FREDERIC W. COOK & CO., INC.

THE 2009 TOP 250

Long-Term Incentive
Grant Practices for Executives

OCTOBER 2009

FREDERIC W. COOK & CO., INC.

THE 2009 TOP 250

Long-Term Incentive
Grant Practices for Executives

OCTOBER 2009

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The year 2008 and the first half of 2009 was a very high profile time for the field of executive compensation. While the greatest recession since the Great Depression bore down on the U.S. economy, bonuses for executives at bailed-out banks made major headline news. The United States government introduced the largest stimulus spending package since Franklin Delano Roosevelt's New Deal, authorizing $787 billion of spending on stimulus measures and an additional $700 billion in rescue aid for troubled and failing financial institutions under the U.S. Treasury's Troubled Asset Relief Program ("TARP").

Along with this aid came rules. Government representatives clamored to introduce legislation to further regulate executive pay, while the Securities and Exchange Commission worked to amend its executive compensation disclosure rules that had been criticized since their implementation in 2006. "Pay for performance" continued to remain at the forefront of concerns of key stakeholders, and "Say on Pay" finally got the push it needed, beginning with a requirement for TARP participants to institute a shareholder advisory vote and awaiting reconciliation between versions passed and proposed in House and Senate bills, respectively.

Many companies struggled with what to do about underwater stock options and long-term performance plans as a result of their seriously depressed stock prices and uncertainty regarding how long the economy would continue to stumble. Some companies took measures to address these issues while others are currently undergoing major reviews of their incentive programs. Many of the program modifications made follow the same transition we have seen evolving over the past few years.

Key findings from the Frederic W. Cook & Co. 2009 Top 250 report include the following:

- The shift from the use of stock options (and stock appreciation rights) and time-vesting restricted stock awards to long-term performance awards (performance shares and performance units) appears to have stabilized, though long-term performance awards continue to grow in prevalence.
- Long-term performance awards are almost as common as stock options (combined with stock appreciation rights).
- Design variations to "plain vanilla" stock options remain virtually extinct.
- Vesting periods of awards remain fairly stable while performance periods for performance awards have decreased slightly.
- Use of profit measures in long-term performance plans has increased in prevalence and remains the most widely used performance measure category.

The details underlying these findings are presented, along with additional analyses and information, on the following pages. Given the continued economic instability and uncertainty in 2009 combined with the increased influence of corporate governance organizations and significant legislative developments in the area of executive compensation, it will be interesting to see how the long-term incentive landscape changes next year.

OVERVIEW AND BACKGROUND

Since 1973, Frederic W. Cook & Co. has researched and published annual reports on long-term incentive grant practices for executives. This report, our 37th edition, presents information on long-term incentives currently in use for executives of the 250 largest U.S. companies in the Standard & Poor's 500 Index. Selection of these companies was based on market capitalization, i.e., share price multiplied by total common shares outstanding as of February 28, 2009, as reported by Standard & Poor's Research Insight.

SURVEY SCOPE

The report covers the following topics:

- Continuing, discontinued and new long-term incentive grant types
- Grant type design features including vesting, option terms, and performance targets
- Long-term incentive grant types by industry
- Long-term incentive grant type evolution
- Payment of annual incentives in stock

Due to the release of a multitude of surveys on the topic of CEO compensation levels in early 2009, this year's report does not include CEO long-term incentive grant values. Additionally, executive stock ownership guidelines, previously contained in this report, now constitute a stand-alone report to be produced by Frederic W. Cook & Co. in 2009.

The long-term incentive grant type information in this report is presented both in summary form and on a company-by-company basis. Definitions for each grant type appear in the *Appendix*.

OTHER SURVEY PARAMETERS

Similar to previous editions of the report, all information was obtained from public documents filed with the Securities and Exchange Commission including proxy statements and Form 10-Q, 10-K, and 8-K filings.

Note that comparisons to prior-year practices do not reflect a constant-company population. Inclusion in this report varies depending on company size and recent corporate actions (such as mergers, acquisitions and bankruptcies). Notable examples of companies who did not make the Top 250 in 2009 as a result of these types of actions are Ford Motor, General Motors, Wyeth, Lehman Brothers, Wachovia and Merrill Lynch.

Of the 2009 Top 250 companies, 44 are new to this year's report (eighteen percent, compared with twelve percent last year). As a result of the recent financial industry crisis, the 2009 Top 250 companies include fifteen fewer financials companies than in 2008 (see "Grant Types by Industry" section below for further detail). Notable financial companies that dropped out of the Top 250 in 2009 as a result of their decline in market capitalization are American International Group, Fannie Mae and Freddie Mac. As such, "trend" data can be influenced by such changes in the company sample from year-to-year, as well as by actual changes in grant usage.

This year, 13 of the Top 250 companies were participants in TARP, and as a result, are subject to executive compensation limitations. Many of these companies did not make, or were prohibited from making, regular annual long-term incentive grants to executive officers. Due to the uncertainty surrounding current and continuing long-term incentive grant practices at these companies, the findings contained in this report display the historical granting practices at these thirteen companies unless permanent changes to their programs were specifically disclosed.

As a reminder, the definition of performance shares was changed in last year's Top 250 report to include restricted stock with a one-year performance period followed by a restricted period or service-vesting "tail". Previous years' reports categorized these grants as restricted stock (discussed further in following sections of the report).

In some circumstances, totals may not add to 100 percent due to rounding or companies having more than one type of practice.

DEFINITION OF USAGE

Executive Long-Term Incentive Grants

The information presented throughout this report focuses on long-term incentive grants currently in use or expected to be in use in the near future, rather than on the company's ability to make a particular type of grant. A grant type is generally considered to be in use at a particular company if grants have been made in the current year or past years, and there is no evidence that this granting practice has been discontinued, or if the company indicates that the grant type will be used prospectively.

To be considered a "long-term incentive" for purposes of this report, a grant must possess the following general characteristics:

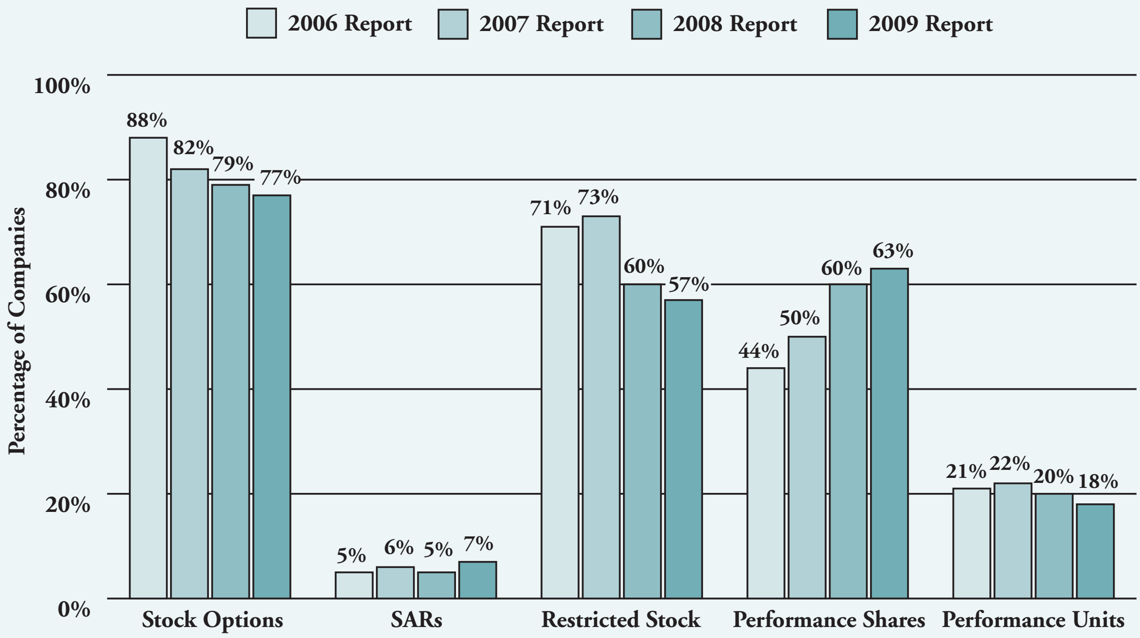
- The grant type must be made under a formal plan or practice and may not be limited by both scope and frequency. A grant with *limited scope* is awarded to only one executive or a very small or select group of executives. A grant with *limited frequency* is an award that is not part of a company's typical grant practices and appears to fall outside the principal long-term incentive program. For example, a grant determined to be made specifically as a hiring incentive, replacement of lost benefits upon hiring, or promotional award is not considered a long-term incentive for this report. A grant with limited scope but without limited frequency (e.g., annual grants of performance shares made only to the CEO) may be considered a long-term incentive, and vice versa (e.g., one-time grants made to all executives).
- The grant type must not be delivered primarily to accommodate foreign tax or securities laws. For example, a company that grants stock appreciation rights (SARs) in foreign countries as an alternative to the normal award of stock options in the U.S. would not be considered a grantor of SARs as a long-term incentive for purposes of this report.
- Grants must reward performance, continued service, or both for a period of more than one year.

To identify trends in long-term incentive grant practices, grants have been classified into one of the following three categories:

LONG-TERM INCENTIVE GRANT CATEGORIES	
Continuing	Historical and continuing grants
New	New (latest or current fiscal year) or future (indicated in proxy statement or Form 8-K) grants
Dropped	Eliminated or to-be-discontinued grants

SUMMARY OF GRANT TYPES IN USE

Executive Long-Term Incentive Grant Type Usage



Stock Options are rights to purchase company stock at a specified exercise price over a stated option term and remain the most widely used long-term incentive grant type among companies in the Top 250. Seventy-seven percent of the Top 250 companies grant stock options. Five of the Top 250 companies that used stock options in the past dropped options from their long-term incentive programs this year or expect to do so next year, continuing the steady decline in stock option usage from a high of ninety-nine percent prevalence from 1999 through 2003.

Stock Appreciation Rights ("SARs") are rights to receive at exercise the increase between the grant price and the market price of a share of stock. Seven percent of companies in the Top 250 currently grant SARs as compared to five percent in our 2006 report. Since the 1990s, SARs were rarely granted due to their unfavorable accounting treatment, which was eliminated under FAS 123(R). Use of stock-settled SARs has increased slightly, potentially because they limit dilution, extend the life of the plan share reserve and ease administration, while retaining the same accounting and economic benefit as stock options. Notwithstanding, further growth in stock-settled SARs may be blunted by the use of the "net issuance" method of exercising stock options, which provides similar benefits to stock-settled SARs. While different types of SARs can be granted, all but one of the Top 250 companies using SARs grant "freestanding" SARs in replacement of option grants and all are the "stock-settled" variety.

Restricted Stock includes actual shares or share "units" that are earned solely by continued employment. It should be noted that this is the second year the current definition of restricted stock includes only restricted stock with vesting tied to the passage of time. In previous years, this definition also included restricted shares with performance-contingent vesting over a one-year performance period with a service-vesting "tail", which are now classified as performance shares to capture the performance-based nature of this grant type (this change in methodology accounted for part of the decline in usage from 2007 to 2008, as illustrated in the chart above). Restricted stock for which payout levels are determined following a performance period but shares were not previously granted (i.e., "backward-looking" performance awards), continue to be classified as restricted stock.

Fifty-seven percent of the Top 250 companies grant or have begun to grant restricted stock in the last year. This excludes companies that use restricted stock grants only in hiring situations or as one-time awards under special circumstances. As illustrated in the chart above, restricted stock usage declined this year accompanied by an increase in the usage of performance shares. Approximately the same number of companies have begun to grant restricted stock in the last year as have discontinued granting restricted stock (nine and eight companies, respectively), indicating that the observed decline from 2008 to 2009 is attributable mainly to the change in the Top 250 company sample.

Performance Shares consist of stock-denominated "shares," which are earned based on performance over a pre-defined performance period. As mentioned above, this is the second year restricted shares with a one-year performance period and continued service-vesting are classified as performance shares; in past reports such awards were categorized as restricted stock (this change accounted for part of the increase in usage from 2007 to 2008, as illustrated in the chart above). Fifty-seven percent of the Top 250 companies have historically granted performance shares, with six percent beginning to grant performance shares during the latest fiscal year or planning to do so in the next year resulting in total performance share prevalence of sixty-three percent. Over the past four years, performance shares have become increasingly more common and performance shares remain the only grant type significantly growing in use.

Performance Units are grants of cash or dollar-denominated "units" which are earned based on performance against predetermined objectives over a pre-defined performance period and may be paid out in cash or stock. Eighteen percent of the Top 250 companies granted or have begun to grant performance units in the last year. As illustrated in the chart above, though the use of performance units has been relatively flat since our 2006 report, ten of the Top 250 companies dropped performance units from their LTI programs this year or expect to do so next year.

Number of Long-Term Incentive Grant Types in Use

Companies often use more than one type of long-term incentive vehicle as a means to balance objectives of rewarding for stock price appreciation, long-term financial or strategic performance, or to provide a vehicle for retention. Half of the Top 250 companies use two long-term incentive grant types in their long-term incentive program while only one percent of companies incorporate as many as four. The second most common number of long-term incentive grant types is three, with slightly more than one-third of companies using this number. Fourteen percent of the Top 250 companies grant only one type of long-term incentive.

NUMBER OF GRANT TYPES IN USE

Number of Grant Types	Percentage of Companies Using
1	14%
2	50%
3	34%
4	1%

GRANT TYPE PREVALENCE

Grant Type (See *Appendix* for definitions)	Percentage of Companies Using Grant Type			
	2006 Report	2007 Report	2008 Report	2009 Report
Stock Options	**88%**	**82%**	**79%**	**77%**
• Performance	3	4	6	5
– *Vesting*	*1*	*2*	*6*	*4*
– *Accelerated Vesting*	*2*	*2*	*0*	*<1*
• Premium	1	2	2	2
SARs	**5%**	**6%**	**5%**	**7%**
• Tandem	<1	0	0	<1
• Freestanding	4	6	5	7
Restricted Stock	**71%**	**73%**	**60%**	**57%**
• PARSAPs	7	4	1	<1
Performance Shares	**44%**	**50%**	**60%**	**63%**
Performance Units	**21%**	**22%**	**20%**	**18%**

GRANT TYPE VARIATIONS

Overview

Among the Top 250 companies, eight percent incorporate one or more design features into their executive long-term incentive grants. Frequently, awards with these features are granted selectively in limited circumstances and to relatively few executives. The following are the principal grant design variations included in our analysis:

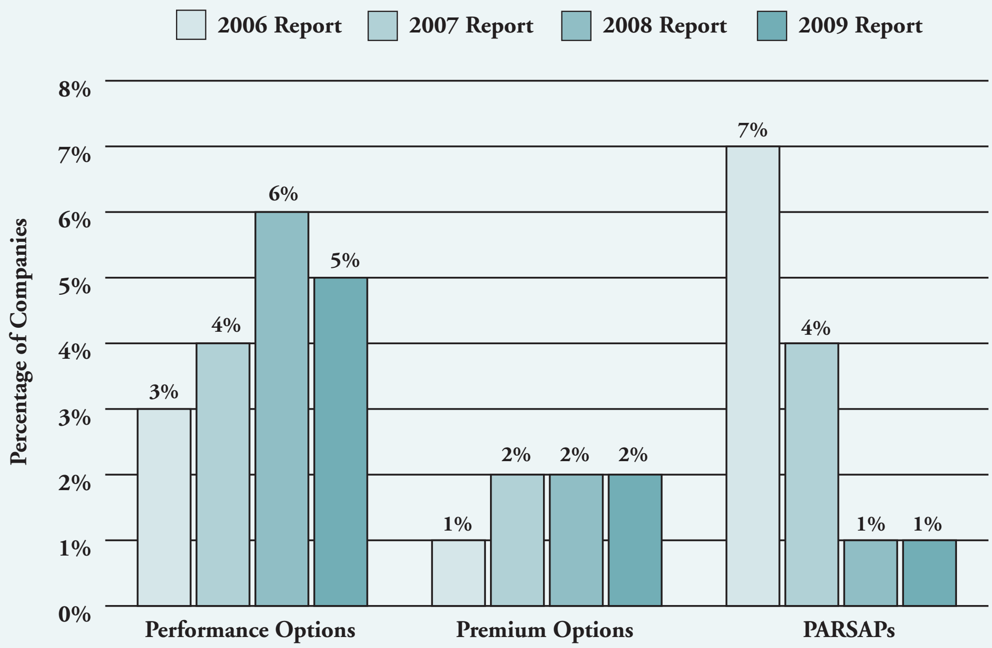
Performance Stock Options are stock options with vesting tied in some manner to specified performance criteria. These options are classified into two categories: 1) performance-vesting options (options that vest only if pre-defined performance criteria are met) and 2) performance-accelerated options (options that have a set service-vesting schedule, but may be exercised earlier if performance criteria are met). Overall, performance stock options are used by only five percent of Top 250 companies, compared to six percent last year and four percent in the 2007 report. Two companies currently use performance criteria to accelerate vesting. Over the last four years, the use of options with performance-accelerated vesting has continued to decline, as highlighted in the chart on the preceding page. The decrease presumably is a result of the option expensing mandate in which ultimate vesting is not required to preserve fixed expense.

Premium Stock Options have an exercise price above the market price at grant. Four of the Top 250 companies use premium stock options. Premium options provide executives with added incentives to increase a Company's stock price and have therefore been viewed favorably by investors. However, such options may potentially motivate executives to undertake too much risk and, all else being equal, consume more shares than stock options granted at market prices. Discount stock options, which have an exercise price below the market price at grant, have disappeared because of adverse tax consequences under the new deferred compensation rules (Internal Revenue Code Section 409A).

Performance-Accelerated Restricted Stock Award Plans ("PARSAPs") represent grants of restricted stock or stock units for which vesting may be accelerated by attainment of specified performance objectives. Currently, only two of the Top 250 companies grant PARSAPs or plan to in the next fiscal year. One company in the Top 250 discontinued the use of PARSAPs, perhaps due to new accounting rules that eliminated ultimate service vesting under performance plans as a requirement for fixed accounting.

Over the years, restoration stock options, discount stock options and indexed stock options have nearly disappeared entirely from long-term incentive grant practices among the Top 250 companies. This year, no company uses discount or indexed stock options in their long-term incentive program and only one company uses restoration stock options. For this reason, these award types have been dropped from this year's Top 250 report.

Grant Type Variations



GRANT TYPE VARIATIONS

Performance Stock Options	*Performance-Vesting* Alcoa Inc. Avon Products Inc. Bristol-Myers Squibb Co. EMC Corp. Fiserv Inc. Hudson City Bancorp Inc. Motorola Inc. PNC Financial Services Group Inc. Praxair Inc. Schering-Plough Corp. XTO Energy Inc.	*Performance-Accelerated Vesting* C.R. Bard Inc. XTO Energy Inc.
Premium Stock Options	Citigroup Inc. Coca-Cola Co. Gap Inc. Vornado Realty Trust	
Indexed Stock Options	Paychex Inc. Valero Energy	

GRANT TYPES BY INDUSTRY

For the third consecutive year, this year's report analyzes the use of long-term incentive grant types in certain sectors. Industry categorizations are based on Standard & Poor's Global Industry Classification Standard (GICS) Sector codes and include utilities, industrials, consumer staples, health care, telecommunications services, consumer discretionary (non-durable goods), materials, information technology, financials and energy. Grant type prevalence by sector is shown in the table below (sorted by performance award prevalence).

All of the utilities companies grant performance awards in the form of either performance shares or performance units. Companies in the industrials and consumer staples sectors are also very likely to grant performance awards, with usage rates of ninety-four percent and ninety percent, respectively, up from eighty-nine percent and eighty-three percent in 2008. This year, stock options are most common among materials and health care companies, granted by ninety-two percent and eighty-five percent of companies in these two industries, respectively, or ninety-two percent and ninety-seven percent, respectively, when SARs are included. Companies in the utilities, materials and telecommunications services industries show the lowest propensity to award restricted stock with the use of this award type at fifty percent for all three sectors. Finally, SARs are not found at all in the utilities, telecommunications services, materials or information technology sectors, while they show roughly similar prevalence across the remaining sectors.

LONG-TERM INCENTIVE GRANT TYPE USAGE BY INDUSTRY

		Percentage of Companies Using			
	Companies	Stock Options	SARs	Restricted Stock	Performance Awards
Utilities	18	44%	0%	50%	100%
Industrials	31	81%	10%	58%	94%
Consumer Staples	29	76%	7%	52%	90%
Health Care	33	85%	12%	64%	88%
Telecommunications Services	6	67%	0%	50%	83%
Consumer Discretionary	30	80%	7%	53%	80%
Materials	12	92%	0%	50%	75%
Information Technology	34	82%	0%	56%	74%
Financials	32	75%	9%	59%	72%
Energy	25	72%	12%	64%	64%
Top 250	**250**	**77%**	**7%**	**57%**	**82%**

GRANT TYPE EVOLUTION

Executive long-term incentive grant practices have evolved over the years in response to a wide variety of factors including accounting treatment, economic conditions, regulatory initiatives, and philosophical and social developments. Understanding the past may provide insights on how external factors may shape future practices, which may be particularly useful given the economic instability companies continue to face in 2009. Though they indicate trends, year-over-year changes may be relatively minor, but comparing long-term incentive grant type usage between 2009 and the last two decades illustrates the impact of external factors on long-term incentive grant design and delivery:

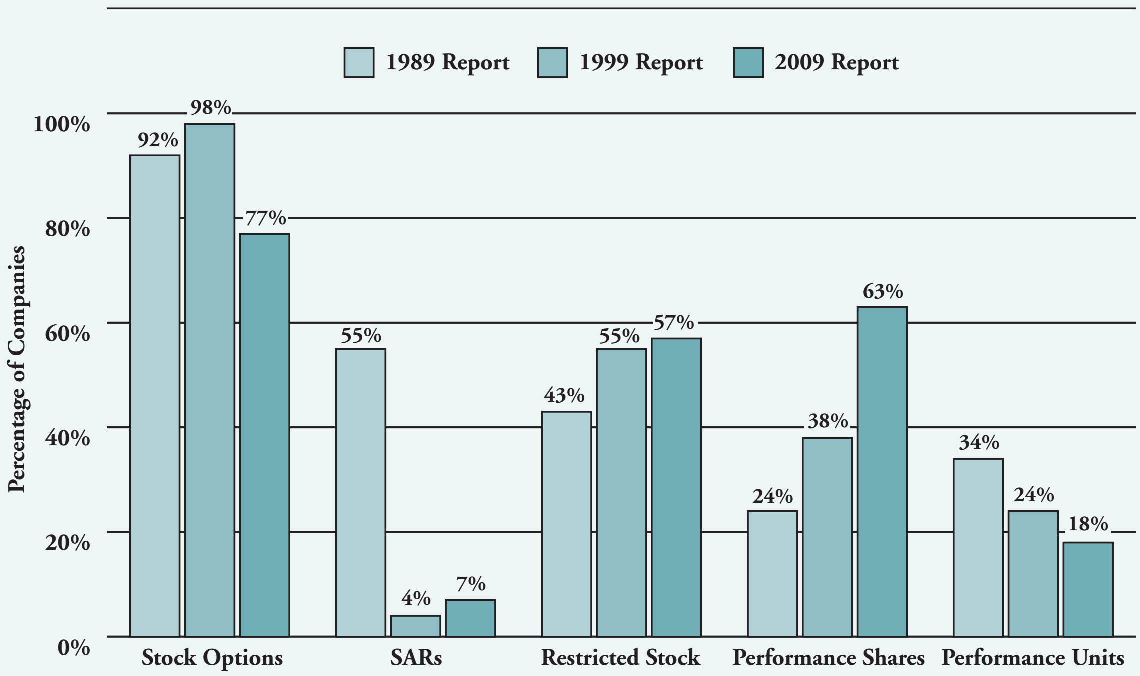
STOCK OPTIONS – Similar to today's practice, stock options were the most prevalent grant type used among companies covered in both the 1989 and 1999 reports with ninety-two percent of companies and ninety-eight percent of companies using options, respectively. In 2009, seventy-seven percent of Top 250 companies grant stock options to their executives. Stock option usage peaked in the late 1990's and early 2000's, only to fall to a lower prevalence than experienced twenty years ago. Among other factors, option usage has declined over the past several years due to stock price volatility, historically low market valuations, and regulatory developments, particularly the adoption of FAS 123(R) accounting rules that imposed an explicit expense for stock options, versus no explicit expense under the predecessor rules of APB Opinion 25. Also, performance-vesting stock options were used by almost twenty percent of companies as recently as 1999, but now are used by only five percent.

SARs – Twenty years ago, SARs were much more prevalent, with fifty-five percent of companies using them. Then-current SEC rules virtually required SAR usage (versus options) for senior officers ("insiders"). Following favorable regulatory rule changes affecting insiders in the mid-1990s, these grant types became nearly extinct. Under the new accounting rules, where stock-settled SARs have the same fixed grant-date expense treatment as stock options, SARs have begun to reappear. In 1999, four percent of companies used SARs while seven percent grant them today.

RESTRICTED STOCK – In 1989, restricted stock was granted by forty-three percent of large companies, compared to fifty-five percent in 1999 and fifty-seven percent today, due in large part to the associated accounting expense versus no expense for stock options under APB Opinion 25.

PERFORMANCE AWARDS – An interesting shift over the past two decades has been the move from cash-denominated, long-term performance awards, which were relatively common in the late-1980s, to a preference for stock-denominated awards today. In 1989, thirty-four percent of companies used performance unit awards compared to twenty-four percent in 1999 and eighteen percent in 2009. Among other factors, this preference for cash-denominated awards was based on the lack of confidence in stock-based awards in the 1980s following the "stagflation" of the 1970s and the onerous mark-to-market accounting treatment of stock-denominated performance awards. Stock-based performance awards were most benefited by the accounting changes under FAS 123(R), which accounts for the significant increase in their prevalence from twenty-four percent in 1989 to thirty-eight percent in 1999 and sixty-three percent in 2009.

Executive Long-Term Incentive Grant Type Evolution



GRANT STRUCTURE – STOCK OPTIONS AND RESTRICTED STOCK

Two years ago, the Top 250 analysis was expanded to include other key long-term incentive grant terms and provisions, including the length of stock option terms and vesting provisions.

Stock Option Term

An overwhelming majority of the Top 250 companies continue to use the standard ten year option term. Of the Top 250 companies that grant stock options, seventy-eight percent have a ten-year option term and approximately twenty-two percent have an option term of less than ten years, with seven years representing the most common alternative to the traditional ten-year term. This compares to eighty-one percent with a ten-year option term and nineteen percent with less than ten years in 2008. The shorter option term may help manage potential shares outstanding but generally has not materially reduced accounting expense as the "expected life" used in calculating option expense for financial reporting purposes often is not significantly affected by such a reduction in the option's "contractual life." None of the Top 250 companies has an option term that extends beyond a ten-year period.

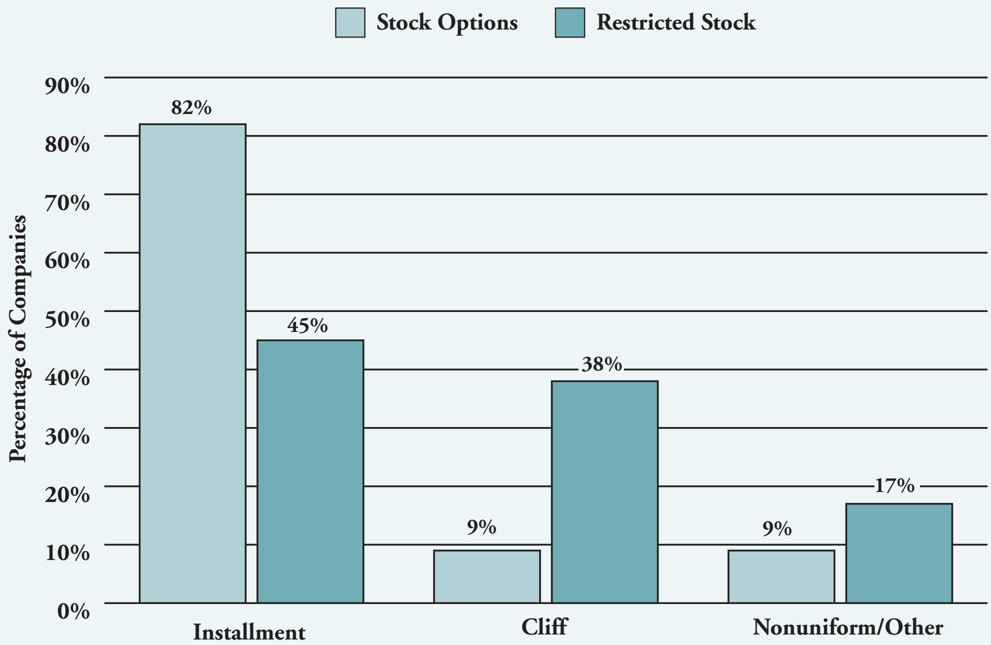
STOCK OPTION TERM

Option Term	Percent of Companies Using
>10 years	0%
10 years	78%
9 years	0%
8 years	3%
7 years	16%
6 years	3%
5 years	<1%

Vesting Schedules

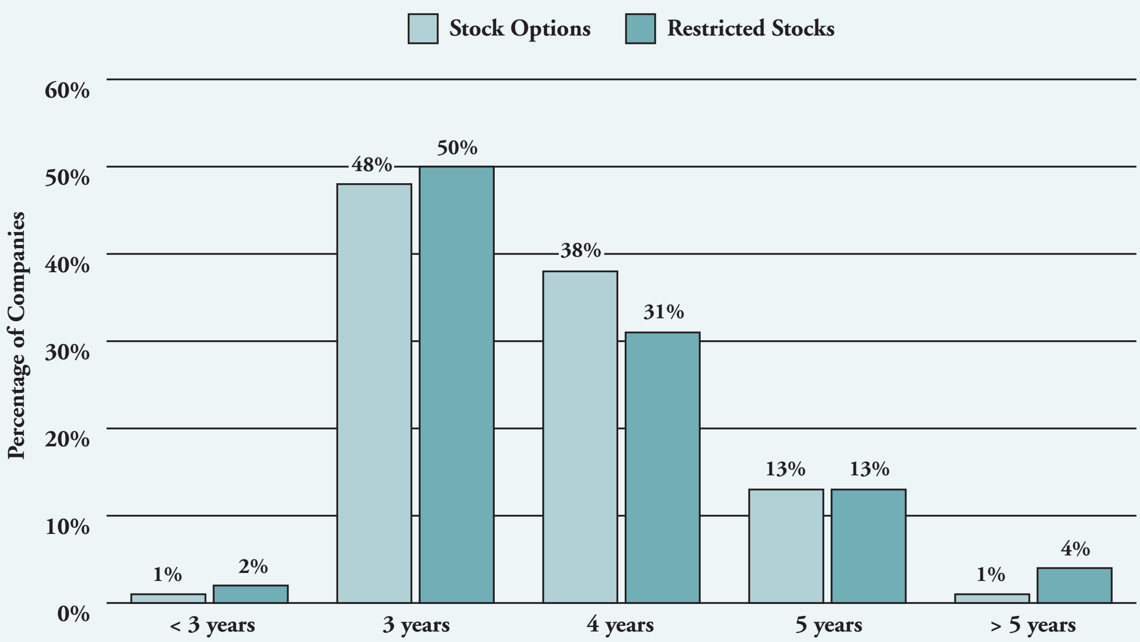
Type of Vesting – As seen in the chart on the following page, eighty-two percent of the Top 250 companies issuing stock options apply uniform (equal installment) vesting to their stock option grants. Restricted stock grants, in contrast, are often used as retentive awards and therefore companies more often apply "cliff" vesting (i.e., 100% vesting after a specified number of years). Thirty-eight percent of the Top 250 companies granting restricted stock awards apply cliff vesting, versus only nine percent of the Top-250 companies granting stock options. Nine percent of companies granting stock options and seventeen percent of companies granting restricted stock use non-uniform vesting (e.g., twenty-five percent vest after year one, twenty-five percent vest after year two, fifty percent vest after year three, etc.). Prevalence of vesting types remains generally the same as compared to the 2008 report.

Vesting Type For All Companies Issuing Stock Options and Restricted Stock



Vesting Period – Three years is the most common vesting period for both stock options (forty-eight percent of companies) and restricted stock (fifty percent of companies). Roughly half of the companies, however, choose vesting periods equal to or greater than four years.

Vesting Period For All Companies Issuing Stock Options and Restricted Stock



GRANT STRUCTURE – PERFORMANCE AWARDS

The Top 250 report also includes a detailed analysis of performance award features, such as performance measures, performance periods, and payout amounts.

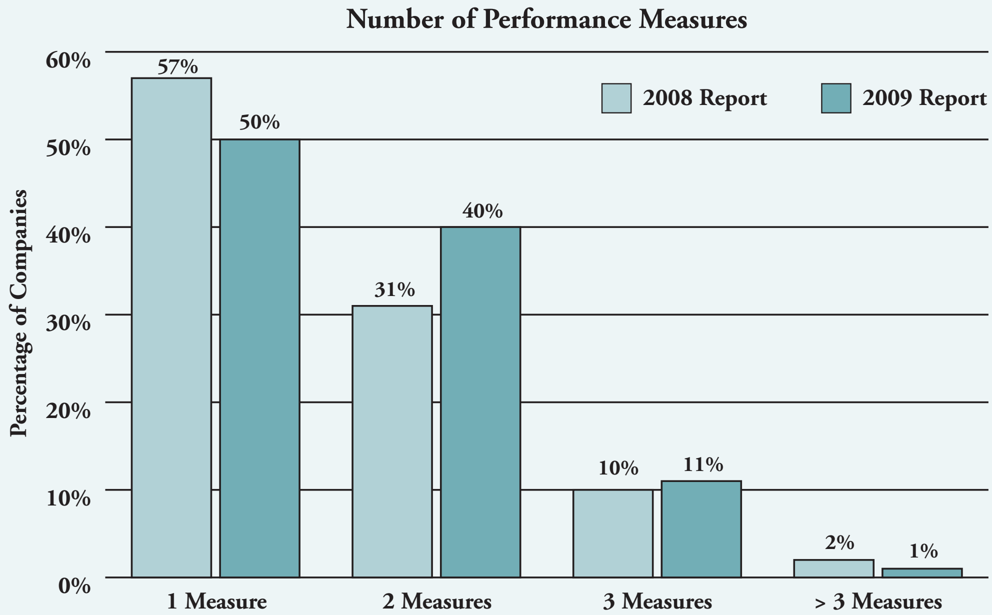
Performance Measures

Categories – Fifty-nine percent of the Top 250 companies granting performance awards use some type of "profit" measure as a basis for award payout, still the most prevalent performance measure by a large margin. Other prevalent measures of performance include capital efficiency ratios (including return on equity and return on assets) as well as total shareholder return ("TSR"). In general, the usage of each performance measure category is stable as compared to 2008, with both TSR and capital efficiency declining in prevalence by four percent.

PERFORMANCE MEASURE CATEGORIES

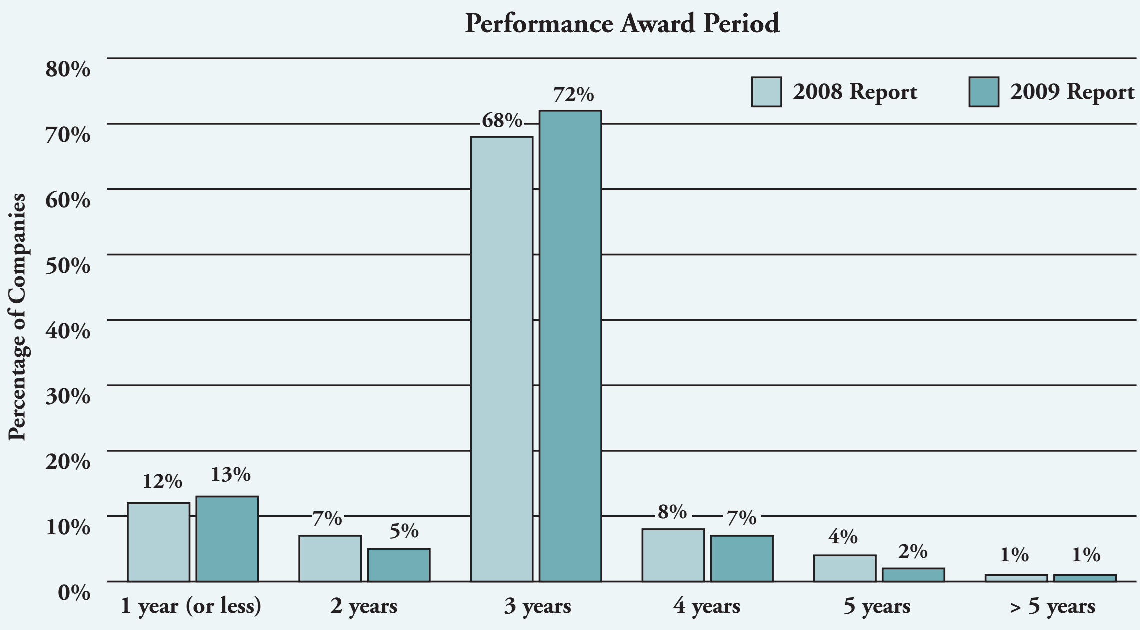
Category	Performance Measures	Percent of Companies Using
Profit	Earnings per share, net income, EBIT/EBITDA, operating income, pretax profit	59%
Total Shareholder Return	Stock price appreciation plus dividends (relative and absolute)	35%
Capital Efficiency	Return on equity, return on assets, return on operating income, return on capital, economic value added	33%
Revenue	Revenue, revenue growth	18%
Cash Flow	Cash flow, cash flow growth	10%
Other	Safety, quality assurance, new business, discretionary, individual performance	10%

Number of Measures Used – Fifty percent of performance award programs utilize only one performance measure category, while the other half utilize more than one category. A significant number of companies have introduced additional performance criteria into their programs since 2008 when fifty-seven percent of programs used only one performance measure category. Note that companies that use both performance shares and performance units (or two types of performance shares) are more heavily weighted in these statistics.



Performance Award Period

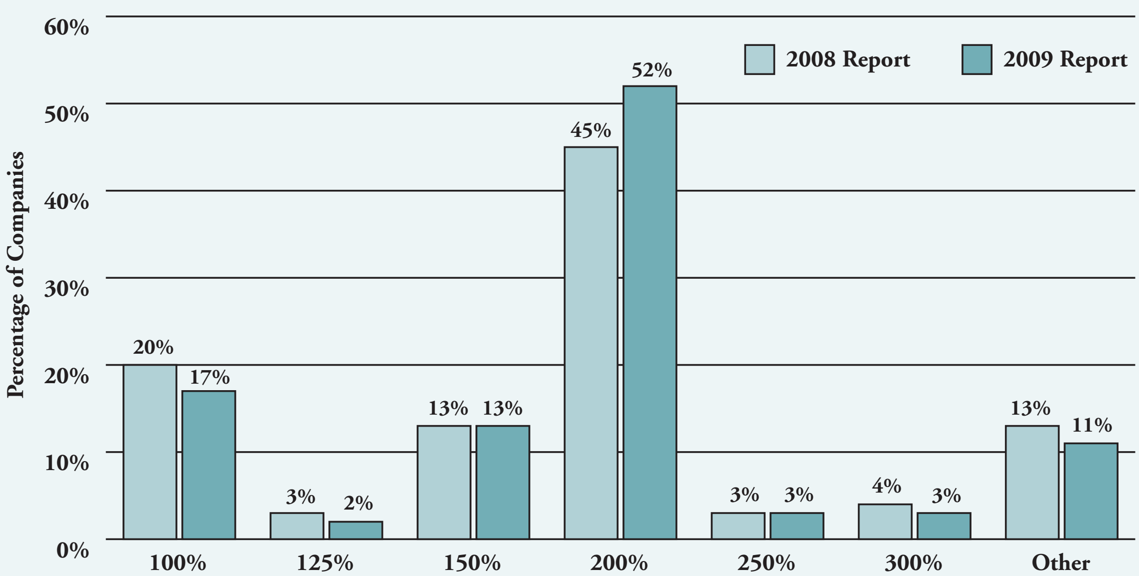
The vast majority of performance award programs used by Top 250 companies (seventy-two percent of programs) utilize a three-year performance period while ten percent use a performance period greater than three years compared with sixty-eight percent and thirteen percent, respectively, in 2008. This year, eighteen percent of programs use a performance period that is less than three years compared to only nine percent two years ago.



Performance Award Maximum Payout

Fifty-two percent of performance award programs used by Top 250 companies set maximum payout levels at 200% of target, up from forty-five percent in 2008 and partially offset by a decrease in the percentage of companies using a maximum payout of 100% (seventeen percent this year versus twenty percent last year). Maximum payouts range from 100% to 350%, and are distributed as shown in the table below:

Performance Award Maximum



ANNUAL INCENTIVES PAID IN STOCK

Annual incentives paid in stock seek to further align executive pay with shareholder interests and provide increased retention through vesting. Seven percent of the Top 250 companies disclose provisions for mandatory payment of annual incentives in the form of equity, with the equity portion of the annual bonus ranging from fifteen percent to fifty percent of the total annual incentive amount. This represents a decline from 2008 practices when they were prevalent in ten percent of the Top 250. In 2008, we observed that this practice was most prevalent among financial services companies. The decline in representation of the financials sector combined with a greater portion of companies who did not pay a bonus for 2008 are likely the main contributors to the observed decline. Note that mandatory payments may be limited to executives who have not achieved the prescribed stock ownership guidelines and may not occur every year.

Following are the typical characteristics of bonus payments in stock:

- **Payment in stock or stock units** typically represents a specified percent of the award payout. Seventeen of the Top 250 companies disclose the mandatory payment of at least a portion of annual incentives in shares of stock or stock units. Of the seventeen companies, eighty-one percent award shares that are subject to vesting requirements.
- **Payment in stock options** is much less common than payment in the form of stock and is currently not a mandatory practice at any of the companies in this year's Top 250 report.

MANDATORY PAYMENT OF ANNUAL INCENTIVES IN STOCK OR STOCK UNITS

Allergan Inc.	General Mills Inc.	PNC Financial Services Group Inc.
Aon Corp.	H&R Block Inc.	PPG Industries Inc.
EOG Resources Inc.	Johnson & Johnson	Range Resources Corp.
FPL Group Inc.	J. P. Morgan Chase & Co.	State Street Corp.
Franklin Resources Inc.	Morgan Stanley	Vornado Realty Trust
Freeport McMoRan Corp.	News Corp.	

In addition, some companies allow executives to voluntarily receive stock grants in lieu of earned cash compensation. These programs offer either full-value stock (often through deferral plans) or stock options, and usually provide a value premium or price discount to encourage participation. Examples of companies that offer premiums or price discounts on voluntary deferrals include: Goldman Sachs Group Inc. (25% price discount), Nucor Corp. (25% value premium), and PPL Corp. (40% value premium).

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANT TYPE USAGE BY COMPANY

● = Continuing ▲ = New or Prospective Grant Type ❍ = Dropped

	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	Appreciation		Full-Value		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units
3M Co.	●			●	
Abbott Laboratories	●			●	
Adobe Systems Inc.	●			●	
Aetna Inc.		●		●	
AFLAC Inc.	●		●	●	
Air Products & Chemicals Inc.	●		●	●	
Alcoa Inc.	●		●	●	
Allergan Inc.	●		●		
Allstate Corp.	●		●		❍
Altria Group Inc.			●		●
Amazon.com Inc.			●		
Ameren Corp.				●	
American Electric Power Co. Inc.				●	
American Express Co.*	●		●		●
American Tower Corp.	●		●		
Amgen Inc.	●		●	●	
Anadarko Petroleum Corp.	●		●	●	
Analog Devices Inc.	●				
Aon Corp.	●		●	●	
Apache Corp.	●		●	●	
Apollo Group Inc.	●		●		
Apple Inc.			●		
Applied Materials				●	
Archer-Daniels-Midland Co.	●		●		
AT&T Inc.				●	
Automatic Data Processing Inc.	●			●	
AutoZone Inc.	●				
Avon Products Inc.	●			❍	●
Baker Hughes Inc.	●		●		●
Bank of America Corp.*	●		●		
Bank of New York Mellon Corp.*	●			●	
Baxter International Inc.	●			●	
BB&T Corp.*	●			●	●
Becton Dickinson & Co.		●	●	●	
Bed Bath & Beyond Inc.	●			●	
Best Buy Co.	●		❍	●	❍
BIOGEN IDEC Inc.	●		●	▲	
BMC Software Inc.	●		●	●	●
Boeing Co.	●		▲		●
Boston Scientific Corp.	●		●		
Bristol-Myers Squibb Co.	●		●	●	
Broadcom Corp.	●		●		

* Company subject to restrictions pertaining to TARP participation when proxy filed

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANT TYPE USAGE BY COMPANY

	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	Appreciation		Full-Value		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units
	● = Continuing		▲ = New or Prospective Grant Type		❍ = Dropped
Brown-Forman Corp.		●		●	●
Burlington Northern Santa Fe Corp.	●			●	
C.H. Robinson Worldwide Inc.				●	
C.R. Bard Inc.	●			●	
CA Inc.	❍			●	
Campbell Soup Co.			●	●	
Cardinal Health Inc.	●		●		●
Carnival Corp.			●		
Caterpillar Inc.		●	●		●
Celgene Corp.	●		▲		●
Charles Schwab Corp.	●			●	❍
Chesapeake Energy Corp.			●		
Chevron Corp.	●			●	
Chubb Corp.			●	●	
Cisco Systems Inc.	❍		●	▲	
Citigroup Inc.*	●		❍	●	
Clorox Co.	●			●	
CME Group Inc.	●		●		
Coca-Cola Co.	●			●	
Coca-Cola Enterprises Inc.	●			●	
Cognizant Technology Solutions Corp.	●		▲	●	
Colgate-Palmolive Co.	●		❍	●	
Comcast Corp.	●			●	
Computer Sciences Corp.	●		●	▲	
ConAgra Foods Inc.	●			●	
ConocoPhillips	●			●	
Consolidated Edison Inc.				●	
Corning Inc.	●			●	
Costco Wholesale Corp.			●	●	
CSX Corp.				●	
CVS Caremark Corp.	●		●		●
Danaher Corp.	●			●	
Deere & Co.	●		●		●
Dell Inc.	●			●	
Devon Energy Corp.	●		●		
Diamond Offshore Drilling Inc.		●			
DIRECTV Group Inc.				●	
Dominion Resources Inc.			●		●
Dow Chemical Co.	●		●	●	
Duke Energy Corp.			●	●	
E.I. du Pont de Nemours & Co.	●		●	●	
Eaton Corp.	●				●

* Company subject to restrictions pertaining to TARP participation when proxy filed

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANT TYPE USAGE BY COMPANY

● = Continuing ▲ = New or Prospective Grant Type ❍ = Dropped

	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	Appreciation		Full-Value		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units
eBay Inc.	●			●	
Ecolab Inc.	●				
Edison International	●			●	
Electronic Arts Inc.	●		●	▲	
Embarq Corp.	●			●	
EMC Corp.	●		●	●	
Emerson Electric Co.	●		●	●	
Entergy Corp.	●			●	
EOG Resources Inc.		●	●		
Exelon Corp.	●			●	
Expeditors International of Washington Inc.	●				
Express Scripts Inc.	●		●	●	
Exxon Mobil Corp.			●		
FedEx Corp.	●		●		●
FirstEnergy Corp.			●	●	
Fiserv Inc.	●		●		
Fluor Corp.	●		●		●
Forest Laboratories Inc.	●		●		
FPL Group Inc.	●		●	●	
Franklin Resources Inc.			●	●	
Freeport-McMoRan Corp.	●				❍
Gap Inc.	●		●	●	
General Dynamics Corp.	●		●		
General Electric Co	●		●	●	●
General Mills Inc.	●		●		
Genzyme Corp.	●		●		
Gilead Sciences Inc.	●			●	
Goldman Sachs Group Inc.*	●		●		
Google Inc.	●		●		
H&R Block Inc.	●		●	●	
Halliburton Co.	●		●		●
Harris Corp.	●			●	
Heinz (H.J.) Co.	●		●		●
Hershey Co.	●			●	
Hess Corp.	●		●		
Hewlett-Packard Co.			●	●	❍
Home Depot Inc.	●		●	●	❍
Honeywell International Inc.	●				●
Hudson City Bancorp Inc.	●			▲	
Illinois Tool Works Inc.	●		▲	▲	
Intel Corp.	●		●		
International Bus. Machines Corp.	●		❍	●	

* Company subject to restrictions pertaining to TARP participation when proxy filed

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANT TYPE USAGE BY COMPANY

EXECUTIVE LONG-TERM INCENTIVE GRANTS

● = Continuing ▲ = New or Prospective Grant Type ❍ = Dropped

	Appreciation		Full-Value		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units
Intuit Inc.	●			●	
ITT Corp.	●		●		●
Johnson & Johnson	●		●		●
Johnson Controls Inc.	●		●		●
JPMorgan Chase & Co.*		●	●		
Juniper Networks Inc.	●			●	
Kellogg Co.	●			●	
Kimberly-Clark Corp.	●		❍	●	
Kohl's Corp.	●		●		
Kraft Foods Inc.	●		●	▲	❍
Kroger Co.	●		●		●
L-3 Communications Holdings Inc.	●		●	●	
Laboratory Corp. of America Holdings	●		●	●	
Life Technologies Corp.	●		●	●	
Lilly (Eli) & Co.				●	
Lockheed Martin Corp.	●		●		●
Loews Corp.		●			
Lorillard Inc.		●	▲		
Lowe's Cos.	●		❍	●	
Marathon Oil Corp.	●		●		●
Marriott International Inc.		●	●		
Marsh & McLennan Cos. Inc.	●		●	❍	
MasterCard Inc.	●			●	
McDonald's Corp.	●			●	●
McGraw-Hill Cos. Inc.	●			●	
McKesson Corp.	●			●	●
Medco Health Solutions Inc.	●		●		
Medtronic Inc.	●			●	●
Merck & Co.	●		●	●	
MetLife Inc.	●			●	
Microsoft Corp.			●	●	
Molson Coors Brewing Co.	▲	❍	●	●	
Monsanto Co.	●			●	
Morgan Stanley*	❍		●	▲	
Motorola Inc.	●		●		●
Murphy Oil Corp.	●			●	
National Oilwell Varco Inc.	●			●	
Newmont Mining Corp.	●			●	
News Corp.				●	
NIKE Inc.	●		●		●
Noble Energy Inc.	●		●		
Norfolk Southern Corp.	●		●	●	

* Company subject to restrictions pertaining to TARP participation when proxy filed

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANT TYPE USAGE BY COMPANY

● = Continuing ▲ = New or Prospective Grant Type ❍ = Dropped

	EXECUTIVE LONG-TERM INCENTIVE GRANTS: Appreciation		Full-Value		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units
Northern Trust Corp.	●			●	
Northrop Grumman Corp.	●			●	
Nucor Corp.			●	●	
Occidental Petroleum				●	●
Omnicom Group	●				
Oracle Corp.	●				
PACCAR Inc.	●		●		●
Parker Hannifin Corp.	●	●		●	
Paychex Inc.	●		●		
Peabody Energy Corp.	●			●	
People's United Financial Inc.	●		●		●
PepsiCo Inc.	●			●	❍
Pfizer Inc.		●	●	●	
PG&E Corp.			●	●	
PNC Financial Services Group Inc.*	●			●	
PPG Industries Inc.	●			●	
PPL Corp.	●		●	●	
Praxair Inc.	●			●	
Precision Castparts Corp.	●				
Procter & Gamble Co.	●		●		●
Progress Energy Inc.			●	●	
Progressive Corp.			●	●	
Prudential Financial Inc.*	●		●	●	
Public Service Enterprise Group Inc.	●		●	●	
Public Storage	●		●	▲	
QUALCOMM Inc.	●				
Quest Diagnostics Inc.	●		●	●	
Questar Corp.			●		●
Qwest Communications International Inc.	●		●	▲	
Range Resources Corp.		●	●		
Raytheon Co.			●	●	
Republic Services Inc.	●		●		●
Reynolds American Inc.			❍	▲	❍
Safeway Inc.	●				
Sara Lee Corp.	●			●	
Schering-Plough Corp.	●			●	
Schlumberger Ltd.	●				
Sempra Energy	●			●	
Sherwin-Williams Co.	●			●	
Simon Property Group Inc.			●		
Southern Co.	●				●
Southwestern Energy Co.	●		●		●

* Company subject to restrictions pertaining to TARP participation when proxy filed

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANT TYPE USAGE BY COMPANY

	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	Appreciation		Full-Value		
Company	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units
	● = Continuing		▲ = New or Prospective Grant Type		❍ = Dropped
Spectra Energy Corp.	❍		●	●	
Sprint Nextel Corp.	●			❍	●
St Jude Medical Inc.	●				
Staples Inc.	●		●	●	
Starbucks Corp.	●			▲	
State Street Corp.*		●		●	
Stryker Corp.	●				
Symantec Corp.	●		●		●
Sysco Corp.	●		●		●
T. Rowe Price Group Inc.	●				
Target Corp.	●		●	●	
Texas Instruments Inc.	●		●		
The Travelers Companies Inc.	●			●	
Thermo Fisher Scientific Inc.	●		●	●	
Time Warner Inc.	●		●	●	
TJX Companies Inc.	●		●		●
U.S. Bancorp*	●			▲	
Union Pacific Corp.	●		●	●	
United Health Group Inc.		●	▲	▲	●
United Parcel Service Inc.	●		●	●	
United Technologies Corp.		●		●	
Valero Energy	●		●	❍	
Verizon Communications Inc.			●	●	
VF Corp	●			●	
Viacom Inc.	●		●	●	
Vornado Realty Trust	●		●	●	
Walgreen Co.	●		▲	●	❍
Wal-Mart Stores Inc.	❍		●	●	
Walt Disney Co.	●		●	●	
Waste Management Inc.			❍	●	
WellPoint Inc.	●		●	●	
Wells Fargo Co.*	●		▲		
Western Union Co.	●		●		▲
Weyerhaeuser Corp.	●		▲	❍	
Williams Cos.	●		●	●	
Xcel Energy Inc.				●	
XTO Energy Inc.	●			▲	
Yahoo Inc.	●		●	●	
Yum! Brands Inc.		●		▲	
Zimmer Holdings Inc.	●			●	

* Company subject to restrictions pertaining to TARP participation when proxy filed

GRANT TYPE CLASSIFICATIONS

For purposes of this report, grant types are classified according to how value is delivered to the recipient, differentiating between "appreciation" grants and "full-value" grants, as summarized below:

Appreciation Grants:	• Stock Options • Stock Appreciation Rights (SARs)
Full-Value Grants:	• Restricted Stock • Performance Shares • Performance Units

Appreciation grants typically have no intrinsic value at the time of grant and depend upon the appreciation of a company's stock price to deliver value to the recipient. **Full-value grants**, on the other hand, have value at the time of grant and may either increase or decrease in value depending on company performance and/or subsequent changes in stock price. Formula-value grants use financial measures instead of stock price to determine value and may be either an appreciation grant or a full-value grant.

Definitions for each of the above grant types, as well as other grant type variations, follow below:

DEFINITIONS OF LONG-TERM INCENTIVE GRANT TYPES

Appreciation Grants

Stock Options are rights to purchase shares of company stock at a specified price over a stated period, usually ten years or less. Typically, the option price is 100 percent of the stock price at the time of grant and options vest by continued service, although variations of this "plain-vanilla" type option are used in practice:

- **Performance-Accelerated Stock Options ("PASOs")** are options that have a set service-vesting schedule, but may be exercised earlier if specified performance criteria are met, e.g., attaining specific earnings or stock price goals. Options with performance-accelerated vesting provisions eventually become exercisable later in their option term by continued service regardless of attainment of the performance goals.
- **Performance-Vesting Stock Options** are considered to have "vesting with teeth" because the options are forfeited if performance criteria are not met prior to the expiration of the option term.
- **Premium Stock Options** are options that have an exercise price above market value at the time of grant.
- **Discount Stock Options** are options that have an exercise price below market value at the time of grant.

Stock Appreciation Rights ("SARs") are rights to receive the increase between the grant price and market price of the company stock, which can be settled in stock or cash. Variations of SARs include:

- **Tandem SARs** are granted "in tandem" with stock options with the exercise of the SAR canceling the option, and vice versa.
- **Freestanding SARs** are rights to receive the gain on a "phantom" stock option. Freestanding SARs are granted independently from stock options and, therefore, the exercise of the SAR does not cancel any outstanding stock options.

Full-Value Grants

Restricted Stock consists of grants of actual shares of stock or stock "units" (commonly referred to as "RSUs") that are subject to transfer restrictions and risk of forfeiture until vested by continued employment. Vesting is contingent solely on the passage of time. Note that this is a change in methodology from last year's report, which also included performance-based restricted shares with a one-year performance period as restricted stock. Under this year's definitions, such awards are categorized as performance shares. However, "backward-looking" performance shares for which payout levels are determined following a performance period but shares were not previously granted (e.g., annual bonus paid in the form of restricted stock) are still categorized as restricted stock. Dividends or dividend equivalents are typically paid during the restriction period, on either a current or deferred basis. If deferred, the dividends or equivalents are often converted into additional restricted shares, subject to the same restrictions and risk of forfeiture as the underlying award.

Performance-Accelerated Restricted Stock Award Plans ("PARSAPs"), also known as time-accelerated restricted stock award plans ("TARSAPs"), are grants of restricted stock that may vest early upon attainment of specified performance objectives. As with PASOs, PARSAPs eventually vest based on continued service alone.

Performance Shares are grants of actual shares of stock or stock "units" whose payment is contingent on performance as measured against predetermined objectives over a measurement period of one or more years. Note that this is a change in methodology from prior years' reports, which only included performance awards with multi-year performance periods as performance shares. Performance shares differ from performance units in that the value paid fluctuates with stock price changes, as well as performance against objectives. The payout may be settled in cash or stock.

Performance Units are grants of cash or dollar-denominated units whose payment or value is contingent on performance against predetermined objectives over a pre-defined measurement period (of one or more years). Actual payouts may be in cash or stock.

COMPANY PROFILE

Frederic W. Cook & Co., Inc. is an independent consulting firm specializing in executive and director compensation and related corporate governance matters. Formed in 1973, our firm has served more than 2,300 corporations, including approximately 28% of the S&P 250 during the past two years, in a wide variety of industries from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, and Tarrytown. Our primary focus is on performance-based compensation programs that help companies attract and retain business leaders, motivate and reward them for improved performance, and align their interests with shareholders. Our range of consulting services includes:

- Annual Incentive Plans
- Change-in-Control and Severance
- Compensation Committee Advisor
- Competitive Assessment
- Corporate Governance Matters
- Corporate Transactions
- Directors' Remuneration
- Incentive Grants and Guidelines
- Long-Term Incentive Design
- Ownership Programs
- Performance Measurement
- Recruitment/Retention Incentives
- Regulatory Services
- Restructuring Incentives
- Shareholder Voting Matters
- Specific Plan Reviews
- Strategic Incentives
- Total Compensation Reviews

OUR OFFICE LOCATIONS:

New York
90 Park Avenue
35th Floor
New York, NY 10016

(212) 986-6330 *phone*

Chicago
190 South LaSalle Street
Suite 2120
Chicago, IL 60603

(312) 332-0910 *phone*

Los Angeles
2121 Avenue of the Stars
Suite 2500
Los Angeles, CA 90067

(310) 277-5070 *phone*

San Francisco
One Post Street
Suite 825
San Francisco, CA 94104

(415) 659-0201 *phone*

Atlanta
One Securities Centre
3490 Piedmont Road NE, Suite 550
Atlanta, GA 30305

(404) 439-1001 *phone*

Tarrytown
303 South Broadway
Suite 108
Tarrytown, NY 10591

(914) 460-1100 *phone*

Web Site: www.fwcook.com

This report was authored by Kathryn Neel with assistance from Edward Graskamp. Questions and/or comments should be directed to Ms. Neel in our Tarrytown, NY office at klneel@fwcook.com or (914) 460-1103, or Mr. Graskamp in our Chicago office at edgraskamp@fwcook.com or (312) 894-0031.