2015 Non-Employee Director Compensation Report

SEPTEMBER 2015

FREDERIC W. COOK & CO., INC.

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EXECUTIVE SUMMARY

Frederic W. Cook & Co. studied non-employee director compensation programs at 300 companies of various sizes and industries. This report summarizes pay levels and program structure. We observe a 4% year-over-year increase in total pay at the median, along with a growing preference for simplicity that began several years ago at large-cap companies and is now common throughout the market.

Our sample of large-cap companies pay directors $260,000 at the median, with few crossing the $300,000 threshold. The median at mid-cap companies is just shy of $200,000, and is $136,000 at small-caps. Technology companies are the highest-paying of the sectors we studied, and financial services the lowest, consistent with observations in our 2014 report.

The broad trend in program design is toward simplicity and alignment with shareholder interests. An increasing number of companies are moving away from board meeting fees and into retainer-only programs, which are easier to administer, and acknowledge that meeting attendance is an expected part of a director's service. Similarly, more companies are doing away with committee meeting fees, with an increasing number instead providing a retainer for committee service. However, there is a small, but growing, minority of companies that pay a "conditional" fee, which applies for meetings in excess of a certain minimum per year instead of eliminating them completely.

Equity compensation continues to make up the majority of non-employee director pay. Large-cap companies began the move away from options, shifting to dollar-denominated stock awards instead. Now, nearly 85% of the companies in our study use this approach for director equity grants, which aligns with directors' roles as stewards of shareholder value.

Director compensation programs continue to respond to the increased focus on corporate governance "best practices." For instance, we observe greater prevalence of stock ownership guidelines. Additionally, we found that 10% of companies granting equity mandatorily defer share settlement until retirement from board service. We expect this program feature to increase in prevalence in coming years in light of recent attention on the accounting treatment of such grants, which may allow for a discount to fair market value for the lack of liquidity during the mandatory hold period.

The following chart summarizes total non-employee director pay levels and market capitalizations of the 300 companies in our study (100 companies in each size grouping):

Median Values	Small Cap (Less than $1B)	Mid Cap ($1B - $5B)	Large Cap (Greater than $5B)
Total Compensation - 2015 Study	$136,401	$197,750	$259,583
Total Compensation - 2014 Study	$133,871	$189,500	$250,000
Year-Over-Year Compensation Change	2%	4%	4%
Market Capitalization ($M) - 2015 Study	$457	$2,567	$17,517
Market Capitalization ($M) - 2014 Study	$489	$2,420	$16,715
Year-Over-Year Market Cap. Change	-7%	6%	5%

Additional key findings are summarized below:	
Cash vs. Equity	■ Companies in all three size segments provide more than half of total compensation in equity, on average ■ Equity makes up the highest portion of total compensation at technology companies (over two-thirds) and the lowest at financial services companies (less than half)
Cash Compensation for Board Service	■ Over two-thirds of the study companies use retainers and no board meeting fee ■ The median value of board retainers is $80,000 at large-cap companies, $60,000 at mid-cap companies, and $45,000 at small-cap companies
Equity Compensation for Board Service	■ Companies in all three size segments grant restricted, deferred, or fully-vested stock in the following proportions: large-cap, 90%; mid-cap, 83%; small-cap, 80% ■ The vast majority of stock award grants are denominated in dollar values rather than a number of shares ■ Of the few companies that still grant options, technology companies are the heaviest users, with 22% granting options (but down from 32% in the prior year)
Committee Compensation	■ Two-thirds of companies provide additional compensation to committee members, with more companies choosing to pay a fixed committee retainer than meeting fees ■ Compensation for members and chairs of the compensation committee is moving closer to audit committee compensation, both in terms of prevalence and dollar values. This is due to an increasing compensation committee workload from heightened scrutiny over executive compensation ■ Of the companies using committee meeting fees, the median is $1,500, which is generally consistent across size and sector
Non-Executive Board Chairs and Lead Directors	■ Nearly every company with a non-executive board chair provides additional compensation for the role, with the median value at large-cap companies ($150,000) three times that of small-cap companies ($50,000) ■ Eighty-three percent of lead directors at the sample companies receive additional compensation, approximately $20,000 - $25,000 across all company sizes and sectors, at the median
Compensation Deferrals	■ Deferral programs are most prevalent within the large-cap segment, with over 60% allowing deferral of cash and nearly half allowing or requiring deferral of equity ■ At smaller companies, deferral programs are less common, with 40% of mid-cap companies permitting cash deferrals and 23% permitting or requiring deferral of equity; less than 25% of small-caps have a cash deferral program, and 8% allow or require deferral of equity

Research Sample

This study is based on a sample of 300 U.S. public companies equally divided among small-, mid-, and large-cap size segments (100 companies in each) and further classified into five sectors: Energy, Financial Services, Industrials, Retail, and Technology (60 companies in each) based on Standard & Poor's Global Industry Classification Standard (GICS) codes. Approximately 85% of this year's sample companies were constituents of last year's sample, allowing for meaningful year-over-year comparisons. For a complete list of the companies included in this study, refer to the List of Companies Surveyed at the end of the report.

Market capitalization and trailing 12-month revenue as of April 30, 2015 are summarized below:

	Market Capitalization ($M)			Trailing 12-Month Revenue ($M)		
Size	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Small Cap	$314	$457	$627	$211	$466	$941
Mid Cap	$1,553	$2,567	$3,776	$1,234	$2,007	$3,784
Large Cap	$9,241	$17,517	$34,237	$4,655	$10,793	$26,620
Sector	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Energy	$559	$2,842	$10,739	$820	$3,130	$13,966
Financial Services	$772	$2,597	$8,353	$326	$968	$3,396
Industrials	$617	$2,679	$7,233	$977	$2,438	$6,979
Retail	$684	$2,098	$8,895	$1,536	$3,427	$10,143
Technology	$581	$2,450	$9,734	$386	$1,529	$3,159

Director compensation program details were sourced from companies' proxy statements and/or annual reports, generally filed with the Securities and Exchange Commission ("SEC") in the one-year period ending May 31, 2015.

Methodology

The study analyzes compensation for board and committee service (latter focused on the three most common standing committees of the board: audit, compensation, and nominating/governance). The specific pay components presented in this study include:

- Annual cash retainers and meeting fees for board service
- Equity compensation, in the form of stock options or stock awards (i.e., restricted shares/units, deferred stock units, and fully-vested stock)
- Annual cash retainers and meeting fees for committee member and chair service
- Additional compensation for serving as a non-executive chair or lead director

The report also presents our findings on the prevalence of stock ownership guidelines and compensation deferrals.

The following assumptions were used to facilitate comparisons:

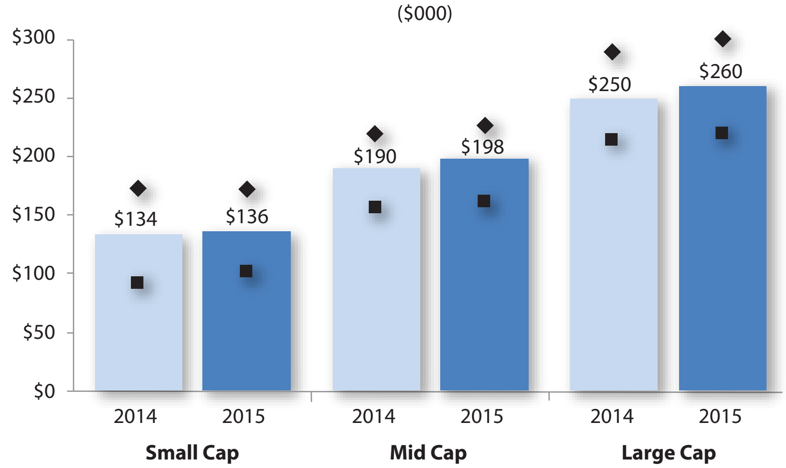
- Each director attends nine board meetings annually
- Each director is a member of one committee and attends six committee meetings per year
- If denominated in a number of shares (rather than as a fixed-dollar value), then equity compensation is valued using closing stock prices as of April 30, 2015
- All equity compensation is annualized over a five-year period (e.g., if a company makes a "larger than normal" equity grant upon initial election to the board followed by smaller annual grants, then our analysis includes the five-year average value of the initial grant and the four subsequent annual grants)
- Stock options are valued using each individual company's publicly disclosed Accounting Standards Codification ("ASC") Topic 718 assumptions to align option values used in this study with their accounting costs, assuming an April 30, 2015 grant date

Total Compensation – Pay Levels

Company size is the primary determinant of total board compensation levels. The median total compensation provided to directors of large-cap companies is $260,000, compared to $198,000 at mid-cap companies, and $136,000 at small-cap companies. The "inter-quartile range" between the 75th percentile and the 25th percentile has been shrinking noticeably at the small-caps – in our 2014 report the 75th percentile was 88% higher than the 25th percentile, and now it is only 69% higher. Meanwhile, the range between quartiles remains the same in the mid-cap and large-cap groups year-over-year (40% at mid-caps and 36% at large-caps).

Total Compensation By Size

($000)

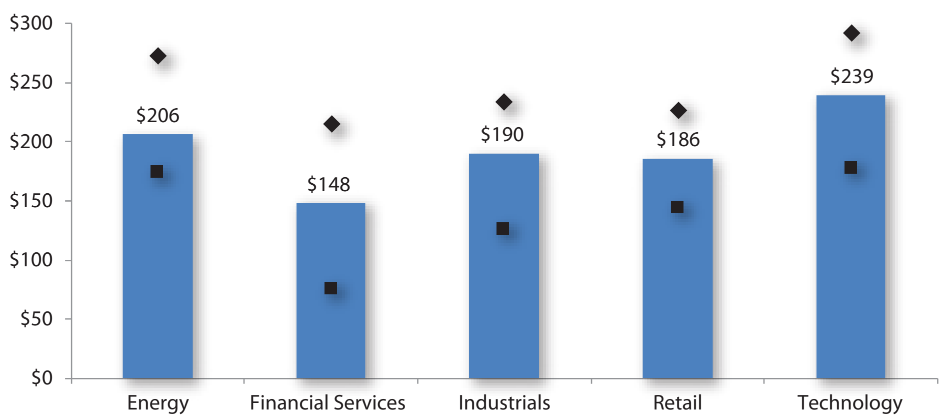


2015:	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$172	$227	$300
Median	$136	$198	$260
■ 25th Percentile	$102	$162	$220

When segmented by sector, median total compensation levels are highest for the technology group at $239,000. There is little differentiation among other sectors, which range from $186,000 to $206,000 at the median, except for financial services, which is approximately 25% lower at $148,000.

Total Compensation By Sector

($000)

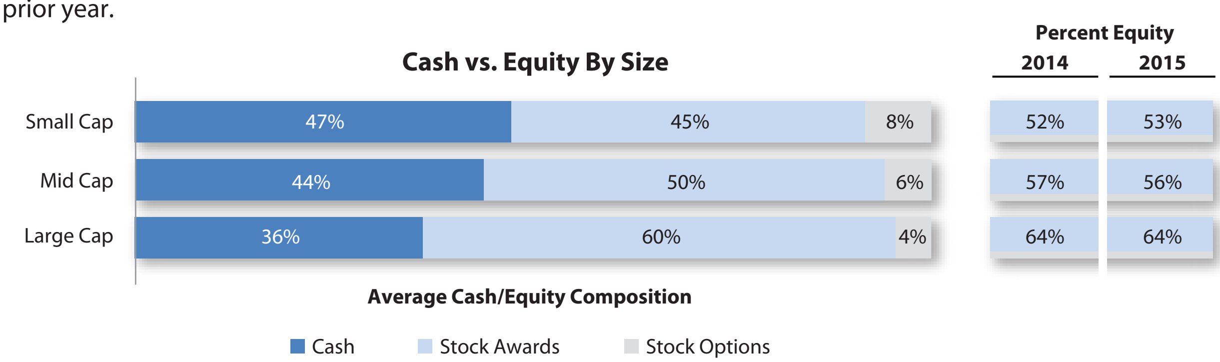


	Energy	Financial Services	Industrials	Retail	Technology
◆ 75th Percentile	$273	$216	$234	$227	$292
Median	$206	$148	$190	$186	$239
■ 25th Percentile	$174	$74	$127	$144	$178

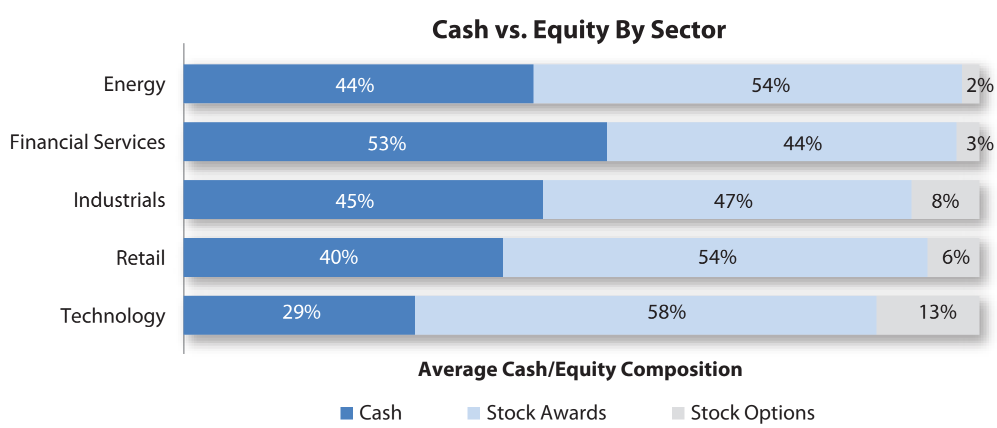
Total Compensation – Cash vs. Equity

Compensation for board service is typically composed of cash and equity. The charts below illustrate average pay mix across company size and sector, which are similar to the findings in last year's report.

All three company size segments provide more than half of compensation in equity, with the greatest portion paid in equity at the higher-paying large-cap companies. The mix of cash and equity has remained essentially the same since the prior year.



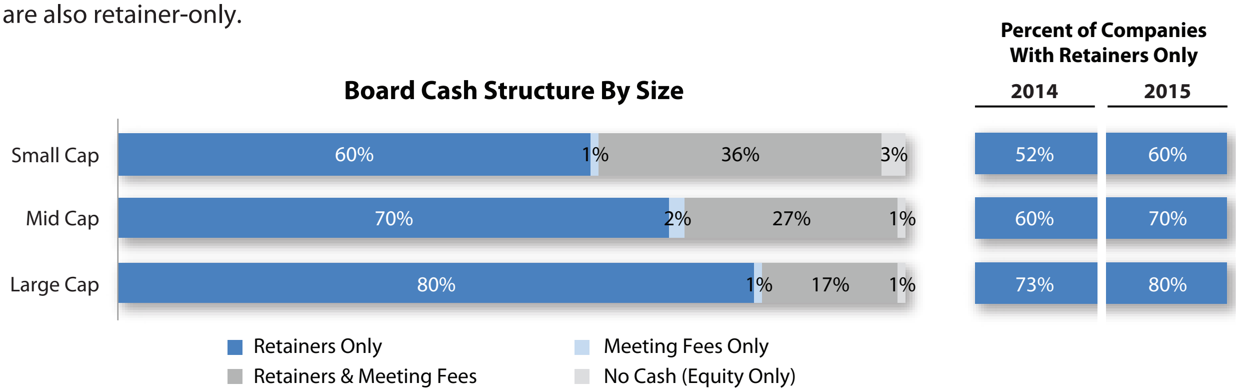
As with the comparisons across size groups, the higher-paying sectors tend to pay a greater percentage in equity. Equity makes up the highest portion of total compensation at technology companies (over two-thirds) and the lowest at financial services companies (less than half), on average.



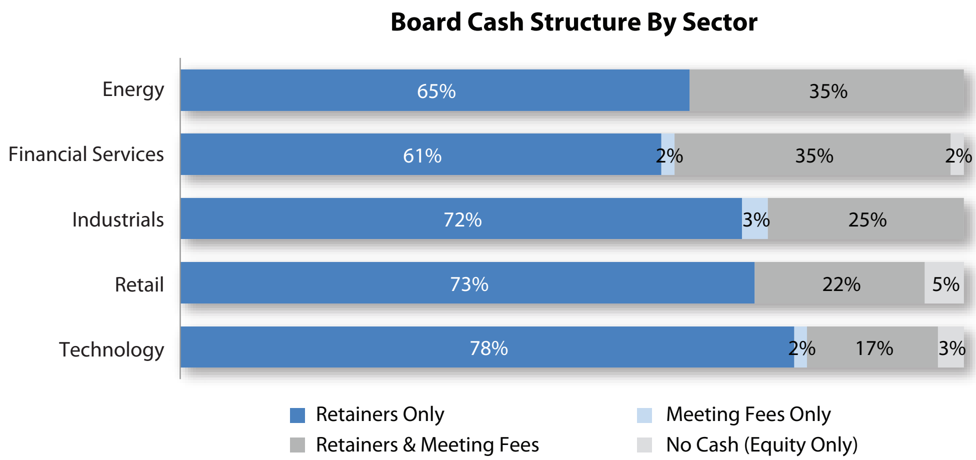
Cash Compensation Pay Structure

Cash compensation for board service is typically provided through an annual board retainer, board meeting fees, or a combination of both. Companies across all sectors and sizes are trending to retainer-only programs. Of the 300 companies in our sample, 70% use retainers only, compared to 62% observed one year ago. Many companies have eliminated board meeting fees, as meeting attendance is expected, and a retainer-only program is simpler to administer. Further, elimination of meeting fees avoids the challenge of determining what constitutes a "paid" meeting.

The large-cap companies were the first to shift to retainer-only, but now the majority of mid-cap and small-cap companies are also retainer-only.



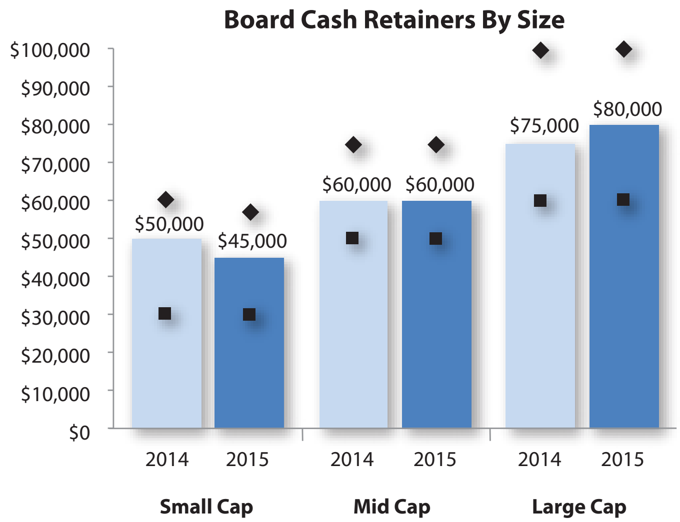
There is not a substantial difference in the structure of board cash compensation between sectors.



However, a small portion of companies are scaling back meeting fees instead of getting rid of them completely, choosing to pay only for meetings in excess of a set minimum held per year (details on page nine).

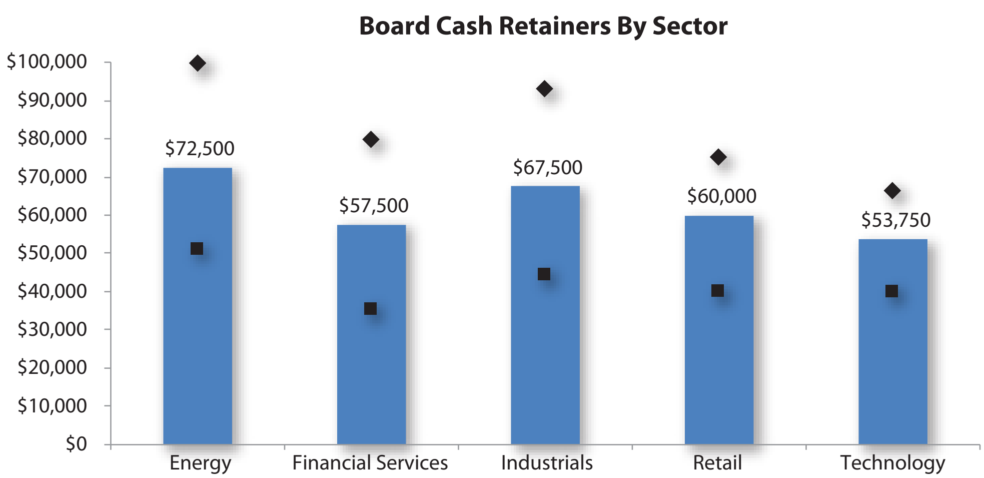
Board Cash Retainers

Board retainers tend to be correlated with company size, and have generally remained steady since the prior year. The median retainer is $45,000 at small-caps, $60,000 at mid-caps, and $80,000 at large-caps.



2015:	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$57,125	$75,000	$100,000
Median	$45,000	$60,000	$80,000
■ 25th Percentile	$30,000	$50,000	$60,000

Retainers tend to be highest at energy and industrials. The technology sector has the lowest retainers, where there tends to be a greater emphasis on equity compensation and lower cash.



	Energy	Financial Services	Industrials	Retail	Technology
◆ 75th Percentile	$100,000	$80,000	$93,125	$75,000	$66,250
Median	$72,500	$57,500	$67,500	$60,000	$53,750
■ 25th Percentile	$51,500	$35,750	$45,000	$40,000	$40,000

Board Meeting Fees

Prevalence of meeting fees continues to fall year-over-year. In last year's analysis, we found that 36% of the total sample used a meeting fee, compared to 28% this year. The largest decline in fee use occurred at the mid-caps, where 29% of companies use board meeting fees, compared to 39% last year. There is an inverse relationship between prevalence of meeting fees and company size – generally, the larger the company, the less likely it is to pay a meeting fee.

Board Meeting Fees By Size					
	Prevalence*	25th Percentile	Median	75th Percentile	Prior Year Meeting Fee Prevalence*
Small Cap	37%	$1,250	$1,600	$2,000	45%
Mid Cap	29%	$1,500	$2,000	$2,500	39%
Large Cap	18%	$1,500	$1,750	$2,000	24%

Median board meeting fees range from approximately $1,500 to $2,000 with little variation across size or sector. Energy and financial services companies tend to use meeting fees slightly more than companies in other sectors, but even here, prevalence of fees has come down from nearly 50% in the prior year to 35%. Note that the meeting fee prevalence statistics below only count companies that pay a fee starting with the first meeting. An additional 4% of companies in the total sample provide fees starting with meetings in excess of a pre-set number per year (typically six to ten, if such feature is in place). This conditional fee structure automatically adjusts pay in a year of higher than expected board workload.

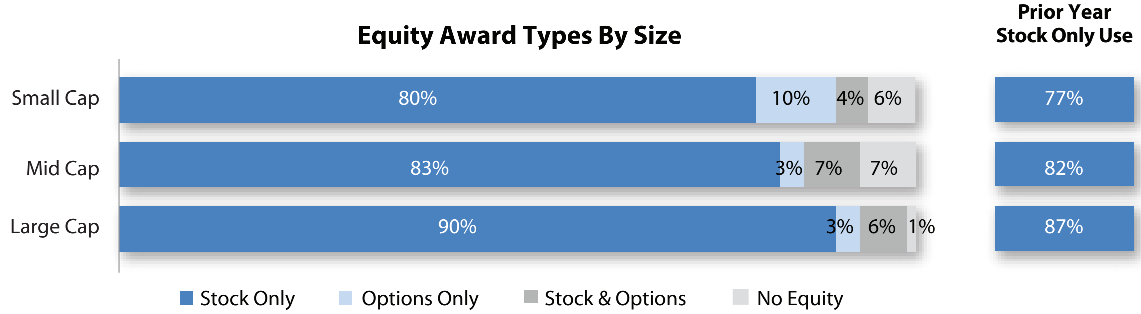
Board Meeting Fees By Sector					
	Prevalence*	25th Percentile	Median	75th Percentile	Prior Year Meeting Fee Prevalence*
Energy	35%	$1,500	$2,000	$2,500	48%
Financial Services	37%	$1,000	$1,500	$1,500	45%
Industrials	28%	$1,500	$1,600	$2,000	35%
Retail	22%	$1,500	$2,000	$2,500	30%
Technology	18%	$1,700	$2,000	$3,500	22%

**Prevalence statistics reflect companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 4% of companies provide a fee starting after a pre-set minimum number of meetings per year*

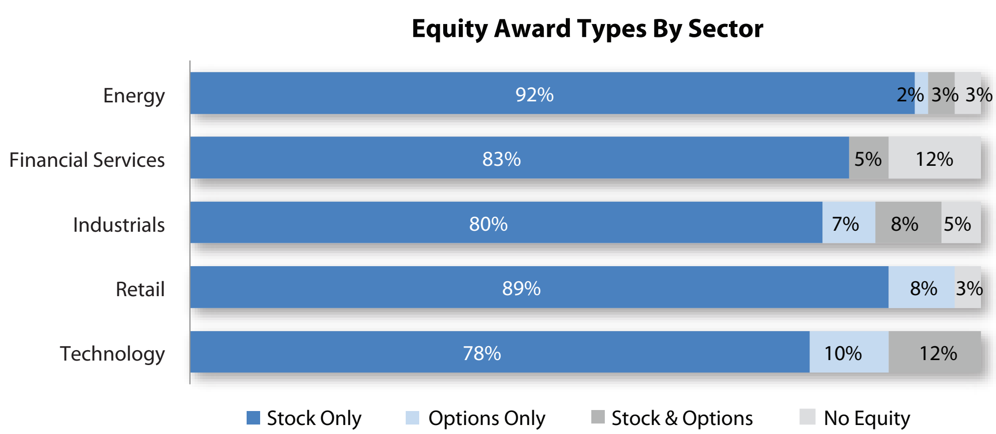
EQUITY AWARD TYPES

Stock awards (i.e., restricted stock/units, deferred stock units, or fully-vested stock) are the most prevalent equity grant type in director compensation programs across all company sizes and sectors.

Use of stock-only equity programs increased compared to the prior year in each size category. Stock options are more prevalent at small-cap companies than at large-caps, although still infrequent at 14% (either stand-alone or in combination with stock awards).



Outside of the technology sector, 80%-92% of companies across the other four sectors only use stock awards, with the remainder providing either a combination of stock awards and options or only options (other than the 6%-7% of small-cap and mid-cap companies that do not grant equity). Technology companies are the heaviest users of options, with 22% granting them (either stand-alone or in combination with stock awards), but even here there is a continuing trend toward stock-only programs – 32% used options (stand-alone or in combination) last year.



EQUITY AWARD DENOMINATION

Companies primarily define annual stock awards as a fixed-dollar value rather than as a fixed number of shares. Dollar-denominated awards provide the same grant value and proxy disclosure of equity compensation on an annual basis, regardless of fluctuations in stock price.

When companies grant options, there is greater use of a fixed-share grant strategy, where the number of options granted remains fixed and the value changes with the stock price. However, note that only 15% of the total sample companies use options, so grant denomination data for options are based on a much smaller set of companies than for the stock award denomination data.

Over 80% of companies in each size category that use stock awards denominate grants as a dollar value. Fixed-dollar value and fixed-share grant prevalence is inconsistent across the size groups for the few companies that grant options.

Equity Award Denomination By Size: Percentage of Companies

	Stock Awards (Used by 90% of Companies)*		Options (Used by 15% of Companies)*	
	Dollar Value	Number of Shares	Dollar Value	Number of Shares
Small Cap	82%	18%	50%	50%
Mid Cap	89%	11%	20%	80%
Large Cap	91%	9%	67%	33%

Equity Award Denomination By Sector: Percentage of Companies

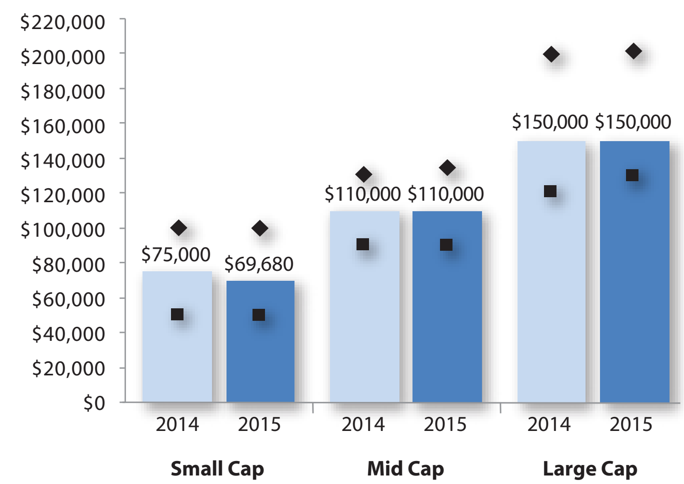
	Stock Awards (Used by 90% of Companies)*		Options (Used by 15% of Companies)*	
	Dollar Value	Number of Shares	Dollar Value	Number of Shares
Energy	86%	14%	33%	67%
Financial Services	87%	13%	33%	67%
Industrials	91%	9%	56%	44%
Retail	89%	11%	60%	40%
Technology	85%	15%	38%	62%

**Some companies grant both stock awards and options, so percentages add to greater than 100%*

EQUITY COMPENSATION VALUES

Median equity compensation values have remained flat year-over-year in each size cut. The small-cap segment shows a slight decrease at the median compared to last year due to the addition of some companies in this year's sample that do not provide equity. The difference in total compensation between size groups is primarily due to differences in equity values (e.g., median equity value at small-cap companies of $70,000 is less than half of the median value of $150,000 at large-cap companies).

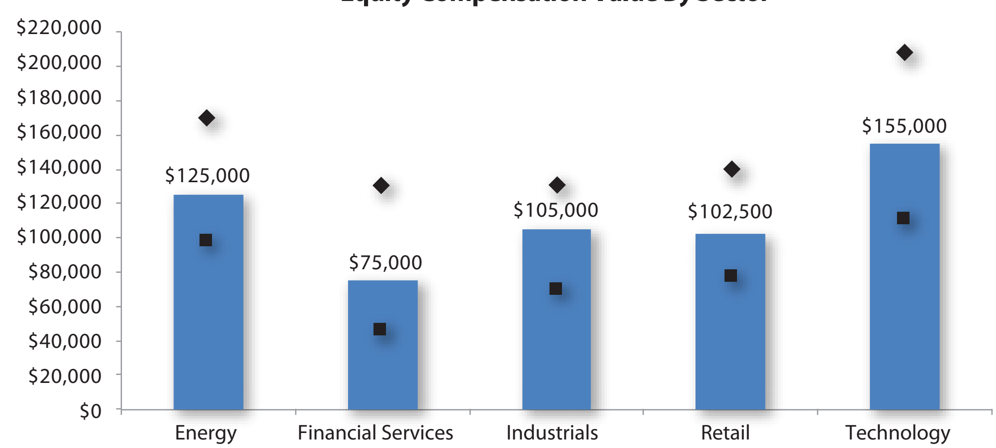
Equity Compensation Value By Size



2015:	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$100,000	$135,000	$201,475
Median	$69,680	$110,000	$150,000
■ 25th Percentile	$50,000	$90,000	$130,000

Median equity compensation continues to be highest among technology companies and lowest among financial services companies. The sectors that provide the highest equity compensation are also the sectors that provide the highest total compensation, underscoring equity's prominent role in director compensation programs.

Equity Compensation Value By Sector



	Energy	Financial Services	Industrials	Retail	Technology
◆ 75th Percentile	$171,250	$130,000	$130,000	$140,000	$208,750
Median	$125,000	$75,000	$105,000	$102,500	$155,000
■ 25th Percentile	$99,250	$45,000	$70,000	$77,500	$112,135

COMMITTEE MEMBER COMPENSATION

Committee service can be compensated through additional retainers paid in cash (or, more rarely, equity) or meeting fees. Just shy of two-thirds of companies provide additional compensation to directors for serving as a regular member of a board committee, either through committee retainers and/or committee meeting fees. This is the first year where we observe a greater prevalence of committee member retainers than meeting fees. The chart below shows the prevalence and median values of committee member retainers on the left, and committee meeting fees on the right.

	Committee Member Retainers			Committee Meeting Fees*		
	Audit	**Compensation**	**Nominating & Governance**	**Audit**	**Compensation**	**Nominating & Governance**
Total Prevalence						
2015	**39%**	**36%**	**34%**	**30%**	**30%**	**28%**
2014	**38%**	**32%**	**30%**	**38%**	**38%**	**38%**
Size (2015)						
Small Cap	33%	35%	30%	40%	39%	40%
Mid Cap	46%	42%	43%	28%	28%	23%
Large Cap	39%	30%	29%	23%	23%	23%
Sector (2015)						
Energy	23%	23%	25%	38%	39%	35%
Financial Services	30%	20%	19%	48%	46%	47%
Industrials	32%	25%	21%	28%	29%	27%
Retail	40%	38%	34%	18%	18%	19%
Technology	72%	70%	66%	18%	18%	17%
Median Pay Levels						
(All Companies 2015)	**$10,000**	**$8,000**	**$5,000**	**$1,500**	**$1,500**	**$1,500**

**Reflects companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 4% of companies provide a fee starting after a pre-set minimum number of meetings per year*

In general, compensation for committee service does not vary significantly by size or industry. Prevalence and values of committee retainers are typically highest for the audit committee, while meeting fees are typically identical for all three committees.

The audit committee is commonly perceived to have the most responsibility and risk exposure, and consequently, its members receive the most additional compensation compared to the compensation and nominating/governance committees. However, heightened regulatory and shareholder scrutiny over executive compensation has increased the workload and risk assumed by compensation committee members, and the prevalence and amount of compensation provided to them have been increasing.

Committee retainer prevalence continues to be lowest at energy and financial services companies, and highest in the technology sector, consistent with last year's findings. The prevalence of meeting fees is generally reversed, as most companies compensate for committee service through retainers or meeting fees, rather than through both.

COMMITTEE CHAIR COMPENSATION

Nearly all companies provide additional compensation to committee chairs to recognize the substantial time required to lead the committee. Of the 92% of companies in our research sample that provide compensation to both the audit and compensation committee chairs, roughly a quarter provide the same value, underscoring the growing importance of the compensation committee.

The table below shows the prevalence and median values of retainers paid to directors who chair the audit, compensation, and nominating/governance committees. The values are inclusive of the committee member retainer, if one is provided. The vast majority of companies use cash for their chair retainers, although a small minority (less than 10%) use equity either solely or in combination with cash. The high prevalence of additional compensation for committee chairs has remained steady over the last several years.

Committee Chair Retainers

	Audit	Compensation	Nominating & Governance
Prevalence *(All Companies)*	**95%**	**92%**	**90%**
Size		**Median Chair Retainers**	
Small Cap	$15,000	$10,000	$8,500
Mid Cap	$20,000	$15,000	$12,250
Large Cap	$25,000	$20,000	$15,000
Sector		**Median Chair Retainers**	
Energy	$20,000	$15,000	$10,000
Financial Services	$20,000	$11,250	$10,000
Industrials	$17,000	$12,500	$10,000
Retail	$20,000	$17,500	$15,000
Technology	$25,000	$16,500	$13,000

Overall, directors who serve as chair of the audit committee receive the highest retainer, followed by the chairs of the compensation committee. Year-over-year, there is a $5,000 increase for compensation committee chairs of large-cap companies at the median. Otherwise, committee chair medians have remained fairly flat.

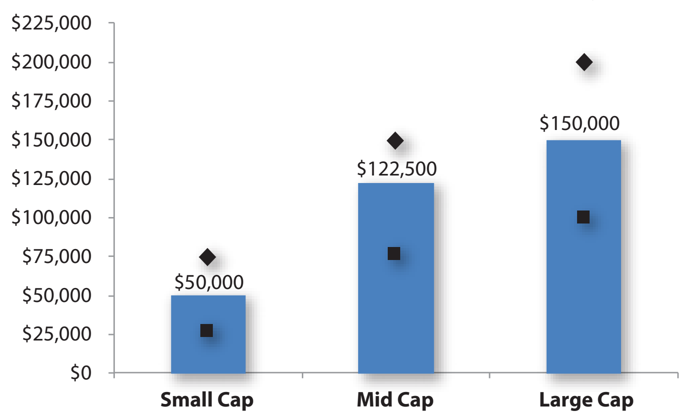
Technology companies continue to provide slightly higher chair retainers for the audit committee compared to the other sectors, consistent with last year's findings.

Less than 1% of companies in the research sample provide a higher meeting fee to committee chairs than to regular committee members.

Non-Executive Board Chair Retainer

There were 130 non-executive chairs identified in this year's study, 125 (96%) of which are provided additional compensation over regular board members. Incremental compensation for non-executive chairs is provided in cash, equity, or a combination of both. Below values are calculated based on only the companies that provide additional compensation to their non-executive chair. The median chair retainer of $150,000 at large-cap companies is three times the median chair retainer of $50,000 at small-cap companies.

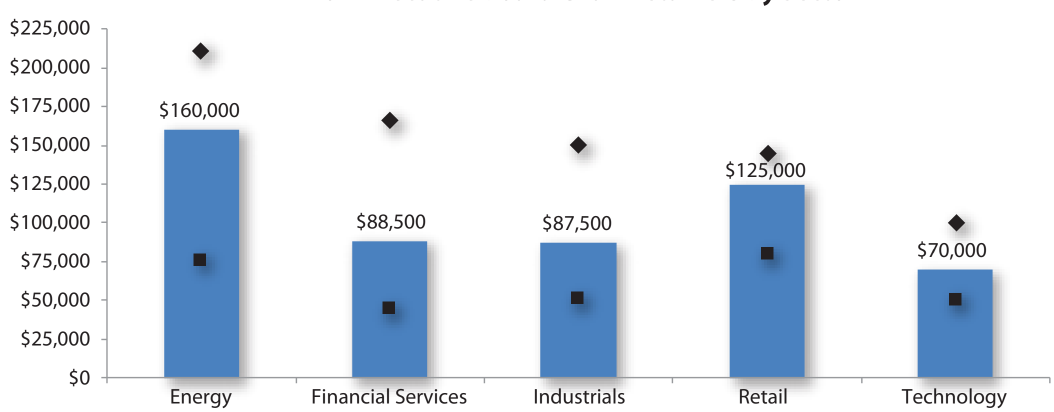
Non-Executive Board Chair Retainers By Size



	Small Cap	Mid Cap	Large Cap
# of Occurrences:	45	42	38
◆ 75th Percentile	$75,000	$150,000	$200,000
Median	$50,000	$122,500	$150,000
■ 25th Percentile	$25,935	$76,250	$100,000

Energy companies provide the greatest additional compensation for board chair service, while technology companies provide the lowest, consistent with last year's findings. The wide range between the 25th and 75th percentiles both by size and by sector is indicative of the variation in the chair role across companies.

Non-Executive Board Chair Retainers By Sector



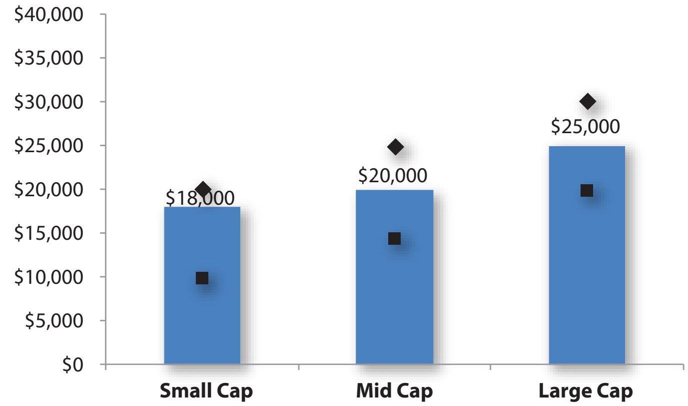
	Energy	Financial Services	Industrials	Retail	Technology
# of Occurrences:	22	20	28	23	32
◆ 75th Percentile	$211,250	$166,750	$150,000	$145,000	$100,000
Median	$160,000	$88,500	$87,500	$125,000	$70,000
■ 25th Percentile	$75,000	$45,000	$50,625	$80,000	$50,000

Lead Director Retainer

Of the 151 lead directors in this year's study, 125 (83%) receive additional compensation for their service. Company size is related to lead director retainer values, but not to the same extent as for non-executive chairs.

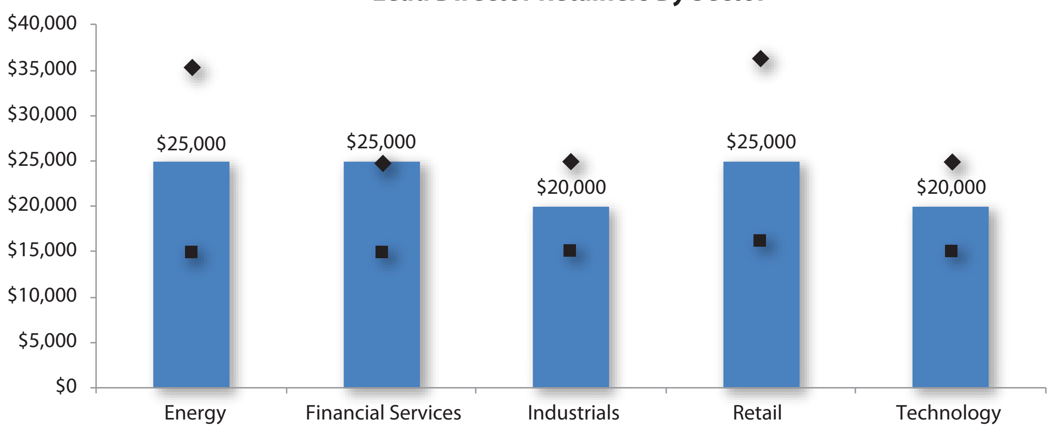
The median retainer for the lead director position continues to remain essentially unchanged from the prior year at approximately $20,000 to $25,000 across all size groups and sectors.

Lead Director Retainers By Size



# of Occurrences:	33	40	52
◆ 75th Percentile	$20,000	$25,000	$30,000
Median	$18,000	$20,000	$25,000
■ 25th Percentile	$10,000	$14,250	$20,000

Lead Director Retainers By Sector



# of Occurrences:	24	32	24	22	23
◆ 75th Percentile	$35,500	$25,000	$25,000	$36,250	$25,000
Median	$25,000	$25,000	$20,000	$25,000	$20,000
■ 25th Percentile	$15,000	$15,000	$15,000	$16,250	$15,000

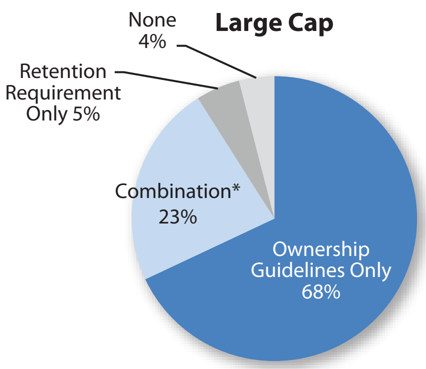
STOCK OWNERSHIP GUIDELINES

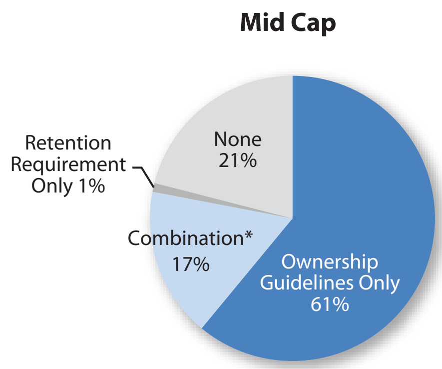
Director stock ownership guidelines are in place at nearly every large-cap company and continue to grow in prevalence among smaller companies. Ninety-six percent of large-cap companies in this study have some form of stock ownership guidelines and/or retention requirement in place (up from 91% last year), while over 60% of the small-cap companies have guidelines and/or a retention requirement (up from just over half last year).

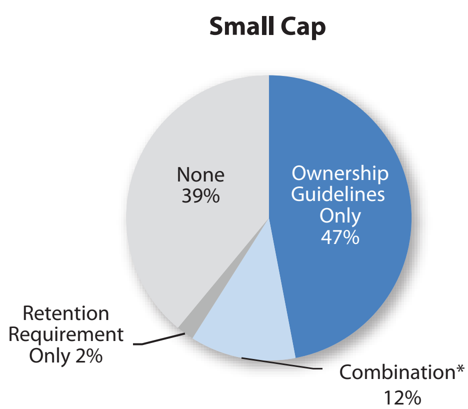
Policies typically take one of three forms: (1) a multiple of a director's cash board retainer, a dollar value, or a number of shares, (2) a retention ratio expressing ownership requirements as a percentage of "net shares" acquired (i.e., shares retained by the director through the exercise of options or vesting of stock awards, net of shares sold for taxes or (3) a combination of the first two approaches.

In general, directors are given a timeframe within which to comply with the guideline, or are subject to holding periods requiring directors to retain shares for a specified time period (e.g., one year) after vesting of grants.

The median ownership requirement is now five times the annual cash board retainer. Meanwhile, 10% of companies have a mandatory hold-until-retirement policy.







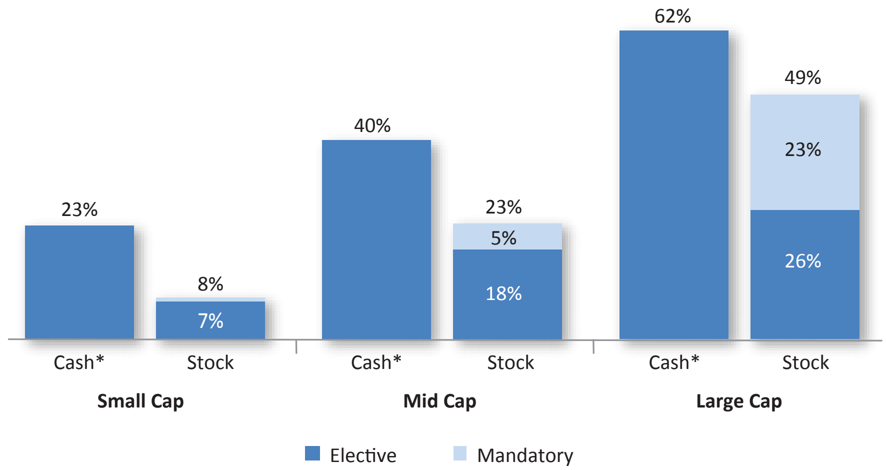
**Combination means the use of a retention requirement in addition to ownership guidelines*

COMPENSATION DEFERRALS

Thirty percent of companies in our study allow directors to voluntarily defer cash compensation into alternative investments, commonly the same as those provided in a company's employee 401(k) plan. A similar proportion (29%) allow directors to defer cash into a company stock unit account. These are not mutually exclusive groups – many companies provide both cash-to-cash and cash-to-stock deferral opportunities. Overall, 42% of the sample allow either cash-to-cash or cash-to-stock deferrals. However, the bulk of these programs are found at large-cap and mid-cap companies, as shown in the chart below. Deferrals are usually distributed upon a director's retirement or separation from the board.

We also tracked whether companies allow deferral of equity grants beyond the vesting period, and which companies require deferral of equity until retirement/termination. We found that 17% of the sample companies that grant equity allow deferral, and an additional 10% impose a mandatory deferral requirement. Therefore, 27% of the sample companies allow or require equity deferral. Like with cash deferrals, prevalence of stock deferral programs varies significantly by company size. Nearly half of large-cap companies in our sample permit or require deferral of stock, compared to less than 10% of small-cap companies.

Prevalence of Cash and Stock Deferral Programs By Size



**Includes companies that permit either deferral of cash-to-cash, cash-to-stock, or both*

We expect mandatory equity deferral requirements to increase in prevalence in the coming years as a result of recent attention toward the accounting treatment of grants with this feature. Each of the big four accounting firms indicated that such grants' fair values may be discounted due to the lack of liquidity during the mandatory hold period, allowing companies to either grant more shares and recognize the same value, or keep the number of shares granted the same with a reduced grant value.

LIST OF COMPANIES SURVEYED

1-800-Flowers.com
3M
Abercrombie & Fitch
Adobe Systems
Advance Auto Parts
Aéropostale
Aimco
Alamo Group
Allstate
Alon USA Partners
Alpha Natural Resources
Amazon.com
American Midstream Partners
Amkor Technology
Anadarko Petroleum
Analog Devices
ANN
Apache
Applied Micro Circuits
Argo Group International Holdings
Armstrong World Industries
Assurant
Atlas Air Worldwide Holdings
AutoZone
Axcelis Technologies
Baker Hughes
Basic Energy Services
Bazaarvoice
BB&T
Beacon Roofing Supply
Bebe Stores
Bed Bath & Beyond
Belden
BGC Partners
Big 5 Sporting Goods
Big Lots
Bon-Ton Stores
Bristow Group
Broadcom
Brown & Brown
Build-A-Bear Workshop
Burlington Stores
CA
Cabela's
Cadence Design Systems
Caleres
Callon Petroleum
Carrizo Oil & Gas
Cascade Bancorp
Cathay General Bancorp
CBIZ
Cenovus Energy
Cenveo
Chesapeake Energy
Chevron
Children's Place Retail Stores
Cincinnati Financial
Citrix Systems
Clayton Williams Energy
CNO Financial Group
Cognex
Cognizant Technology Solutions
Comerica
ComScore
Comstock Resources
Conn's
ConocoPhillips
Container Store
Con-way
Core-Mark Holding
CorEnergy Infrastructure
Cowen Group
Cree
CSG Systems International
CTS Corp
Cummins
Datalink
DCP Midstream Partners
Deere & Co
Delek US Holdings
Dick's Sporting Goods
Dillard's
Donegal Group
Donnelley (RR) & Sons
Douglas Dynamics
Dover
Dresser-Rand Group
DST Systems
Duke Realty
Eagle Rock Energy Partners
EarthLink Holdings
Ellington Financial
Emcore
Encana
Engility Holdings
Ennis
EnPro Industries
Equinix
Era Group
EXCO Resources
Expeditors International of Washington
Express
Exterran Holdings
ExxonMobil
F5 Networks
Fairchild Semiconductor International
FBL Financial Group
FBR & Co.
Finish Line
First Defiance Financial
FirstMerit
Fluor
Foot Locker
Fox Chase Bancorp
Francesca's
Fred's
FreightCar America
FuelCell Energy
Gamco Investors
GameStop
General Dynamics
General Electric
Genesis Energy
German American Bancorp
Gibraltar Industries
Global Partners
GNC
GrafTech International
Green Dot
Green Plains Renewable Energy
Griffon
Guaranty Bancorp
Guess?
Halliburton
Harris & Harris Group
Hartford Financial Services
Haverty Furniture
Healthcare Realty Trust
Heartland Financial USA
HFF
Home Depot
HSN
Hub Group
Imperial Oil
Ingram Micro
Intel
Invesco
Iron Mountain
Itron
Jabil Circuit

LIST OF COMPANIES SURVEYED

Jacobs Engineering Group
JDS Uniphase
Jive Software
Joy Global
Juniper Networks
KCG Holdings
Kelly Services
Kirkland's
KLA-Tencor
Kohl's
Korn/Ferry International
L.B. Foster
Lam Research
Laredo Petroleum
LaSalle Hotel Properties
Layne Christensen
Lincoln National
Lockheed Martin
Lowe's Companies
LRR Energy
Mack-Cali Realty
Macy's
Marathon Oil
Marathon Petroleum
MarineMax
Matrix Service
MAXIMUS
Mentor Graphics
MetLife
MGIC Investment
Micrel
Micron Technology
Morgan Stanley
Murphy Oil
National Oilwell Varco
Natural Gas Services Group
NCR
NetApp
Netflix
NetSuite
Noble Energy
Nordstrom
Northern Oil & Gas
Northrop Grumman
Office Depot
ONEOK Partners
Oracle
Overstock.com
Pacific Sunwear of California
Parker Drilling
PBF Energy
PC Connection
PDC Energy
Penney (J C)
Penske Automotive
PGT
PHI
Pier 1 Imports
Piper Jaffray Companies
Plug Power
Precision Drilling
Preformed Line Products
Price (T. Rowe) Group
Priceline Group
Principal Financial Group
QEP Resources
Quanta Services
Quantum
Radiant Logistics
RealPage
Red Hat
Regal-Beloit
Rent-A-Center
Resources Connection
Restoration Hardware
Rockwell Collins
Rollins
Rosetta Stone
Ross Stores
Ryder System
SEACOR Holdings
Sears
SemGroup
Shoe Carnival
Sigma Designs
Silver Spring Networks
SkyWest
Solazyme
Sonus Networks
Sovran Self Storage
Spirit Airlines
SPX
Stage Stores
Stamps.com
Staples
Stein Mart
Sun Bancorp
Superior Energy Services
Swift Energy
Sykes Enterprises
Take-Two Interactive Software
Talmer Bancorp
Tanger Factory Outlet Centers
Tangoe
Targa Resources
Target
TCF Financial
TD Ameritrade Holding
TeleTech Holdings
Tennant
Tesoro
Tetra Tech
Textron
Tile Shop
TJX Companies
Tompkins Financial
Transocean
Travelers Companies
Trimble Navigation
Triumph Group
TTM Technologies
Tuesday Morning
U.S. Bancorp
United Financial Bancorp
United Fire Group
United Online
United Parcel Service
United Rentals
VAALCO Energy
Viad
Violin Memory
Vornado Realty Trust
Wabash National
Waste Connections
Waste Management
Watsco
WebMD Health
Webster Financial
Wells Fargo & Co.
WesBanco
Western Digital
Western Refining
Willbros Group
Williams-Sonoma
Wilshire Bancorp
Woodward
World Fuel Services
WPX Energy
Xylem
Zions Bancorporation

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