENCES              | ■             |                                   |      |   |                                    | ■                        |      |
| GOLDMAN SACHS GROUP INC      | ●             |                                   |      | ■                                       |                                    |                          |      |
| GOODYEAR TIRE & RUBBER CO    | ■             |                                   |      |   |                                    | ■                        | ■    |
| GOOGLE INC                   |               |                                   |      |   |                                    |                          |      |
| HALLIBURTON CO               | ■             |                                   |      | ■                                       |                                    | ■                        |      |
| HESS CORP                    | ■             |                                   |      | ●                                       |                                    |                          |      |
| HEWLETT-PACKARD CO           | ●             |                                   |      | ●                                       |                                    | ▲                        | ■    |
| HOME DEPOT INC               | ■             |                                   |      | ●                                       |                                    | ■                        |      |
| HONEYWELL INTERNATIONAL INC  | ■             |                                   |      |   |                                    | ●                        | ■    |
| HUMANA INC                   | ■             |                                   |      |   |                                    |                          |      |
| ILLINOIS TOOL WORKS          | ■             |                                   |      |   |                                    |                          |      |
| INGERSOLL-RAND CO LTD        | ■             | ■                                 |      |   |                                    | ●                        |      |
| INTEGRYS ENERGY GROUP INC    | ■             |                                   |      | ■                                       |                                    | ■                        |      |
| INTEL CORP                   | ■             |                                   |      | ■                                       |                                    |                          |      |
| INTL BUSINESS MACHINES CORP  | ■             |                                   |      | ■                                       |                                    | ■                        |      |
| INTL PAPER CO                |               |                                   |      |   |                                    | ■                        |      |
| ITT CORP                     | ■             |                                   |      | ■                                       |                                    |                          | ■    |
| JABIL CIRCUIT INC            |               |                                   | ●    |   |                                    | ■                        |      |
| JACOBS ENGINEERING GROUP INC | ■             |                                   |      |   |                                    |                          |      |

## EXECUTIVE GRANT TYPE COMPANY BY USAGE

### Executive Compensation Long Term Grants

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 ■ (Green) = Increase in Weight from 2007  
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 ■ (Orange) = Same Weight as 2007

|                              | Stock Options | Premium/Performance Stock Options | SARs       | Time-Based Restricted Stock/Stock Units | Performance Restricted Stock Units | Performance Shares/Units | Cash       |
|------------------------------|---------------|-----------------------------------|------------|---|------------------------------------|--------------------------|------------|
| JOHNSON & JOHNSON            | ■ (Red)       |                                   |            | ■ (Orange)                              |                                    |                          | ■ (Green)  |
| JOHNSON CONTROLS INC         | ■ (Red)       |                                   |            | ■ (Green)                               |                                    |                          | ■ (Red)    |
| JPMORGAN CHASE & CO          |               |                                   | ■ (Green)  | ■ (Red)                                 |                                    |                          |            |
| KELLOGG CO                   | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               | ■ (Orange) |
| KIMBERLY-CLARK CORP          | ■ (Orange)    |                                   |            | ■ (Red)                                 |                                    | ■ (Green)                |            |
| KOHL'S CORP                  | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    |                          |            |
| KRAFT FOODS INC              | ■ (Green)     |                                   |            | ■ (Orange)                              |                                    | ■ (Green)                | ■ (Red)    |
| KROGER CO                    | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    |                          | ■ (Orange) |
| L-3 COMMUNICATIONS HLDGS INC | ■ (Orange)    |                                   |            | ■ (Green)                               |                                    | ■ (Orange)               |            |
| LILLY (ELI) & CO             |               |                                   |            |   |                                    | ■ (Orange)               |            |
| LOCKHEED MARTIN CORP         | ■ (Green)     |                                   |            |   | ■ (Orange)                         |                          | ■ (Red)    |
| LOEWS CORP                   |               |                                   | ■ (Orange) |   |                                    |                          |            |
| LOWE'S COMPANIES INC         | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               |            |
| MACY'S INC                   | ■ (Red)       |                                   |            | ■ (Red)                                 | ■ (Green)                          |                          |            |
| MARATHON OIL CORP            | ■ (Green)     |                                   |            | ■ (Orange)                              |                                    | ■ (Red)                  | ■ (Green)  |
| MARRIOTT INTL INC            |               |                                   | ■ (Green)  | ■ (Red)                                 |                                    |                          |            |
| MARSH & MCLENNAN COS         | ■ (Green)     | ■ (Red)                           |            | ■ (Green)                               | ■ (Red)                            |                          |            |
| MCDONALD'S CORP              | ■ (Green)     |                                   |            |   |                                    | ■ (Green)                | ■ (Red)    |
| MCKESSON CORP                | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               | ■ (Orange) |
| MEDCO HEALTH SOLUTIONS INC   | ■ (Red)       |                                   |            | ■ (Green)                               |                                    |                          |            |
| MEDTRONIC INC                | ■ (Green)     |                                   |            | ■ (Red)                                 | ■ (Green)                          |                          | ■ (Red)    |
| MERCK & CO                   | ■ (Green)     |                                   |            | ■ (Red)                                 |                                    | ■ (Green)                |            |
| METLIFE INC                  | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               |            |
| MICROSOFT CORP               |               |                                   |            |   |                                    | ■ (Orange)               |            |
| MONSANTO CO                  | ■ (Orange)    |                                   |            |   | ■ (Orange)                         |                          |            |
| MORGAN STANLEY               | ■ (Red)       |                                   |            | ■ (Green)                               |                                    |                          |            |
| MOTOROLA INC                 | ■ (Green)     | ■ (Red)                           | ■ (Green)  | ■ (Green)                               | ■ (Red)                            |                          | ■ (Orange) |
| MURPHY OIL CORP              | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               |            |
| NATIONAL OILWELL VARCO INC   | ■ (Orange)    |                                   |            |   | ■ (Orange)                         |                          |            |
| NEWS CORP                    |               |                                   |            | ■ (Orange)                              |                                    |                          |            |
| NIKE INC                     | ■ (Green)     |                                   |            | ■ (Red)                                 |                                    |                          | ■ (Red)    |
| NORTHROP GRUMMAN CORP        | ■ (Green)     |                                   |            |   |                                    | ■ (Red)                  |            |
| NUCOR CORP                   |               |                                   |            | ■ (Orange)                              |                                    | ■ (Orange)               |            |
| OCCIDENTAL PETROLEUM CORP    |               |                                   |            |   |                                    | ■ (Orange)               | ■ (Orange) |
| OFFICE DEPOT INC             | ■ (Red)       |                                   |            | ■ (Green)                               |                                    | ■ (Green)                |            |
| OMNICOM GROUP                | ■ (Green)     |                                   |            |   |                                    |                          |            |

## EXECUTIVE GRANT TYPE COMPANY BY USAGE

### Executive Compensation Long Term Grants

|                                   | Stock Options | Premium/Performance Stock Options | SARS | Time-Based Restricted Stock/Stock Units | Performance Restricted Stock Units | Performance Shares/Units | Cash |
|-----------------------------------|---------------|-----------------------------------|------|---|------------------------------------|--------------------------|------|
| ORACLE CORP                       | ■             |                                   |      |   |                                    |                          |      |
| PACCAR INC                        | ■             |                                   |      |   |                                    | ■                        | ■    |
| PARKER-HANNIFIN CORP              | ■             |                                   |      |   |                                    | ■                        |      |
| PENNEY (J C) CO                   | ■             |                                   |      | ▲                                       | ●                                  |                          |      |
| PEPSI BOTTLING GROUP INC          | ■             |                                   |      | ■                                       |                                    |                          |      |
| PEPSICO INC                       | ■             |                                   |      |   | ■                                  |                          | ■    |
| PFIZER INC                        | ■             |                                   | ▲    | ■                                       | ■                                  |                          | ▲    |
| PG&E CORP                         |               |                                   |      | ■                                       |                                    | ■                        |      |
| PHILIP MORRIS INTERNATIONAL       |               |                                   |      | ■                                       |                                    |                          |      |
| PPG INDUSTRIES INC                | ■             |                                   |      |   |                                    | ■                        |      |
| PROCTER & GAMBLE CO               | ■             |                                   |      | ■                                       |                                    |                          |      |
| PROGRESSIVE CORP                  |               |                                   |      | ■                                       | ■                                  |                          |      |
| PRUDENTIAL FINANCIAL INC          | ■             |                                   |      | ▲                                       |                                    | ■                        |      |
| PUBLIC SERVICE ENTERPRISE GRP INC | ■             |                                   |      |   |                                    | ■                        |      |
| QUALCOMM INC                      | ■             |                                   |      |   |                                    |                          |      |
| QWEST COMMUNICATION INTL INC      | ■             | ●                                 |      | ■                                       | ●                                  | ▲                        |      |
| RAYTHEON CO                       |               |                                   |      | ■                                       |                                    | ■                        |      |
| SAFEWAY INC                       | ■             |                                   |      |   |                                    |                          |      |
| SARA LEE CORP                     | ■             |                                   |      |   |                                    | ■                        |      |
| SCHERING-PLOUGH                   | ■             | ■                                 |      |   |                                    | ■                        |      |
| SCHLUMBERGER LTD                  | ■             |                                   |      |   |                                    |                          |      |
| SEARS HOLDINGS CORP               |               |                                   |      |   | ●                                  |                          | ▲    |
| SOUTHERN CO                       | ■             |                                   |      |   |                                    |                          | ■    |
| SPRINT NEXTEL CORP                | ■             |                                   |      | ■                                       |                                    |                          |      |
| STAPLES INC                       | ■             |                                   |      | ■                                       |                                    | ■                        |      |
| STATE STREET CORP                 |               |                                   | ■    |   |                                    | ■                        |      |
| SUN MICROSYSTEMS INC              | ▲             |                                   |      |   | ●                                  | ▲                        |      |
| SUNOCO INC                        | ■             |                                   |      |   |                                    | ■                        |      |
| SUNTRUST BANKS INC                | ■             |                                   |      | ▲                                       |                                    | ■                        |      |
| SUPERVALU INC                     | ■             |                                   |      |   |                                    | ▲                        |      |

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|                            | Stock Options | Premium/Performance Stock Options | SARs       | Time-Based Restricted Stock/Stock Units | Performance Restricted Stock Units | Performance Shares/Units | Cash       |
|----------------------------|---------------|-----------------------------------|------------|---|------------------------------------|--------------------------|------------|
| SYSCO CORP                 | ■ (Orange)    |                                   |            |   |                                    |                          | ■ (Orange) |
| TARGET CORP                | ■ (Red)       |                                   |            | ■ (Red)                                 |                                    | ▲ (Green)                |            |
| TESORO CORP                | ■ (Red)       |                                   |            | ■ (Orange)                              |                                    |                          |            |
| TEXAS INSTRUMENTS INC      | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    |                          |            |
| TEXTRON INC                | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    | ■ (Orange)               |            |
| TIME WARNER CABLE INC      | ■ (Green)     |                                   |            | ■ (Red)                                 |                                    |                          |            |
| TIME WARNER INC            | ■ (Red)       |                                   |            | ■ (Orange)                              |                                    | ■ (Green)                |            |
| TJX COMPANIES INC          | ■ (Green)     |                                   |            |   | ■ (Red)                            |                          | ■ (Orange) |
| TRAVELERS COS INC          | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               |            |
| TYCO ELECTRONICS LTD       | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    |                          |            |
| TYSON FOODS INC            | ■ (Green)     | ■ (Red)                           |            |   |                                    | ■ (Orange)               |            |
| U S BANCORP                | ■ (Orange)    |                                   |            |   |                                    |                          |            |
| UNION PACIFIC CORP         | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    | ■ (Orange)               |            |
| UNITED PARCEL SERVICE INC  | ■ (Red)       |                                   |            | ■ (Red)                                 |                                    | ■ (Green)                |            |
| UNITED STATES STEEL CORP   | ■ (Green)     |                                   |            | ■ (Green)                               |                                    | ■ (Red)                  |            |
| UNITED TECHNOLOGIES CORP   | ■ (Green)     |                                   |            |   |                                    | ■ (Red)                  |            |
| UNITEDHEALTH GROUP INC     |               |                                   | ■ (Red)    | ▲ (Green)                               |                                    |                          | ■ (Red)    |
| VALERO ENERGY CORP         | ■ (Green)     |                                   |            | ■ (Orange)                              |                                    | ■ (Red)                  |            |
| VERIZON COMMUNICATIONS INC |               |                                   |            | ■ (Orange)                              |                                    | ■ (Orange)               |            |
| VIACOM INC                 | ■ (Orange)    |                                   |            |   |                                    | ■ (Orange)               |            |
| WALGREEN CO                | ■ (Orange)    |                                   |            |   | ■ (Orange)                         |                          |            |
| WAL-MART STORES INC        |               |                                   |            | ■ (Orange)                              |                                    | ■ (Orange)               |            |
| WASTE MANAGEMENT INC       |               |                                   |            | ■ (Red)                                 |                                    | ■ (Green)                |            |
| WELLPOINT INC              | ■ (Red)       |                                   |            |   | ■ (Green)                          |                          |            |
| WELLS FARGO & CO           | ■ (Orange)    |                                   |            |   |                                    |                          |            |
| WHIRLPOOL CORP             | ■ (Green)     |                                   |            | ■ (Red)                                 |                                    | ■ (Orange)               |            |
| WILLIAMS COS INC           | ■ (Orange)    |                                   |            | ■ (Orange)                              |                                    |                          |            |
| WYETH                      | ■ (Red)       |                                   |            |   |                                    | ■ (Green)                |            |
| XCEL ENERGY INC            |               |                                   |            |   | ■ (Orange)                         | ■ (Orange)               |            |
| XEROX CORP                 |               |                                   |            |   |                                    | ■ (Orange)               |            |
| YUM BRANDS INC             |               |                                   | ■ (Orange) |   |                                    |                          |            |

## ABOUT JAMES F. REDA & ASSOCIATES

James F. Reda & Associates is a nationally-recognized independent compensation and corporate governance consulting firm. Headquartered in New York, New York with a satellite office in Atlanta, Georgia, our principal consultants have over 50 years of combined experience in compensation consulting. Our consultants are quoted frequently in leading media publications such as Business Week, Forbes, Fortune, The New York Times, and The Wall Street Journal.

Our firm has extensive experience in the areas of equity awards, compensation committee advisory services, incentive programs of all kinds, and the performance evaluation and goal-setting process. We work with clients from the following industries: financial services, health-care, life-science, technology, retail, and manufacturing. We have substantial experience working with private companies.

James Reda has authored two books on the subject of executive compensation and the role of the compensation committee, entitled *Pay to Win: How America's Successful Companies Pay Their Executives* (Harcourt: 2000) and *The Compensation Committee Handbook* (John Wiley: 2007), which is in its third edition. Mr. Reda served as a commissioner on the national panel "Executive Compensation and the Role of the Compensation Committee", assembled by the National Association of Corporate Directors. Mr. Reda is also a member of a task force created by the pre-eminent trade group, the National Association of Stock Plan Professionals, in order to rationalize executive compensation.

Our Services Include:

- Advising compensation committees on all executive compensation matters
- Providing corporate governance advice with respect to executive and board compensation
- Benchmarking total compensation, including: base salary, short-term incentives, long-term incentives, executive benefits and perquisites
- Assisting with all aspects of short- and long-term incentive plan design, including: tax, accounting, and SEC implications of such arrangements
- Working with companies to determine competitive employment agreement plan designs
- Providing expert witness testimony, opinion, and litigation support
- Evaluating CEO, other senior executives and boards and committees
- Providing assumption analysis and expense calculation for FASB ASC Topic 718 (formerly FAS 123R) purposes
- Designing executive ownership guidelines and capital accumulation programs
- Reviewing special situation incentives associated with IPOs, business units, partnerships, distressed companies, and mergers & acquisitions
- Designing deferred compensation, supplemental executive retirement programs (SERPs) and other executive perquisite and benefit programs
- Designing change-in-control and severance programs