

FREDERIC W. COOK & CO., INC.

THE 2011 TOP 250

*Long-Term Incentive
Grant Practices for Executives*

OCTOBER 2011

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A number of significant events occurred during 2011 – insider trading controversies, a downgrade in the U.S. credit rating, and mandatory Say on Pay voting for most U.S. public company shareholders allowing them the right to a nonbinding vote on executive compensation. While some of these events were unexpected, Say on Pay was the fruition of several years of legislation originating in 2007 when Barack Obama was touting Say on Pay as a presidential candidate. Companies had been preparing for Say on Pay (and the Dodd-Frank Act) well in advance, and the threat of failing caused many companies to proactively address vulnerabilities in the design of their compensation programs for the 2011 proxy season. As a result, the constantly evolving landscape of executive compensation saw more change this year in long-term incentive usage than in any recent year since 2007.

The Securities and Exchange Commission (SEC) initiated change at the end of 2006 by overhauling proxy disclosure rules, requiring public companies to provide more detailed information about executive compensation programs in their proxy statements. This provided shareholders, pension funds, activist investors, and proxy advisory firms more detail for scrutinizing pay-for-performance in executive compensation programs, and compelled corporations to consider program alterations. As a result, the year following the new SEC rules showed a marked increase in company usage of performance-based long-term incentives. Since then, long-term incentive usage had shown only modest change. However, armed with several years of expanded executive compensation program disclosure in proxy statements and Say on Pay, investors now could voice their opinions by voting on any perceived link or disconnect between pay and performance. Further, with volatile U.S. and global economies, and investor displeasure with company performance, proxy advisory firms (ISS, Glass Lewis, etc.) are exerting a greater voice influencing shareholder voting recommendations. This past year, these forces converged to bring about a considerable change in the executive compensation long-term incentive landscape, with a spike in the usage of performance shares and some simplification of grants in an effort for transparency.

With performance awards come challenges for companies in the form of goal-setting and long-term incentive pay delivery relative to performance. Some solutions include companies settling for shorter performance periods followed by additional vesting, using relative performance measurement approaches, and setting annual goals throughout a multi-year period as opposed to a single cumulative goal. Many of the other program modifications made in the past year are consistent with the slower evolution we have seen over the past few years.

Key findings from the Frederic W. Cook & Co. 2011 Top 250 report include the following:

- For the first time in the history of this report, the use of long-term performance shares now is more prevalent than the use of stock options, while the prevalence of time-vesting restricted stock awards appears to have stabilized.
- Stock options continue to decrease in prevalence, but are not expected to go away, as they are by nature a performance-based long-term incentive vehicle and a common complement to full-value share awards.
- Variations of basic grant types (like “premium” or “performance accelerated” stock options), common in years gone by, have dwindled and are on the brink of extinction, perhaps casualties of greater transparency and simplicity in a Say on Pay environment.
- Vesting periods of awards, and performance periods for performance awards, remain stable at 3 years.
- The use of profit measures and total shareholder return in long-term performance plans continues to be the most widely used performance categories, and the prevalence of types of measures used for performance awards has stabilized.

The details underlying these findings are presented, along with additional analyses and information, on the following pages. With an increase in government intervention playing out over the next year, increased governance and shareholder scrutiny, and economic instability and uncertainty around the globe, it will be interesting to see what forces will surface to change the long-term incentive landscape in the coming years, and how practices continue to evolve.

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 39th 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, 2011, 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 and option terms
- Key performance plan characteristics, such as length of performance periods, payout maximums, performance metrics, and measurement approaches (relative versus absolute)
- Long-term incentive grant types by industry

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 4 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). Limited M&A activity over the past year minimized the impact of year-over-year turnover due to transactional activity.

Continued volatility in the equity markets again resulted in double-digit turnover in the survey sample due to changes in market capitalization. Of the 2011 Top 250 companies, 23 are new to this year's report (nine percent). Due to an equity rebound in the financial and information technology sectors, 43 financial companies and 37 information technology companies are included in the 2011 Top 250 report (compared to 38 and 32, respectively, last year) which are the largest year-over-year increases among all sectors. As such, "trend" data can be influenced by such changes in the survey sample from year-to-year, as well as by actual changes in grant usage.

Executive compensation limitations as a result of participation in the Troubled Asset Relief Program ("TARP") only affected LTI grant practices at American International Group and SunTrust in this year's report. All other former TARP financial services companies have since repaid their commitments, and all have disclosed changes to their long-term incentive programs in a post-TARP world. The findings contained in this report display the current grant practices at these financial services companies, and TARP participation is no longer displayed.

Beginning with the 2008 Top 250 report, the definition of performance shares was changed to include restricted stock with a one-year performance period followed by a restricted period or service-vesting "tail." Prior to 2008, these grants were categorized 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.

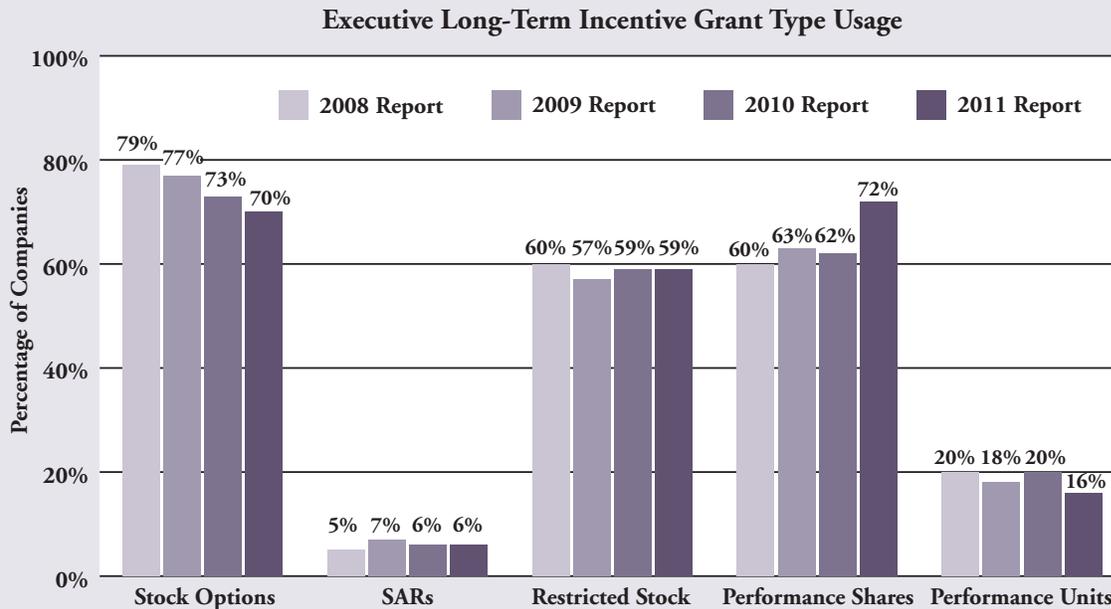
To be considered a "long-term incentive" for purposes of this report, a grant must possess the following general characteristics:

- 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



Stock Options are rights to purchase company stock at a specified exercise price over a stated option term and for the first time are not the most widely used long-term incentive grant type among Top 250 companies, albeit are a close second. Seventy percent of the companies in the Top 250 grant stock options. Three percent 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 prior to 2004.

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. Six percent of companies in the Top 250 currently grant SARs, consistent with last year. Since the 1990s, SARs were rarely granted due to their unfavorable accounting treatment, which was eliminated under FASB ASC Topic 718. 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 but one Top 250 company use the “stock-settled” variety.

Restricted Stock includes actual shares or share “units” that are earned solely by continued employment. Restricted stock for which payout levels are determined following a performance period, but shares were not previously granted (i.e., shares granted at the end of the performance period), continue to be classified as restricted stock.

Fifty-nine percent of the Top 250 companies granted 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 has continued to stabilize this year. All companies discontinuing restricted shares in 2011 either already grant, or plan to grant, performance shares in the current year and beyond.

Performance Shares consist of stock-denominated actual shares or share “units” that are earned based on performance over a pre-defined performance period. Restricted shares with a one-year performance period and continued service-vesting are classified as performance shares. For the first time in 2011, performance shares are the most widely used long-term incentive grant type among the Top 250 companies. The increase in performance shares was accompanied by a decline in performance units. All but one company discontinuing performance units in 2011 either already grant, or plan to grant, performance shares in the current year and beyond.

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

Performance Units/Cash are grants of cash or dollar-denominated “units” which are earned based on performance against predetermined objectives over a predefined period and may be paid out in cash or stock. Sixteen percent of the Top 250 companies granted or have begun to grant performance units/cash in the last year, a decline from twenty percent in the previous year. As share prices increased at the end of 2010 and the beginning of 2011, fewer companies faced share availability constraints and could grant performance shares instead of performance units. The current markets continue to be volatile and if stock prices decrease, performance unit usage may increase in prevalence next year for those companies with share availability constraints.

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, longer-term financial or strategic performance, or to provide a vehicle for retention. About half of the Top 250 companies use two long-term incentive grant types in their long-term incentive program while only two percent of companies use four or more. The second most common number of long-term incentive grant types is three, used by slightly more than one-third of companies. Seventeen percent of the Top 250 companies grant only one type of long-term incentive. These percentages remain consistent with prior years.

NUMBER OF GRANT TYPES IN USE	
Number of Grant Types	Percentage of Companies Using
1	17%
2	45%
3	36%
4	2%

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES

Grant Type (See Appendix for Definitions)	Percentage of Companies Using Grant Type			
	2008 Report	2009 Report	2010 Report	2011 Report
Stock Options	79%	77%	73%	70%
• Performance	6	5	2	<1
– Vesting	6	4	2	<1
– Accelerated Vesting	0	<1	0	0
• Premium	2	2	<1	0
SARs	5%	7%	6%	6%
• Tandem	0	<1	<1	<1
Restricted Stock	60%	57%	59%	59%
• PARSAPs	1	<1	<1	<1
Performance Shares	60%	63%	62%	72%
• MSUs	NA	NA	2%	2%
Performance Units/Cash	20%	18%	20%	16%

Grant Type Variations

Overview

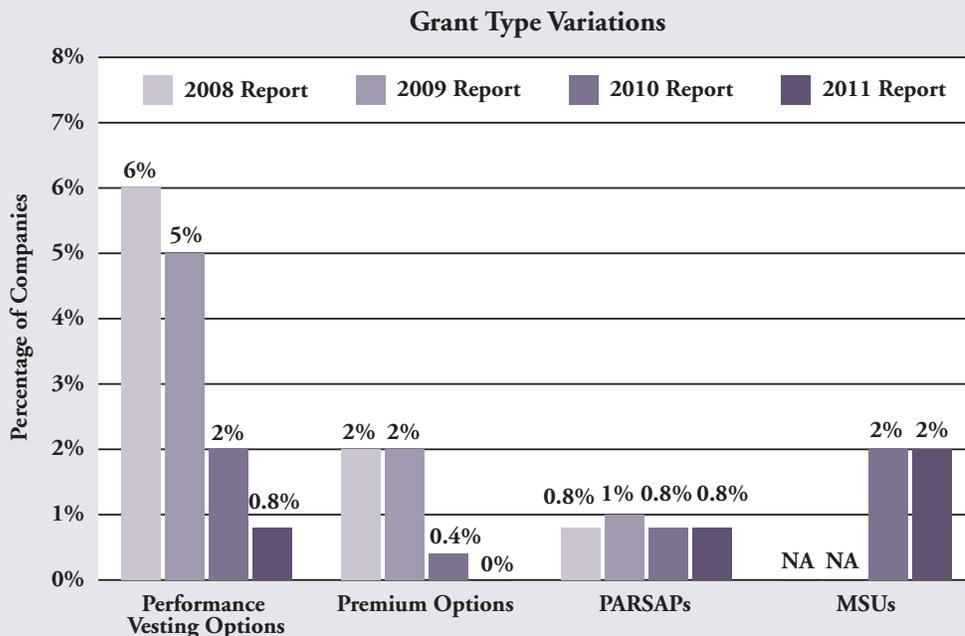
Among the Top 250 companies, fewer than five percent incorporate one or more design variations of major grant types. Frequently, awards with design variations are granted selectively in limited circumstances and to relatively few executives. For the second year, Market Stock Units (MSUs) are being captured in the Top 250. Please see below for a description of MSUs. 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 of which there are two types: 1) performance-vesting options (options that vest only if predefined 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 less than one percent of Top 250 companies, compared to two percent last year and five percent in the 2009 report. No companies currently use performance criteria to accelerate vesting.

Premium Stock Options have an exercise price above the market price at grant. No companies indicate the use of premium stock options which may reflect the fact that, by definition, they are “underwater” at the time of grant. Premium options were traditionally viewed as providing executives with added incentives to increase a Company’s stock price. 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 recent 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. As in the previous two years, two of the Top 250 companies granted PARSAPs or plan to in the next fiscal year.

Market Stock Units (“MSUs”) In early 2009, a hybrid LTI grant type was introduced to the market by Frederic W. Cook & Co. to blend the benefits of stock options (direct shareholder alignment) and restricted stock (retention) into a performance-based vehicle called a Market Stock Unit (MSU). Simply stated, MSUs are a stock-based award that either increases or decreases in value (dollar and number of shares) based on a change in stock price over a predetermined performance period. For example, if stock price increases by 10 percent of the performance period, the number of shares earned increases by 10 percent. For purposes of this report, MSUs are considered performance shares.



EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

GRANT TYPE VARIATIONS

Performance Vesting Stock Options	EMC Corp.
PARSAPs	Paychex Inc. Valero Energy
MSUs	Aetna Inc. Biogen Idec Inc. Bristol-Myers Squibb Co. Eli Lilly Newmont Mining Corp. NRG Energy

Grant Types by Industry

This section 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 those listed in the table below. Grant type prevalence by sector is also shown in the table below.

Similar to last year's findings, all of the utilities and materials companies grant some type of performance awards (either performance shares or performance units/cash). Companies in the industrial sector are very likely to grant performance awards (ninety-seven percent usage). When stock options and SARs are counted together, their use is most common among industrials and health care companies, with usage of ninety-one percent and eighty-six percent, respectively. New in 2011, the health care and consumer discretionary sectors show a lower propensity to award restricted stock than materials and utilities, with the use of this award type at or below fifty percent for all of those sectors. The low prevalence of stock option use in the utility sector may be explained by the fact that this sector tends to trade more like a bond than a stock (i.e. higher dividend yields and lower trading volatility).

LONG-TERM INCENTIVE GRANT TYPE USAGE BY SECTOR

Sector	Number of Companies	Percentage of Companies Using (sorted by performance award prevalence)			
		Stock Options	SARs	Restricted Stock	Performance Awards
Materials	12	75%	0%	50%	100%
Utilities	15	60%	0%	47%	100%
Industrials	32	78%	13%	63%	97%
Consumer Staples	22	68%	0%	59%	86%
Telecommunications Services	6	33%	0%	83%	83%
Health Care	28	75%	11%	43%	82%
Consumer Discretionary	31	74%	10%	42%	81%
Financials	43	60%	7%	67%	72%
Energy	24	79%	4%	71%	71%
Information Technology	37	70%	0%	70%	68%
Top 250	250	70%	6%	59%	81%

Grant Structure – Stock Options and Restricted Stock

As part of a broader review of other key long-term incentive grant terms and provisions, this section analyzes the length of stock option terms and vesting provisions.

Stock Option Term

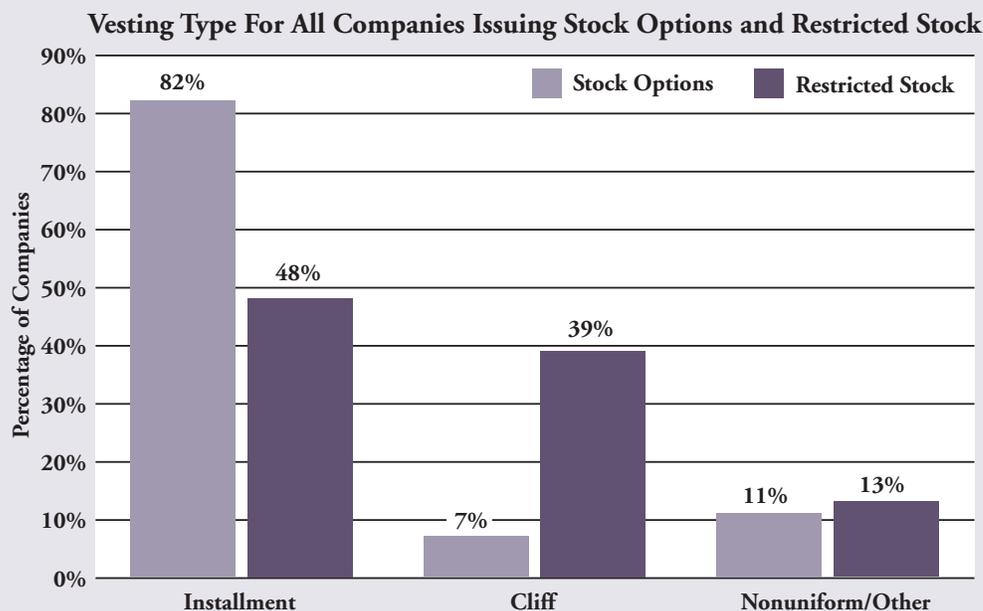
An overwhelming majority of the Top 250 companies (seventy-seven percent of companies) continue to use the standard ten-year option term. Seven years is the most common alternative to the traditional ten-year term. This compares to eighty percent with a ten-year option term and twenty percent with less than ten years in 2010. 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.

Option Term	Percent of Companies Using
10 years	77%
9 years	1%
8 years	2%
7 years	16%
6 years	2%
5 years	2%

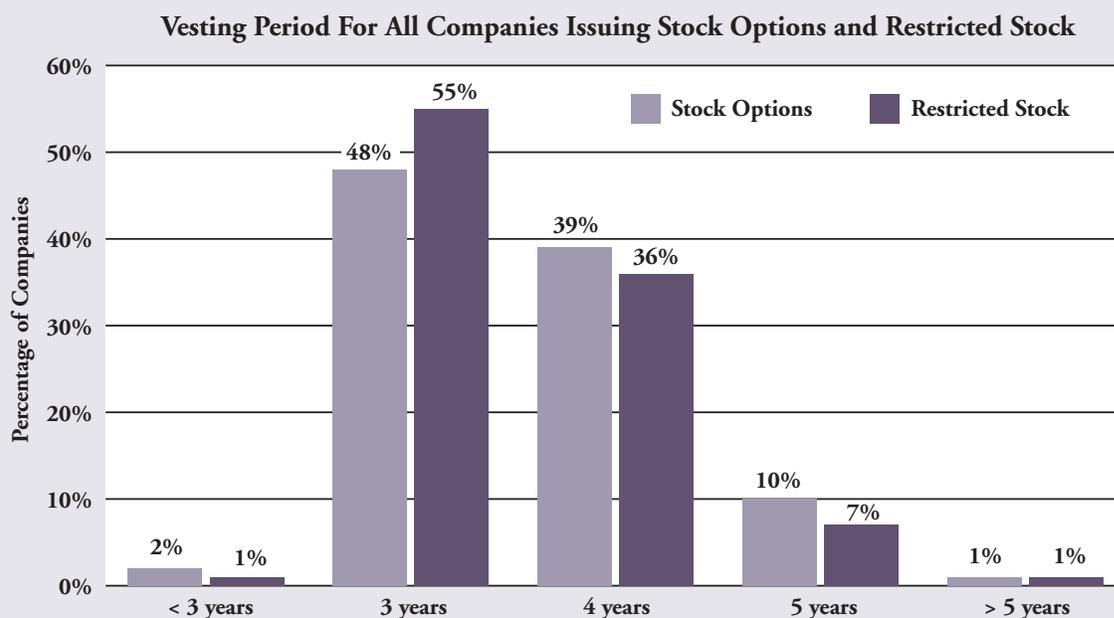
OTHER LONG-TERM INCENTIVE PRACTICES

Vesting Schedules

Type of Vesting – As seen in the chart below, 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-nine percent of the Top 250 companies granting restricted stock awards apply cliff vesting, versus only seven percent of the Top 250 companies granting stock options. Eleven percent of companies granting stock options and thirteen 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 2010 report.



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



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

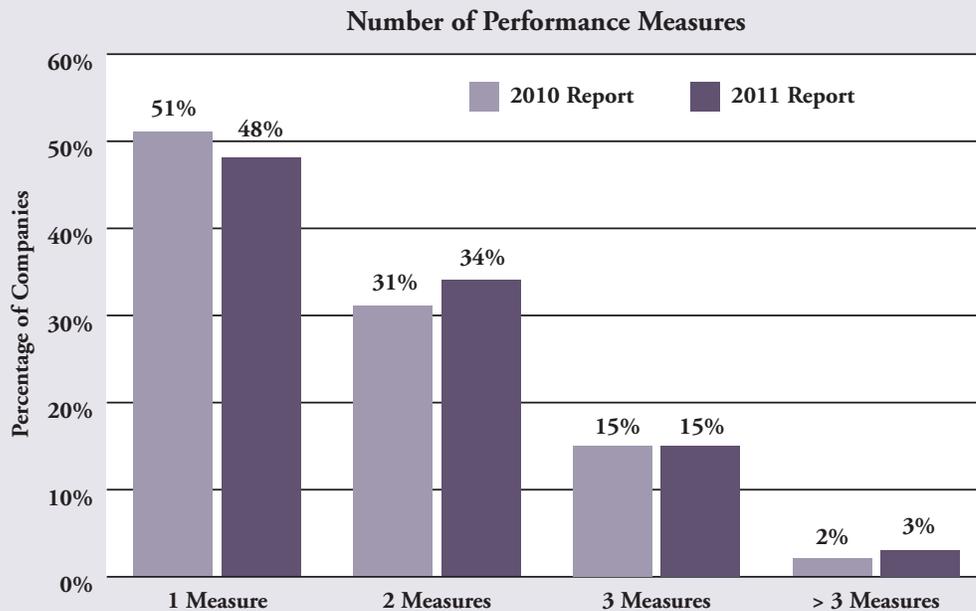
Categories – Half of the Top 250 companies granting performance awards use some type of “profit” measure as a basis for award payout, still the most prevalent performance measure, and in line with forty-nine percent prevalence last year. Given the difficulty in setting long-term performance goals, some companies have turned to measures conducive to relative measurement, such as total shareholder return (TSR) as used at thirty-eight percent of Top 250 companies. Other prevalent measures of performance include capital efficiency ratios (including return on equity and return on assets) as well as revenue. For the second year, the Top 250 report captured information regarding the way goals are expressed. Absolute measurement indicates goals set to internal targets, while a relative approach measures goals against an external benchmark or peer group. Operational metrics (e.g. profit, revenue, etc.) tend to be measured on an absolute basis, with approximately 15 to 20 percent measuring operational performance on a relative basis. TSR tends to be measured on a relative basis. Occasionally, companies may incorporate both approaches.

PERFORMANCE MEASURE CATEGORIES

Category	Performance Measures	Percent of Companies Using		Performance Measurement Approach 2011 Report		
		2010 Report	2011 Report	Absolute	Relative	Both
<i>Profit</i>	EPS, net income, EBIT/EBITDA, operating income, pretax profit	49%	50%	84%	16%	0%
<i>Total Shareholder Return</i>	Stock price appreciation plus dividends	39%	38%	2%	93%	5%
<i>Capital Efficiency</i>	Return on equity, return on assets, return on capital	31%	32%	76%	20%	4%
<i>Revenue</i>	Revenue, revenue growth	20%	22%	81%	19%	0%
<i>Cash Flow</i>	Cash flow, cash flow growth	12%	12%	96%	4%	0%
<i>Other</i>	Safety, quality assurance, new business, discretionary, individual performance	12%	14%	NA	NA	NA

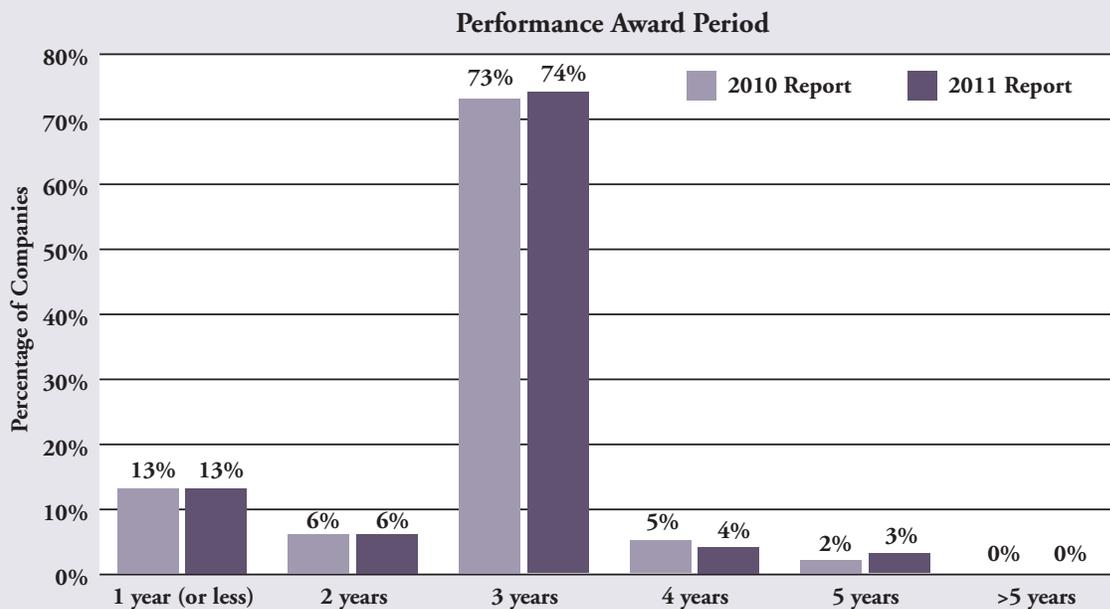
OTHER LONG-TERM INCENTIVE PRACTICES

Number of Measures Used – Nearly half of performance award programs utilize only one performance measure category. Note that companies using both performance shares and performance units/cash (or two types of performance shares) are more heavily weighted in these statistics.



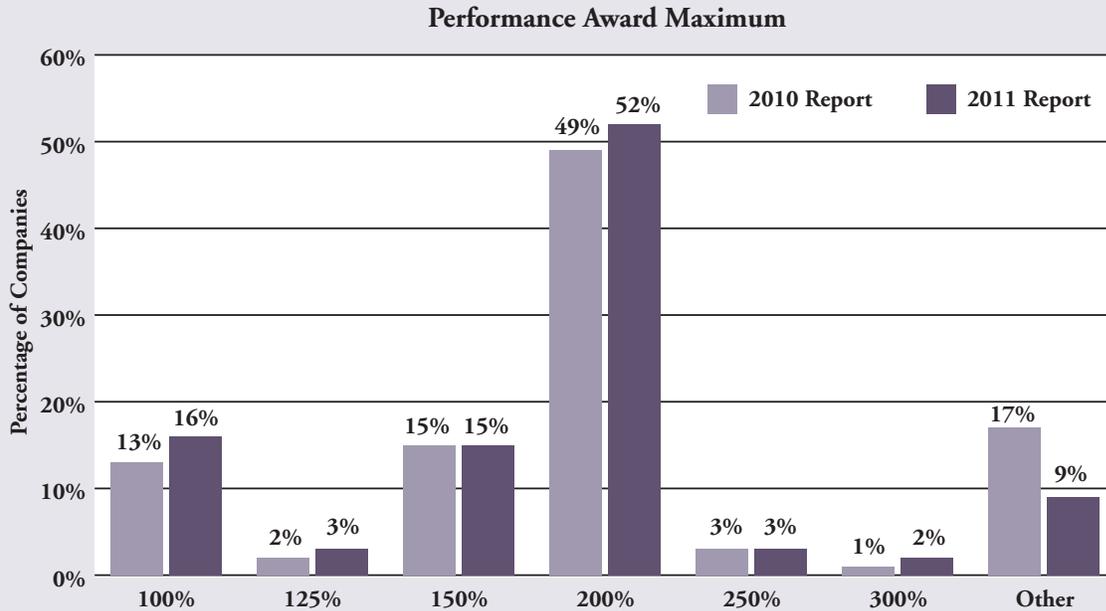
Performance Award Period

A measurement period of three years is far and away the most common time horizon among the Top 250 companies. Other time horizons vary around three years, but tend to be shorter than longer, which reflects the difficulty of setting multi-year performance goals in an uncertain economic environment. This year's Top 250 report shows that companies are no longer continuing to shorten their performance cycles to less than three years. This year, as in last year, thirteen percent of companies use a performance period of one year or less, and six percent use a performance period of two years.



Performance Award Maximum Payout

Fifty-two percent of performance award programs used by Top 250 companies set maximum payout levels at 200% of target, consistent with 2010. This year showed a slight increase in the percentage of companies using a maximum payout of 100% (sixteen percent this year versus thirteen percent last year). Maximum payouts are distributed as shown in the table below:



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

	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● = Continuing ▲ = New or Prospective Grant Type ○ = Dropped				
3M Co.	●		●	●	
Abbott Laboratories	●			●	
ACE Limited	●		●	●	
Adobe Systems Inc.	●		●	●	
Aetna Inc.		○		●	
Aflac Inc.	●			●	
Agilent Technologies, Inc.	●			●	
Air Products & Chemicals, Inc.	●		●	●	
Alcoa, Inc.	●		○	●	
Allergan, Inc.	●				
Allstate Corp.	●		●		
Altera Corp.	●		●		
Altria Group, Inc.			●		●
Amazon.com, Inc.			●		
American Electric Power Co.			▲	●	
American Express Co.	●		○	▲	●
American International Group, Inc.*			●		
American Tower Corp.	●		●		
Ameriprise Financial, Inc.	●		●	▲	
Amgen Inc.	●		●	●	
Anadarko Petroleum Corp.	●		●	●	
Analog Devices, Inc.	●		●		
Aon Corp.	○		●	●	
Apache Corp.	●		●	●	
Apple Inc.			●		
Applied Materials, Inc.				●	
Archer-Daniels-Midland Co.	●		●	○	
AT&T Inc.			●	●	
Automatic Data Processing, 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., Inc.	●				
Biogen Idec Inc.				●	
Boeing Co.	●		●		●
Boston Properties, Inc.	▲		●	●	
Bristol-Myers Squibb Co.	○		○	●	

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

	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● = Continuing ▲ = New or Prospective Grant Type ○ = Dropped				
Broadcom Corp.	○		●	▲	
C. H. Robinson Worldwide, Inc.				●	
CA Technologies	▲			●	
Cameron International Corp.	●		●	●	
Capital One Financial Corp.	●		●	●	
Cardinal Health, Inc.	●		●		○
Carnival Corp.			●	▲	
Caterpillar Inc.		●	●		●
CBS Corp.	●		●	●	
Celgene Corp.	●		●		●
CenturyLink, Inc.			●	●	
Charles Schwab Corp.	●			●	
Chesapeake Energy Corp.			●		
Chevron Corp.	●			●	
Chubb Corp.			●	●	
Cisco Systems, Inc.	○		●	▲	
Citigroup, Inc.	●				
Citrix Systems, Inc.	●		●	●	
Cliffs Natural Resources Inc.			●	●	
CME Group Inc.	●		●	▲	
Coach, Inc.	●		●		
Coca-Cola Co.	●			●	
Cognizant Tech Solutions Corp.			●	●	
Colgate-Palmolive Co.	●			●	
Comcast Corp.	●			●	
ConocoPhillips	●			●	
Consolidated Edison, Inc.				●	
Corning Inc.	●		▲		●
Costco Wholesale Corp.				●	
Covidien Plc	●		●	●	
CSX Corp.			●	●	
Cummins Inc.	●			●	●
CVS Caremark Corp.	●		●		●
Danaher Corp.	●			●	
Deere & Co.	●		●	▲	●
Dell Inc.	●			●	
Devon Energy Corp.	●		●		
DIRECTV				●	
Discovery Communications, Inc.	●	●		●	
Dominion Resources, Inc.			●		●
Dover Corp.		●		●	●
Dow Chemical Co.	●		●	●	

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

	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● = Continuing ▲ = New or Prospective Grant Type ○ = Dropped				
Duke Energy Corp.			●	●	
E. I. du Pont de Nemours and Co.	●		●	●	
Eaton Corp.	▲		●	●	
eBay Inc.	●		●	●	
Edison International	●		●	●	
El Paso Corp.	●		●	▲	
Eli Lilly and Co.				●	
EMC Corp.	●		●	●	
Emerson Electric Co.	●		●	●	
Entergy Corp.	●		▲	●	
EOG Resources, Inc.		●	●		
Equity Residential	●		●		
Estee Lauder Cos. Inc.	●		●	●	
Exelon Corp.	●			●	
Express Scripts, Inc.	●		●	●	
Exxon Mobil Corp.			●		
FedEx Corp.	●		●		●
Fifth Third Bancorp		●	○	●	
First Solar, Inc.			●		
Firstenergy Corp.				●	
Fluor Corp.	●		●	▲	
Ford Motor Co.	●			●	
Franklin Resources Inc.			●	●	
Freeport-McMoRan Copper & Gold Inc.	●			●	
Gap, Inc.	●			●	
General Dynamics Corp.	●		●		
General Electric Co.	●		●	▲	●
General Mills, Inc.	●		●		
Gilead Sciences, Inc.	●			●	
Goldman Sachs Group, Inc.	○		●		▲
Google Inc.	●		●		
H. J. Heinz Co.	●		●		●
Halliburton Co.	●		●		●
Hartford Financial Services Group, Inc.	●		●	○	
HCP, Inc.	●			●	
Hess Corp.	●		●		
Hewlett-Packard Co.			●	●	
Home Depot Inc.	●			●	
Honeywell International Inc.	●			▲	●
Host Hotels & Resorts, Inc.	●			●	
Illinois Tool Works Inc.	●			▲	●
Ingersoll-Rand Plc	●		●	●	

EXECUTIVE LONG-TERM INCENTIVE GRANTS

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

	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● = Continuing ▲ = New or Prospective Grant Type ○ = Dropped				
Intel Corp.	●		●	●	
International Business Machines Corp.				●	
International Paper Co.				●	
Intuit Inc.	●		●	●	
Intuitive Surgical, Inc.	●				
Invesco Ltd.			●		
Johnson & Johnson	●		●		●
Johnson Controls, Inc.	●		●		●
JPMorgan Chase & Co.		●	●		
Juniper Networks, Inc.	●			●	
Kellogg Co.	●			●	
Kimberly-Clark Corp.	●			●	
Kohl's Corp.	●		○	●	
Kraft Foods Inc.	●		●	●	
Kroger Co.	●		●	▲	●
Lockheed Martin Corp.	●		●		●
Loews Corp.		●			
Lowe's Cos. Inc.	●		●		
Marathon Oil Corp.	●		●		●
Marriott International, Inc.		●	●		
Marsh & McLennan Cos., Inc.	●		●	▲	
MasterCard Inc.	●			●	
McDonald's Corp.	●			●	●
McKesson Corp.	●			●	●
Mead Johnson Nutrition Co.	●		●	●	
Medco Health Solutions, Inc.	●		●		
Medtronic, Inc.	●			●	●
Merck & Co., Inc.	●		●	●	
MetLife, Inc.	●			●	
Microsoft Corp.			●		
Monsanto Co.	●			●	
Morgan Stanley	▲		●	●	
Motorola Solutions, Inc.	●		●		●
Murphy Oil Corp.	●			●	
National Oilwell Varco, Inc.	●			●	
NetApp, Inc.	●		●		
Newmont Mining Corp.	●			●	
News Corp.			○	▲	
Nextera Energy, Inc.	●			●	
NIKE, Inc.	●		●		●
Noble Energy, Inc.	●		●		
Norfolk Southern Corp.	●		●	●	

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

	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● = Continuing ▲ = New or Prospective Grant Type ○ = Dropped				
Northern Trust Corp.	●		●		
Northrop Grumman Corp.	●		▲	●	
Nucor Corp.			●	●	
NVIDIA Corp.	●		●		
Occidental Petroleum Corp.				●	○
Omnicom Group Inc.	○			▲	
Oracle Corp.	●				
PACCAR Inc.	●			●	●
Parker-Hannifin Corp.	○	●		●	
Paychex Inc.	●		●		
Peabody Energy Corp.	●			●	
PepsiCo, Inc.	●			●	
Pfizer Inc.		●	●	●	○
PG&E Corp.			●	●	
Philip Morris International Inc.			●		
Pioneer Natural Resources Co.	●		●	●	
PNC Financial Services Group, Inc.	○			●	
Polo Ralph Lauren Corp.	●			●	
PPG Industries, Inc.	●			●	
PPL Corp.	●		●	●	
Praxair, Inc.	●			●	
Precision Castparts Corp.	●				
priceline.com Inc.			○	●	
Procter & Gamble Co.	●		●	●	
Progress Energy, Inc.			●	●	
Progressive Corp.			●	●	
Prudential Financial, Inc.	●			●	●
Public Service Enterprise Group Inc.	○		▲	●	
Public Storage				●	
QUALCOMM Inc.	○		●	●	
Raytheon Co.			●	●	
Reynolds American Inc.				●	
Rockwell Automation, Inc.	●		●	●	
salesforce.com, Inc.	●		●		
Schlumberger Ltd.	●				
Sempra Energy	●			●	
Simon Property Group, Inc.				●	
Southern Co.	●			●	○
Southwestern Energy Co.	●		●		●
Spectra Energy Corp.			●	●	
Sprint Nextel Corp.	●			●	●
St. Jude Medical, Inc.	●				

EXECUTIVE LONG-TERM INCENTIVE GRANTS

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

	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● = Continuing ▲ = New or Prospective Grant Type ○ = Dropped				
Stanley Black & Decker, Inc.	●		●	●	
Staples, Inc.	●		●		●
Starbucks Corp.	●			●	
State Street Corp.				●	
Stryker Corp.	●			▲	
SunTrust Banks, Inc.			●		
Symantec Corp.	●		●		●
Sysco Corp.	●		●		●
T. Rowe Price Group, Inc.	●				
Target Corp.	●		●	●	
Texas Instruments Inc.	●		●		
Thermo Fisher Scientific Inc.	●		●	●	
Time Warner Cable Inc.	●		○	▲	
Time Warner Inc.	●		●	●	
TJX Companies, Inc.	●			●	●
Travelers Cos., Inc.	●			●	
Tyco International Ltd.	●		●	●	
U. S. Bancorp	●			●	
Union Pacific Corp.	●		●	●	
United Parcel Service, Inc.	●		○	●	
United Technologies Corp.		●		●	
UnitedHealth Group Inc.		●	●	●	●
Valero Energy Corp.	●		●	▲	
Verizon Communications Inc.			●	●	
Viacom Inc.	●		●	●	
Visa 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 Co.	●		●	▲	
Williams Cos., Inc.	●		●	●	
Xerox Corp.				●	
Yahoo! Inc.	●		●	●	
YUM! Brands, Inc.		●		●	
Zimmer Holdings, Inc.	●			●	

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/Cash

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** 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.
- **Stock Appreciation Rights (“SARs”)** are rights to receive the gain on a “phantom” stock option which can be settled in stock or cash, and are granted independently from stock options (“freestanding”). Therefore, the exercise of the SAR does not cancel any outstanding stock options.
- **Tandem SARs** are a variation of the now standard freestanding approach. These rights are granted in “tandem” with 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 the 2008 report, which also included performance-based restricted shares with a one-year performance period as restricted stock. 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”)**, are grants of restricted stock that may vest early upon attainment of specified performance objectives. 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/cash 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.

- **Market Stock Units (“MSU”)** are restricted stock units earned based on stock price performance (more shares if stock price goes up, less if goes down) over a maturity period. At the maturity date the number of shares earned and paid is the number of MSUs granted times the ratio of the fair market value at the maturity date divided by the fair market value at the grant date, subject to a cap and, in some cases, a floor. Thus, if the stock price goes up, the result is an increase in the shares earned, up to the cap, at an increased stock price. And conversely, if the price declines, the result is a decrease in the shares earned at a decreased stock price.

Performance Units/Cash 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 2,500 corporations, 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:

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