

Frederic W. Cook & Co., Inc.

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UPDATED ISS BURN RATE TABLES

On December 16, 2010, ISS issued updated burn rate tables for Russell 3000 and non-Russell 3000 companies. As discussed in our earlier letter on ISS' policy updates for the 2011 proxy season¹, ISS did not change its Burn Rate Policy but did implement a cap on year-over-year changes in burn rates of two percentage points. The new burn rates will apply to shareholder meetings on or after February 1, 2011.

Under its Burn Rate Policy, ISS recommends against stock plan proposals if a company's three-year average burn rate exceeds its industry group's mean by more than one standard deviation or two percent of weighted common shares outstanding, if higher. Burn rates are calculated on a gross basis, and shares cancelled or forfeited are not excluded. A company can avoid a negative vote recommendation by publicly committing to a future three-year average burn rate of no greater than the higher of (1) the industry group's mean plus one standard deviation at the time of the commitment or (2) two percent. Burn rates are also a factor in the compensation section of ISS' new Governance Risk Indicators (GRId) tool.²

Burn rates are expressed on an option-equivalent basis with full-value shares converted to option equivalents based on six volatility categories shown below:

Annual Stock Price Volatility	Multiplier
54.6% and higher	1 full-value award will count as 1.5 option shares
36.1% or higher and less than 54.6%	1 full-value award will count as 2.0 option shares
24.9% or higher and less than 36.1%	1 full-value award will count as 2.5 option shares
16.5% or higher and less than 24.9%	1 full-value award will count as 3.0 option shares
7.9% or higher and less than 16.5%	1 full-value award will count as 3.5 option shares
Less than 7.9%	1 full-value award will count as 4.0 option shares

Burn rates for 2011, shown on the next page with four years of historical burn rates, are higher than for 2010 and generally exceed historical levels. ISS indicates this is because of increased grant levels and a continuing shift from options to full-value shares, which were converted to option equivalents at higher multipliers due to lower stock price volatility in 2010 vs. 2009.

¹ See our letter of November 23, 2010, available on our website at www.fwcook.com

² See our letter of May 13, 2010.

2011 Burn Rates-Russell 3000

GICS	Description	Mean + Standard Deviation				
		2011	2010	2009	2008	2007
1010	Energy	4.03%	2.14%	3.09%	3.09%	2.29%
1510	Materials	3.04%	1.63%	2.14%	1.93%	1.85%
2010	Capital Goods	3.34%	1.95%	3.52%	2.55%	2.57%
2020	Commercial Services & Supplies	4.89%	2.89%	4.01%	4.05%	3.81%
2030	Transportation	3.36%	2.13%	3.18%	2.80%	2.31%
2510	Automobiles & Components	3.25%	2.99%	3.05%	2.99%	2.90%
2520	Consumer Durables & Apparel	3.26%	2.97%	3.44%	3.33%	3.09%
2530	Consumer Services	4.80%	2.80%	3.32%	3.33%	3.41%
2540	Media	4.10%	2.28%	3.25%	3.27%	2.70%
2550	Retailing	4.11%	3.10%	3.12%	2.90%	3.05%
3010,	Consumer Staples	3.76%	2.92%	3.12%	2.92%	2.91%
3020, 3030						
3510	Health Care Equipment & Services	4.66%	3.65%	4.39%	4.57%	4.19%
3520	Pharmaceuticals & Biotechnology	7.16%	5.16%	5.76%	4.96%	4.50%
4010	Banks	2.78%	2.05%	2.18%	2.15%	2.20%
4020	Diversified Financials	7.15%	5.15%	5.56%	4.52%	3.76%
4030	Insurance	3.04%	2.02%	2.22%	2.14%	2.22%
4040	Real Estate	2.02%	1.04%	2.05%	1.85%	2.23%
4510	Software & Services	7.26%	5.47%	6.76%	6.11%	5.82%
4520	Technology Hardware & Equipment	5.84%	4.79%	5.52%	4.80%	4.70%
4530	Semiconductor Equipment	6.64%	4.82%	5.72%	5.59%	5.40%
5010	Telecommunication Services	4.50%	2.50%	3.74%	2.80%	2.70%
5510	Utilities	2.00%	0.80%	1.64%	1.22%	1.35%

2011 Burn Rates-Non-Russell 3000

GICS	Description	Mean + Standard Deviation				
		2011	2010	2009	2008	2007
1010	Energy	6.30%	4.30%	5.15%	4.43%	3.77%
1510	Materials	6.54%	4.54%	3.80%	4.49%	4.36%
2010	Capital Goods	6.69%	4.69%	5.15%	4.39%	4.32%
2020	Commercial Services & Supplies	5.53%	3.53%	4.69%	4.23%	4.18%
2030	Transportation	4.31%	2.31%	3.45%	4.10%	3.86%
2510	Automobiles & Components	4.99%	2.99%	3.05%	3.78%	4.69%
2520	Consumer Durables & Apparel	5.37%	3.37%	4.79%	4.04%	3.70%
2530	Consumer Services	5.17%	3.17%	5.14%	4.25%	4.17%
2540	Media	6.03%	4.03%	6.13%	5.93%	5.62%
2550	Retailing	4.62%	4.01%	4.62%	5.80%	5.14%
3010,	Consumer Staples	5.17%	3.17%	4.45%	3.85%	3.90%
3020, 3030						
3510	Health Care Equipment & Services	9.92%	7.92%	6.64%	6.40%	5.81%
3520	Pharmaceuticals & Biotechnology	10.58%	8.58%	9.46%	8.69%	6.85%
4010	Banks	4.12%	2.12%	2.89%	2.19%	2.25%
4020	Diversified Financials	10.30%	8.30%	11.05%	9.71%	9.87%
4030	Insurance	4.31%	2.31%	4.71%	4.35%	3.56%
4040	Real Estate	3.18%	3.13%	2.85%	2.02%	2.23%
4510	Software & Services	9.58%	7.58%	10.12%	9.27%	8.46%
4520	Technology Hardware & Equipment	9.08%	7.08%	6.30%	5.83%	5.92%
4530	Semiconductor Equipment	7.78%	7.31%	7.79%	6.81%	6.94%
5010	Telecommunication Services	7.08%	5.08%	5.92%	5.10%	5.92%
5510	Utilities	3.64%	1.64%	1.86%	1.25%	1.35%

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This letter is intended to alert compensation professionals about developments that may affect their companies and should not be relied on as providing specific company advice. General questions about this letter may be directed to Wendy Hilburn at 212-299-3707 or wjhilburn@fwcook.com. Copies of this letter and other published materials are available on our website at www.fwcook.com.