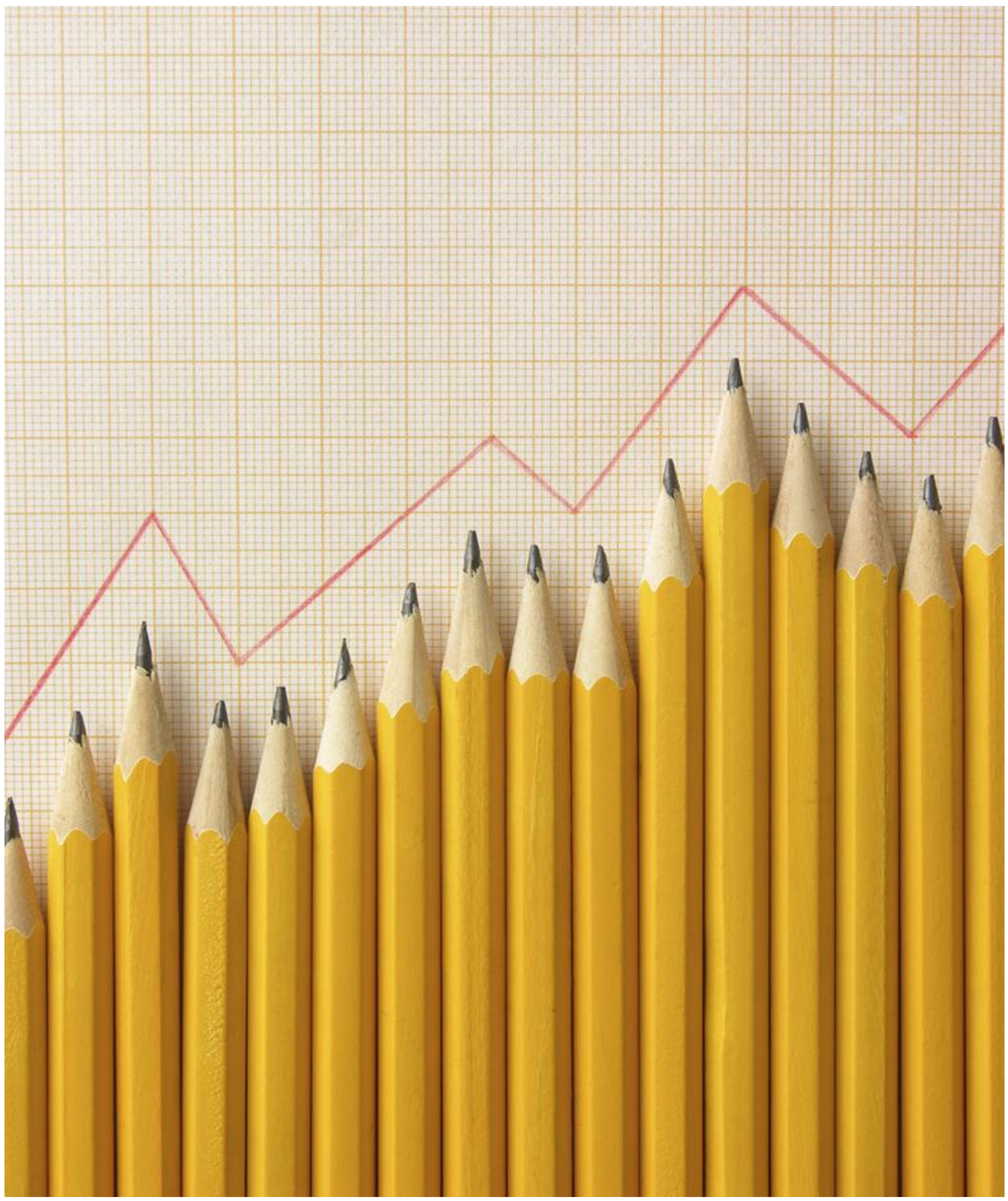
March 15, 2010

Quick-Take Study: Long-Term Incentive Trends

2010 vs. 2009 CEO Long-Term Incentive Opportunity

EXEQUITY

Independent Board and Management Advisors



Overview and Background

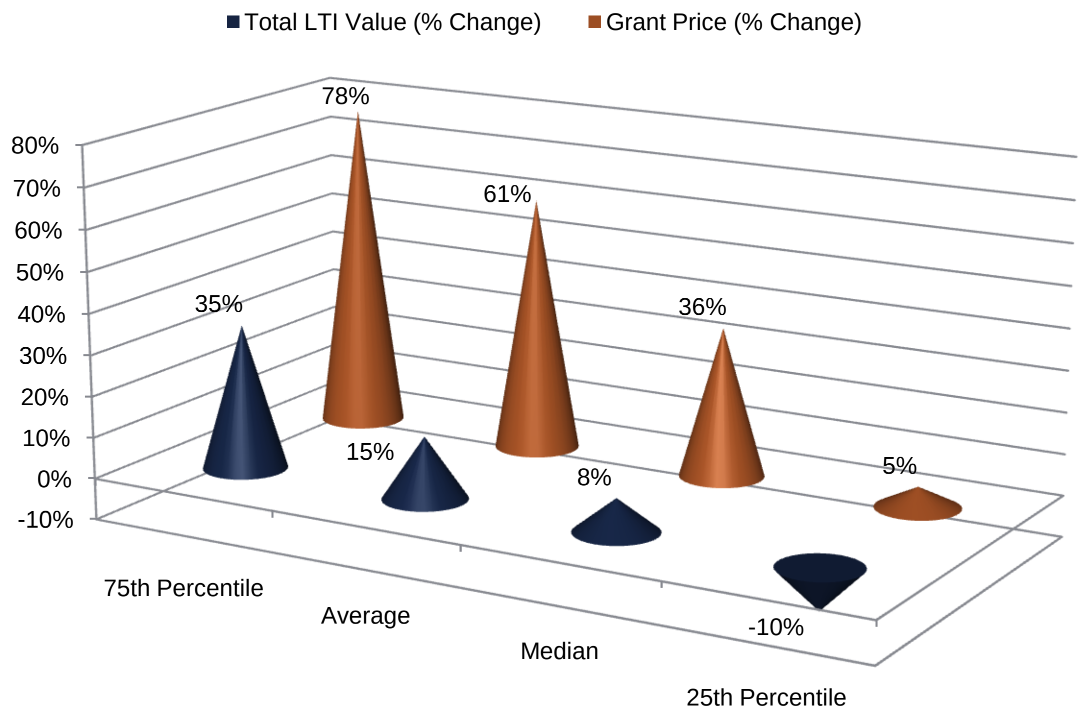
- After a general industry decline in long-term incentive (LTI) opportunity from 2008 to 2009, Exequity LLP conducted the following LTI analysis to determine if 2010 LTI award values are returning to 2008 levels
  - Examined insider filings (Form 4) for the Chief Executive Officers (CEOs) from *Fortune* 500 companies to provide an early look at the percent change in LTI opportunity over the prior year
  - 99 companies that granted normal cycle awards during November to March in both 2009 and 2010 were included in the analysis
  - Total LTI values include stock option (Black-Scholes pricing model) and restricted stock (grant-date fair value) awards
  - Form 4 filings for grants of performance-based awards are made only upon settlement of the award and were excluded from the analysis
  - Our experience suggests that there was no discernable material shift into or out of performance plans and that complete performance plan information is unlikely to materially change the conclusions herein
- Percent change in LTI opportunity was analyzed relative to three stock price categories (grant to grant)
  - Greater than 60% increase
  - Less than 60% increase and greater than 20% increase
  - Less than 20% increase
- Where an adequate sample size was available, percent change in LTI opportunity was analyzed by industry based on GICS economic sector
- An in-the-money option analysis was performed to gauge the impact of low grant prices on 2009 stock option awards
- Additional assumptions and methodology details are provided in the Appendix

Key Findings

Total LTI Opportunity

As stock prices rebound, LTI award values are beginning to increase back to 2008 award levels

- At the median, total LTI award value increased 8% relative to a 36% grant price increase
- The average total LTI award value (+15%) and grant price percent change (+61%) were slightly less than double the median percent change
- 63% of companies increased LTI award opportunity from 2009 to 2010



Restricted Stock and Stock Option Awards

At the median, restricted stock values experienced a greater increase in grant value (+12%) than stock options (+7%) from 2009 to 2010

	Percent Change In:				
	Total LTI Value[1]	Restricted Stock Value	Stock Option Value	Grant Price	Number of Shares
Number of Companies	*99*	*60*	*86*	*99*	*99*
75th Percentile	35%	64%	38%	78%	0%
Average	15%	20%	14%	61%	-15%
Median	8%	12%	7%	36%	-20%
25th Percentile	-10%	-17%	-11%	5%	-43%

[1] Excludes long-term performance plan awards

- The steep decline in stock prices in 2009 may have contributed to a shift in grant philosophy to further emphasize restricted stock over stock options
  - As outstanding option grants went underwater, stock options may have been viewed as less favorable
  - Share plan authorization limits and run rate concerns may have resulted in companies shifting some of the value from stock options to full-value shares
- Driven primarily by the increase in grant prices from 2009 to 2010, the number of shares awarded decreased (-20%) at the median, which should provide some share pool relief and reduce 2010 run rates

LTI Opportunity by Stock Price Change

Companies with the greatest increase in stock price experienced the largest increase in total LTI opportunity

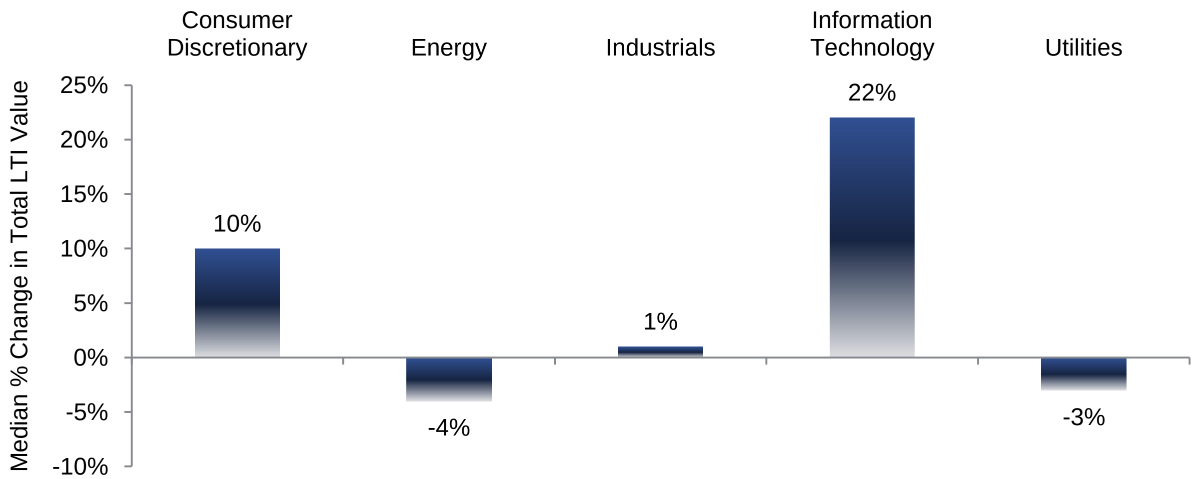
% Stock Price Increase	Companies	Median Percent Change In:				
		Grant Price	Total LTI Value	Restricted Stock Value	Stock Option Value	Number of Shares
> 60	34	101%	26%	39%	10%	-45%
20 to 60	32	36%	19%	12%	24%	-13%
< 20	33	-1%	-3%	0%	-4%	-8%

- Companies with the largest appreciation in stock price, greater than 60% increase from grant to grant, granted 26% more in total LTI opportunity
- Interestingly, companies with stock price appreciation between 20% and 60% during the grant period increased LTI opportunity (+19%) only slightly less than companies that increased stock price greater than 60% (+26%)
- Companies with approximately the same grant price (-1%) as the prior year granted slightly less (-3%) in total LTI opportunity in 2010 vs. 2009

LTI Opportunity by Industry

Total LTI opportunity varied by industry: information technology (+22%) and consumer discretionary (+10%) increased, while industrials (+1%), energy (-4%), and utilities (-3%) remained relatively flat

Industry	Companies	Median Percent Change In:				
		Total LTI Value	Restricted Stock Value	Stock Option Value	Grant Price	Number of Shares
Consumer Discretionary	15	10%	12%	10%	45%	-18%
Energy	10	-4%	-5%	2%	77%	-33%
Industrials	24	1%	0%	4%	30%	-26%
Information Technology	10	22%	22%	22%	46%	-20%
Utilities	11	-3%	0%	-7%	-1%	-11%



In-the-Money Option Values

- Due to the dramatic decline of stock prices in 2009 and subsequent increase for 2010, it has become increasingly important to monitor the in-the-money option values for 2009 stock option awards

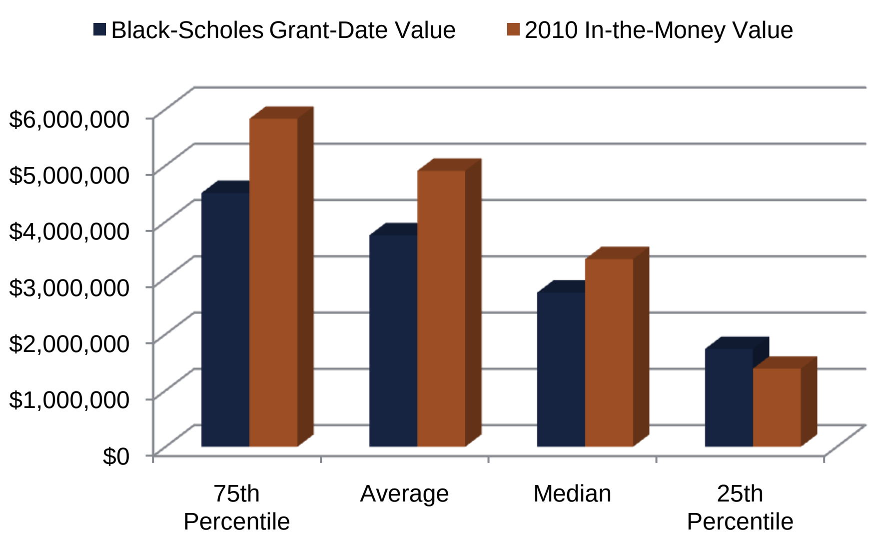
- To understand the impact on 2009 stock option award values, Exequity analyzed 2009 stock option grants to determine the in-the-money value of the option awards as of January 2010

  — ***In total, 2010 in-the-money stock option value was 30% greater than the 2009 Black-Scholes grant-date value***

    – 89% of 2009 option awards were in-the-money

    – As shown in the graph below, 2010 in-the-money option values are greater than the 2009 Black-Scholes grant-date value at the median, average, and 75th percentile

    – Underwater options pulled in-the-money values below grant-date values at the 25th percentile



Appendix: Study Methodology

- Companies were excluded from this analysis for the following reasons:
  - CEO turnover
  - Companies that do not grant annual LTI awards (e.g., large grants every three years, quarterly grants)
  - A change in compensation mix that prevented the accurate valuation of LTI awards (e.g., a change in mix that did not disclose performance plan targets)
  - Financial service companies with impacts to LTI grant philosophy (e.g., TARP restrictions)
- Stock options were valued individually with the Black-Scholes option pricing model using company-specific stock price inputs (i.e., grant price, dividend yield, volatility)
- The following table shows the industry representation, as a percent of sample size, for the companies included in the analysis

Industry	Percent of Sample Size
Consumer Discretionary	15%
Consumer Staples	7%
Energy	10%
Financials	9%
Health Care	5%
Industrials	24%
Information Technology	10%
Materials	9%
Telecommunication Services	0%
Utilities	11%

If you have any questions about this ***Quick-Take Study***, or would like to perform a custom peer group Form 4 analysis, please contact Jeff Pullen ((847) 996-3967 or Jeff.Pullen@exqty.com) or any of the following:

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- Allows for all types of compensation vehicles to be included in the modeling.
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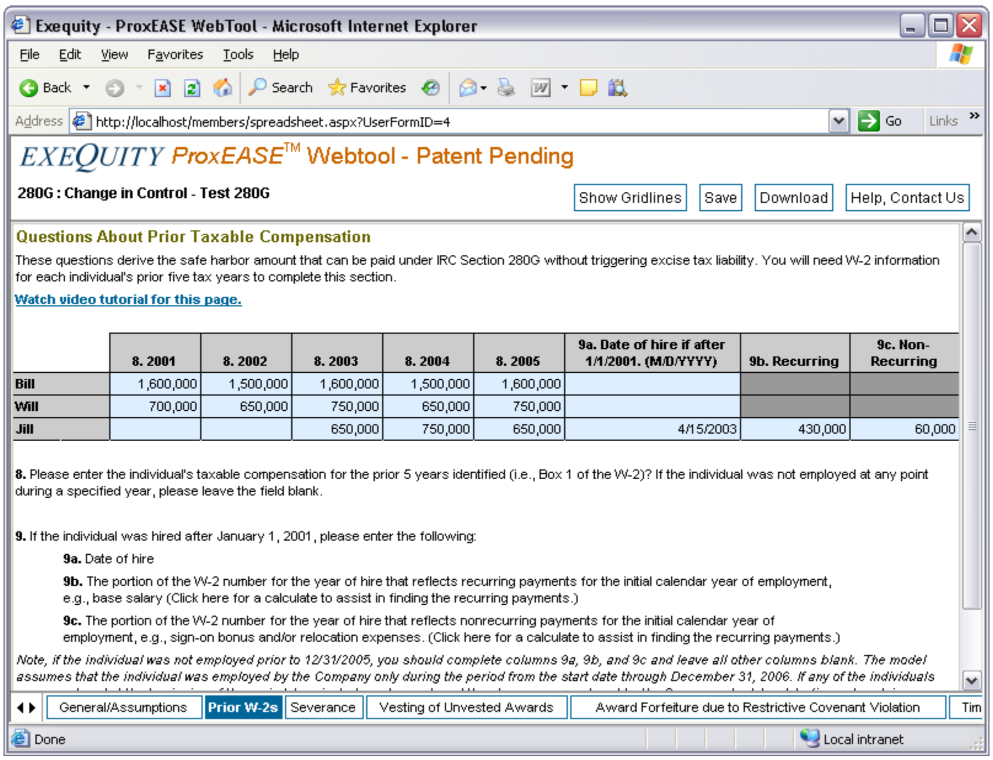
- Most cost-effective method for completing the calculations ("top 5" parachute calculations can be run for $5,500 total, versus more typical fees of $20,000–$30,000).

WEB-BASED EXCEL-LIKE DATA INPUT


Exequity - ProxEASE WebTool - Microsoft Internet Explorer

http://localhost/members/spreadsheet.aspx?UserFormID=4

EXEQUITY ProxEASE™ Webtool - Patent Pending

280G : Change in Control - Test 280G

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Questions About Prior Taxable Compensation

These questions derive the safe harbor amount that can be paid under IRC Section 280G without triggering excise tax liability. You will need W-2 information for each individual's prior five tax years to complete this section.

Watch video tutorial for this page.

	8. 2001	8. 2002	8. 2003	8. 2004	8. 2005	9a. Date of hire if after 1/1/2001. (M/D/YYYY)	9b. Recurring	9c. Non-Recurring
Bill	1,600,000	1,500,000	1,600,000	1,500,000	1,600,000			
Will	700,000	650,000	750,000	650,000	750,000			
Jill			650,000	750,000	650,000	4/15/2003	430,000	60,000

8. Please enter the individual's taxable compensation for the prior 5 years identified (i.e., Box 1 of the W-2)? If the individual was not employed at any point during a specified year, please leave the field blank.

9. If the individual was hired after January 1, 2001, please enter the following:

9a. Date of hire

9b. The portion of the W-2 number for the year of hire that reflects recurring payments for the initial calendar year of employment, e.g., base salary (Click here for a calculate to assist in finding the recurring payments.)

9c. The portion of the W-2 number for the year of hire that reflects nonrecurring payments for the initial calendar year of employment, e.g., sign-on bonus and/or relocation expenses. (Click here for a calculate to assist in finding the recurring payments.)

Note, if the individual was not employed prior to 12/31/2005, you should complete columns 9a, 9b, and 9c and leave all other columns blank. The model assumes that the individual was employed by the Company only during the period from the start date through December 31, 2006. If any of the individuals

General/Assumptions | Prior W-2s | Severance | Vesting of Unvested Awards | Award Forfeiture due to Restrictive Covenant Violation | Tim

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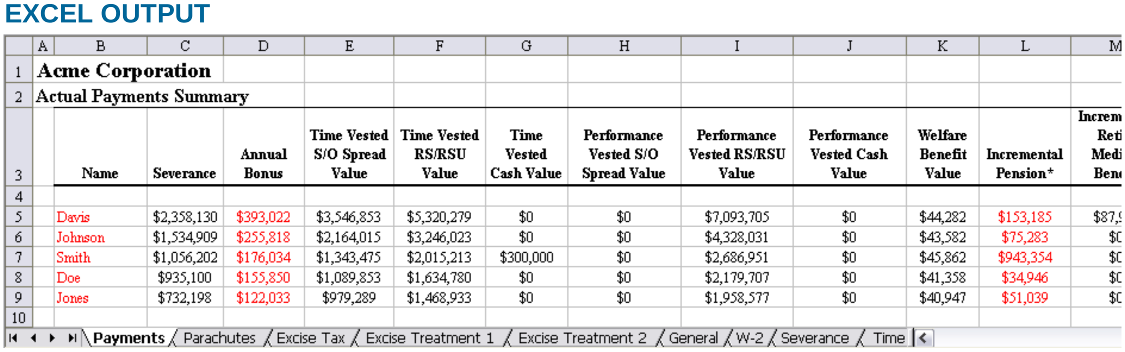
EXCEL OUTPUT


Acme Corporation

Actual Payments Summary

Name	Severance	Annual Bonus	Time Vested S/O Spread Value	Time Vested RS/RSU Value	Time Vested Cash Value	Performance Vested S/O Spread Value	Performance Vested RS/RSU Value	Performance Vested Cash Value	Welfare Benefit Value	Incremental Pension*	Increm Reti Medi Ben
Davis	$2,358,130	$393,022	$3,546,853	$5,320,279	$0	$0	$7,093,705	$0	$44,282	$153,185	$87,
Johnson	$1,534,909	$255,818	$2,164,015	$3,246,023	$0	$0	$4,328,031	$0	$43,582	$75,283	$0
Smith	$1,056,202	$176,034	$1,343,475	$2,015,213	$300,000	$0	$2,686,951	$0	$45,862	$943,354	$0
Doe	$935,100	$155,850	$1,089,853	$1,634,780	$0	$0	$2,179,707	$0	$41,358	$34,946	$0
Jones	$732,198	$122,033	$979,289	$1,468,933	$0	$0	$1,958,577	$0	$40,947	$51,039	$0

Payments / Parachutes / Excise Tax / Excise Treatment 1 / Excise Treatment 2 / General / W-2 / Severance / Time

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