

The 2013 Top 250 Report

*Long-Term Incentive Grant
Practices for Executives*

SEPTEMBER 2013

FREDERIC W. COOK & CO., INC.

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EXECUTIVE SUMMARY

The 41st annual Frederic W. Cook & Co. Top 250 report documents senior executive long-term incentive award practices and trends at America's largest publicly traded companies. By virtue of their absolute magnitude and critical role in compensating senior executives at the nation's highest-profile companies, these awards are among the most visible and scrutinized elements reported in proxy statements. It is often in the largest companies that we first see the emergence of new long-term incentive strategies and plan designs, which then make their way into the broader general industry.

As a third year of Say on Pay voting comes to a close, most companies have passed with strong shareholder support. External proxy advisory firms and their voting recommendations continue to exert pressure on companies and their compensation program design, pushing for a greater emphasis on performance-based equity. Denoting this influence, performance shares have increased in prevalence for a third straight year and total shareholder return ("TSR") is now the most utilized performance metric. More recently, while proxy advisor recommendations remain influential, the large investment funds have begun to exert their own authority, as evidenced by the leveling off of the trend in the decline of stock options, reflecting their disagreement with advisory firms defining stock options as non-performance-based equity.

Key findings from the Frederic W. Cook & Co. 2013 Top 250 report include the following:

- For the third consecutive year, long-term performance shares increased in prevalence. They are now used by 81% of the Top 250 (up from 75% in the 2012 report), and are the most prevalent form of equity. Restricted stock usage has also increased this year, from 58% to 63%, while the use of stock options and long-term cash plans remains largely unchanged.
- Companies continue to emphasize a portfolio approach to their long-term incentive programs, with an increasing number of companies using three long-term incentive grant types (39%), while those granting one or two types declined.
- For the first time, TSR is the most prevalent performance metric, featured in 50% of all performance awards, as companies continue to look for ways to tie executive compensation to shareholder experience at the urging of proxy advisory firms and shareholder advocates.
- Overall, the design of long-term incentive programs has become more complex as the number of grant types, number of performance award measures, and prevalence of the concurrent use of absolute and relative measures all increased.
- Vesting periods of three years continue to be the most prevalent across all award types.

The details underlying these findings are presented, along with additional analyses and information, on the following pages.

Overview and Background

Since 1973, Frederic W. Cook & Co. has published annual reports on long-term incentive grant practices for executives. This report, our 41st 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, 2013, 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/SAR 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

All information was obtained from public documents filed with the Securities and Exchange Commission, including proxy statements 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).

Volatility in the equity markets, corporate transactions, and the usual ebbs and flows of corporate fortunes resulted in double-digit turnover in the survey sample due to changes in market capitalization. Of the 2013 Top 250 companies, twenty are new to this year's report (8%). Financial services companies once again comprise the largest sector covered in the Top 250 report, with 47 companies (19%) represented in 2013, up slightly from 45 companies (18%) in 2012. Overall, no sector changed in overall representation by more than 1% over the prior year. It is important to note that trend data are influenced by these changes in the survey sample from year-to-year, in addition to actual changes in grant usage.

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

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

Definition of Usage

Executive Long-Term Incentive Grants

This report presents the most recently-disclosed long-term incentive grants in use at the sample companies as of mid-2013. A grant type is generally considered to be in use at a company if grants have been made in the current year or prior year and there is no evidence that the grant 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:

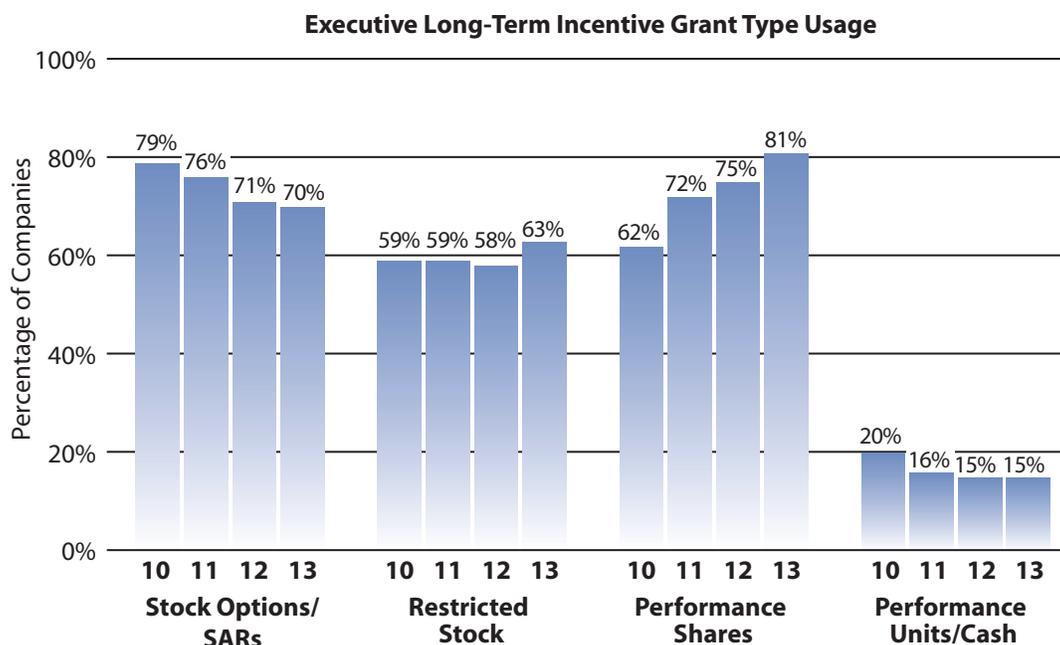
- The grant type must be made under a formal plan or practice and cannot be limited by both scope and frequency. A grant with *limited scope* is awarded to only one executive or a very small or select group of executives. A grant with *limited frequency* is an award that is not part of a company’s typical 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).
- 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

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

Summary of Grant Types in Use



Stock Options / Stock Appreciation Rights (“SARs”) are rights to purchase company stock at a specified exercise price over a stated option term (options) or rights to receive at exercise the increase between the grant price and the market price of a share of stock (SARs). The use of stock options/SARs has gradually declined since the introduction of mandatory accounting expensing, falling to 70% of the sample companies in this year’s report. Once both ubiquitous (they were used at 99% of the sample companies prior to 2004) and responsible for a majority of the long-term incentive grant value awarded to senior executives, stock options/SARs continue to be utilized as just one component of a multi-vehicle long-term incentive portfolio. Due to the low prevalence of SARs (4% of Top 250 companies), we have combined them with stock options beginning with this year’s report.

Restricted Stock includes actual shares or share “units” that are earned 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 which must then be earned by continued employment), are classified as restricted stock.

Sixty-three percent (63%) 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. All companies discontinuing restricted shares in 2013 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 period. Restricted shares with a one-year performance period and continued service-vesting are classified as performance shares. For the third consecutive year, performance shares are the most widely used long-term incentive grant type among the Top 250 companies, in use at 81% of the sample companies.

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 pre-defined period and may be paid out in cash or stock. Similar to last year, 15% of the Top 250 companies granted or have begun to grant performance units/cash in the past year. Performance unit plans continue to be attractive to companies on a situation-specific basis, with factors such as share availability constraints and expectation of share price volatility influencing the adoption or discontinuation of performance unit plans.

Number of Long-Term Incentive Grant Types in Use

Most companies employ a portfolio strategy towards long-term incentives as a means to balance objectives of rewarding for stock price appreciation, promoting longer-term financial or strategic performance, or providing a vehicle for retention. Almost half of the Top 250 companies use two long-term incentive grant types in their long-term incentive program, while approximately 40% use three. 14% of the Top 250 companies grant only one type of long-term incentive. The use of multiple grant types has increased, with the number of companies granting three types of long-term incentives increasing due to an increase in usage of both performance shares and restricted stock.

NUMBER OF GRANT TYPES	PERCENT OF COMPANIES USING			
	2010	2011	2012	2013
1	16%	17%	17%	14%
2	49%	45%	48%	46%
3	34%	36%	34%	39%
4	1%	2%	1%	1%

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

Grant Types by Industry

Grant type prevalence by industry, as categorized based on the Standard & Poor's Global Industry Classification Standard (GICS) Sector codes, is shown in the table below. Notable industry-specific long-term incentive grant practices include:

- Financials saw a substantial increase in use of performance awards, from 78% using last year to 87% this year. Six companies in the sector added performance awards to their long-term incentive grant mix for this year's report.
- Companies in the Energy Sector employ the most "balanced-portfolio" approach, with each of the three main award types found at three-quarters or more of member companies in the sector.
- The Materials, Telecommunications Services, and Utilities sector members all grant some form of performance award (either performance shares or performance units/cash).

LONG-TERM INCENTIVE GRANT TYPE USAGE BY SECTOR				
Sector	Number of Companies	Percentage of Companies Using		
		Stock Options/SARs	Restricted Stock	Performance Awards
Industrials	29	86%	62%	93%
Materials	14	86%	50%	100%
Consumer Discretionary	33	85%	52%	85%
Health Care	29	79%	45%	93%
Energy	24	75%	79%	92%
Consumer Staples	26	73%	58%	85%
Financials	47	62%	64%	87%
Information Technology	30	53%	83%	77%
Utilities	14	36%	64%	100%
Telecommunications Services	4	0%	100%	100%
Top 250	250	70%	63%	89%

OTHER LONG-TERM INCENTIVE PRACTICES

Grant Structure – Stock Options/SARs 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/SAR Term

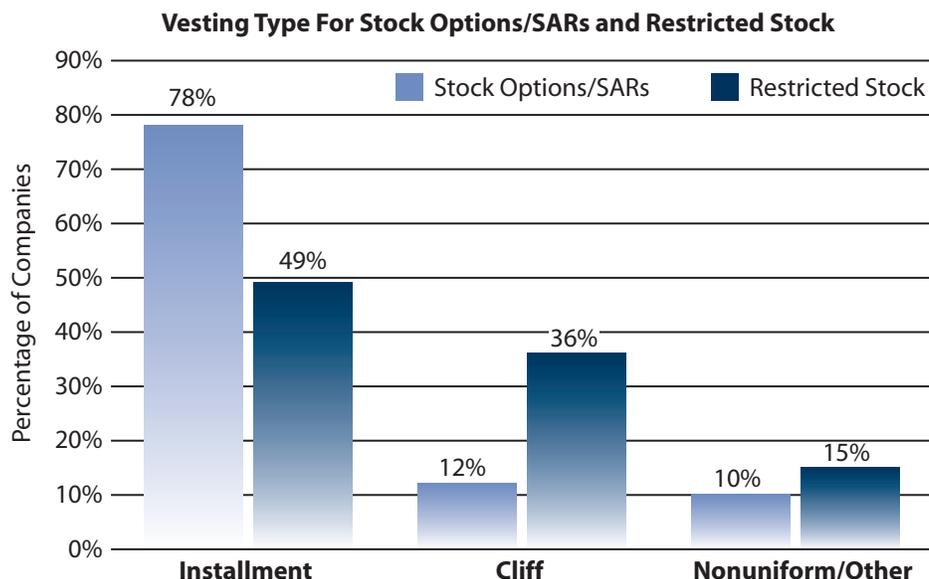
An overwhelming majority of the Top 250 (84% of companies) continue to use the standard ten-year option/SAR term. Seven years is the most common alternative to the traditional ten-year term (11% of companies). This compares to 79% with a ten-year option/SAR term and 16% with seven years in 2012. The shorter term may help manage potential shares outstanding but generally has not materially reduced accounting expense as the “expected life” used in calculating option/SAR expense for financial reporting purposes often is not significantly affected by such a reduction in its “contractual life.” None of the Top 250 companies has an option or SAR term that extends beyond a ten-year period.

OPTION/SAR TERM	PERCENT OF COMPANIES USING		
	2011	2012	2013
10 years	77%	79%	84%
9 years	1%	0%	1%
8 years	2%	3%	2%
7 years	16%	16%	11%
6 years	2%	1%	1%
5 years	2%	1%	1%

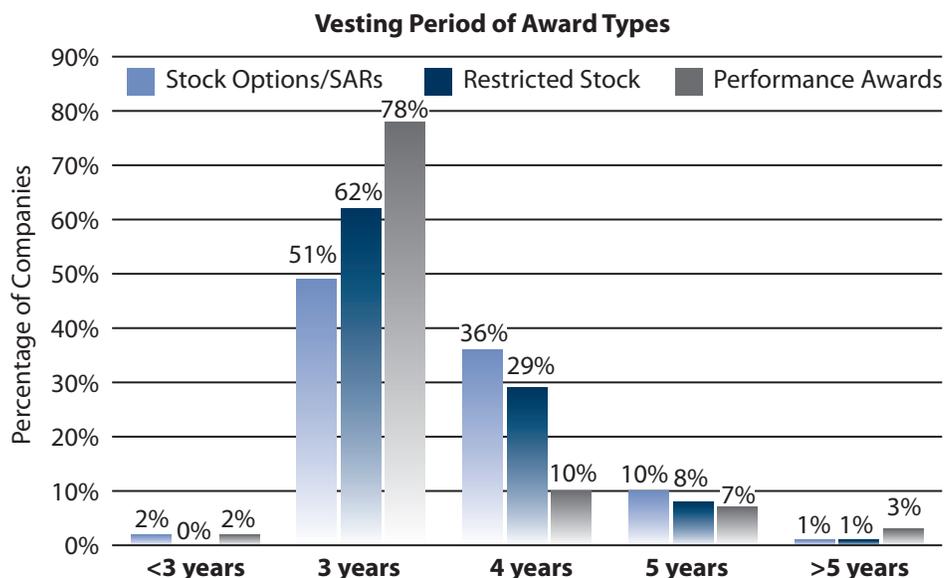
OTHER LONG-TERM INCENTIVE PRACTICES

Vesting Schedules

Type of Vesting – As seen in the chart below, 78% of the Top 250 companies issuing stock options/SARs apply uniform (equal installment) vesting to their stock option/SAR grants. Restricted stock grants, in contrast, are often used as retention awards and therefore companies more often apply “cliff” vesting (i.e., 100% vesting after a specified number of years). 36% of the Top 250 companies granting restricted stock awards apply cliff vesting, versus only 12% of member companies granting stock options or SARs. 10% of companies granting stock options/SARs and 15% of companies granting restricted stock use non-uniform vesting (e.g., 25% vest after year one, 25% vest after year two, 50% vest after year three, etc.). Prevalence of vesting types remains generally the same as compared to the 2012 report.



Vesting Period – Three years continues to be the most common vesting period for both stock options/SARs (51% of companies) and restricted stock (62% of companies). Three years is the overwhelming choice for total performance award vesting length at 78% (defined as performance period plus any additional vesting requirements).



OTHER LONG-TERM INCENTIVE PRACTICES

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.

Beginning with 2010, the Top 250 report had also tracked the prevalence of Market Stock Units (“MSUs”). MSUs were created by Frederic W. Cook & Co. in 2009 as a hybrid award type to blend the benefits of stock options (direct shareholder alignment) and restricted stock (retention) into a performance-based vehicle. 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. With the increasing importance placed on adherence to peer and industry practice as a result of Say on Pay and other compensation regulation (Section 409A), most other equity grant type variations have been phased out. Companies that at one time may have adopted variations to the original MSU design have likewise decreased in prevalence and we now include all MSUs in the report as performance shares.

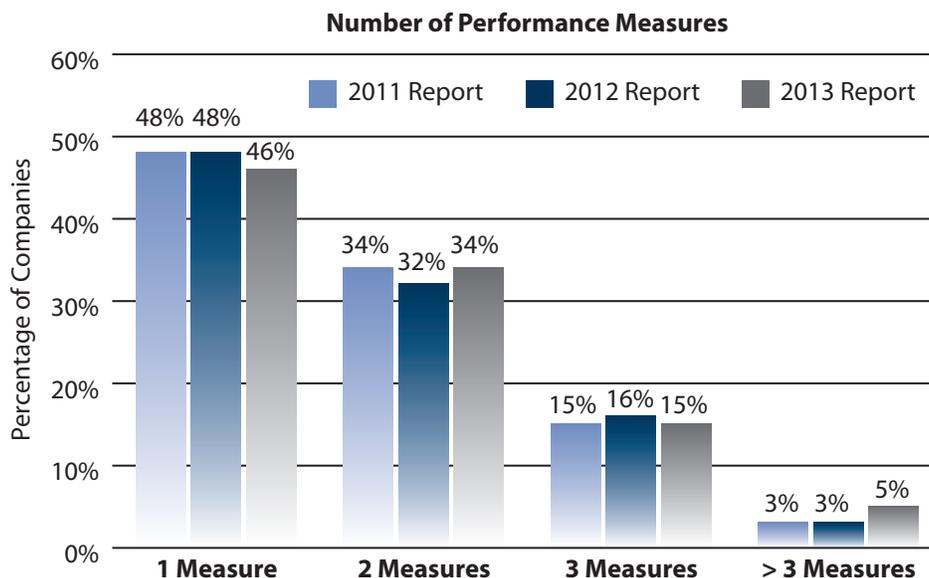
Performance Measures

Categories – For the second year in a row, the number of Top 250 performance plans employing TSR has increased to 50%. It is now the most prevalent, having surpassed “profit” measures. While the inclusion of TSR in a performance plan has both significant appeal and notable drawbacks (the discussion of which has become an active topic of conversation in the executive compensation community), some of the increase is also likely driven by the importance given to the measure by proxy advisory firms and the quantitative models that influence their proxy voting recommendations, such as Say on Pay. Other prevalent measures of performance include capital efficiency ratios (including return on equity and return on assets) as well as revenue. For all measures, absolute measurement indicates goals set to internal targets, while a relative approach measures goals against an external benchmark or peer group, most noticeably used when measuring TSR. The great majority of operational metrics (e.g. profit, revenue, etc.) are measured on an absolute basis. Occasionally companies may incorporate both approaches.

PERFORMANCE MEASURE CATEGORIES						
Category	Performance Measures	Percent of Companies Using		Performance Measurement Approach 2013 Report		
		2012 Report	2013 Report	Absolute	Relative	Both
<i>Total Shareholder Return</i>	Stock price appreciation plus dividends	45%	50%	4%	88%	8%
<i>Profit</i>	EPS, net income, EBIT/EBITDA, operating income, pretax profit	50%	49%	89%	11%	0%
<i>Capital Efficiency</i>	Return on equity, return on assets, return on capital	36%	39%	83%	10%	7%
<i>Revenue</i>	Revenue, revenue growth	18%	18%	80%	18%	2%
<i>Cash Flow</i>	Cash flow, cash flow growth	12%	11%	100%	0%	0%
<i>Other</i>	Safety, quality assurance, new business, discretionary, individual performance	15%	16%	NA	NA	NA

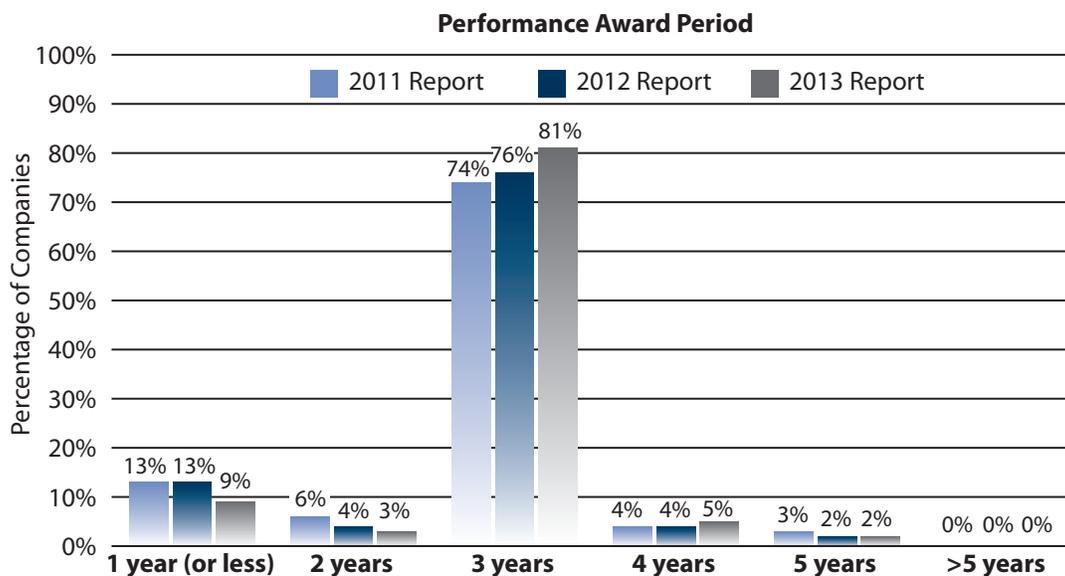
OTHER LONG-TERM INCENTIVE PRACTICES

Number of Measures Used – Nearly half of performance award programs utilize only one performance measure category, while another third use two. These findings remain similar to prior years. Note that companies using both performance shares and performance units/cash are more heavily weighted in these statistics.



Performance Award Period

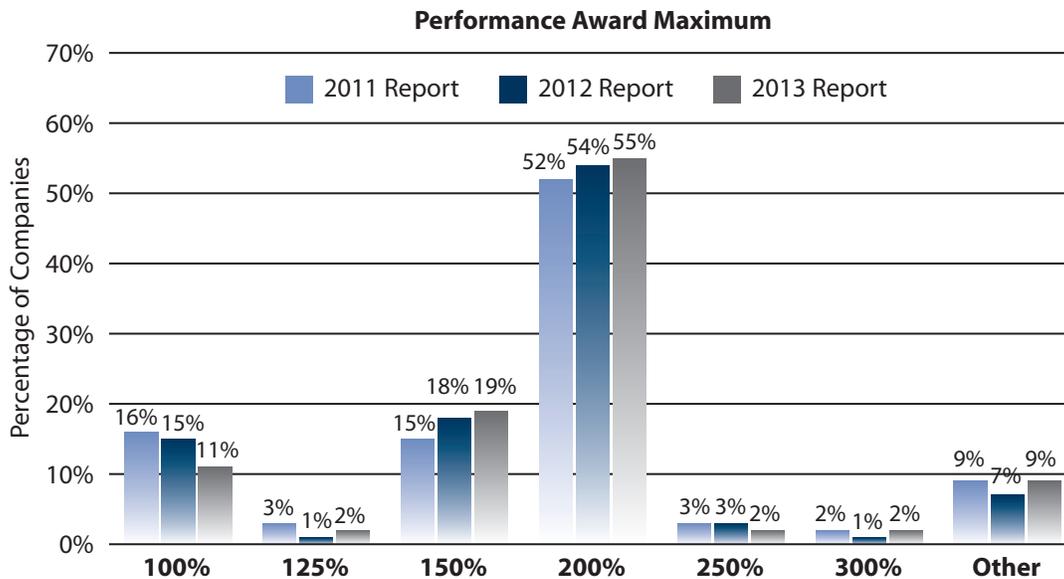
A measurement period of three years is far and away the most common time horizon among the Top 250 companies and has only increased in prevalence this past year. Other time horizons vary around three years, but tend to be shorter rather than longer, which most likely reflects perceived difficulties in setting multi-year performance goals. The performance award period varies from performance award vesting in that some companies may require additional time vesting after the end of the performance period, before awards are paid out. Following an increase after the late-2000s recession, the number of companies employing performance periods shorter than three years has stabilized, with only 9% granting awards with a one-year performance period and 3% granting awards with a two-year performance period.



OTHER LONG-TERM INCENTIVE PRACTICES

Performance Award Maximum Payout

55% of performance award programs used by Top 250 companies set maximum payout levels at 200% of target, consistent with prior years. A maximum payout of 150% was the second most prevalent payout level at 19% of companies this year and there was a decrease in the number of companies using a maximum payout of 100% (11% this year versus 15% last year). Maximum payouts are distributed as shown in the table below:



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

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	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	●			●	
AbbVie Inc.	●			●	
Accenture plc			●	●	
Ace Limited	●		●	●	
Adobe Systems Inc.	■		●	●	
Aetna Inc.				●	
Aflac Inc.	●			●	
Agilent Technologies Inc.	●			●	
Air Products & Chemicals Inc.	●		●	●	
Alexion Pharmaceuticals Inc.	●		●	▲	
Allergan Inc.	●				
Allstate Corp.	●		■	▲	
Altria Group Inc.			●		●
Amazon.com Inc.			●		
American Electric Power Co.			●	●	
American Express Co.	●			●	●
American International Group			■	▲	
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.	●		●		

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

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
AT&T Inc.			●	●	
Automatic Data Processing	●			●	
Autozone Inc.	●				
Avalonbay Communities Inc.	●		●	●	
Baker Hughes Inc.	●		●		●
Bank Of America Corp.			●	●	
Bank Of New York Mellon Corp.	●			●	
Baxter International Inc.	●			●	
BB&T Corp.	●		●		●
Becton Dickinson & Co.		●	▲	●	
Biogen Idec Inc.				●	
Blackrock Inc.			●	●	
Boeing Co.	●		●		●
Boston Properties Inc.	●		●	●	
Bristol-Myers Squibb Co.				●	
Broadcom Corp.			●	●	
Brown-Forman Corp.		●		●	●
Cameron International Corp.	●		●	●	
Capital One Financial Corp.	●		●	●	
Cardinal Health Inc.	●		●	▲	
Carnival Corp. plc			●	●	
Caterpillar Inc.	●	■	●		●
CBS Corp.	●		●	●	
Celgene Corp.	●		●		●
Centurylink Inc.			●	●	
Cerner Corp.	●			●	
Charles Schwab Corp.	●			●	▲
Chesapeake Energy Corp.	▲		●	●	

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

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
Chevron Corp.	●			●	
Chubb Corp.			●	●	
Cigna Corp.	●			●	
Cisco Systems Inc.			●	●	
Citigroup Inc.			●	▲	
Citrix Systems Inc.	■		●	●	
CME Group Inc.	■		●	●	
Coach Inc.	●		●		
Coca-Cola Co.	●			●	
Cognizant Tech Solutions			●	●	
Colgate-Palmolive Co.	●			●	
Comcast Corp.	●		●		
ConAgra Foods Inc.	●			●	
ConocoPhillips	●			●	
Consolidated Edison Inc.				●	
Corning Inc.	●		●		●
Costco Wholesale Corp.				●	
Covidien Plc	●		●	●	
Crown Castle International Corp.			●	●	
CSX Corp.			●	●	
Cummins Inc.	●			●	●
CVS Caremark Corp.	●		●	●	●
Danaher Corp.	●			●	
Deere & Co.	●		●	●	●
Dell Inc.	■		▲	●	
Delphi Automotive plc			●	●	
Devon Energy Corp.	■		●	●	
DIRECTV	●			●	

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

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
Discover Financial Svcs Inc.			●	●	
Discovery Communications Inc.	●	▲	●	●	
Dollar General Corp.	●		▲	●	
Dominion Resources Inc.			●		●
Dow Chemical	●		●	●	
Duke Energy Corp.	●		●	●	
E. I. Du Pont De Nemours	●		●	●	
Eaton Corp.	●		●	●	
eBay Inc.	●		●	●	
Ecolab Inc.	●			●	
Edison International	●		●	●	
Eli Lilly & Co.				●	
EMC Corp.	●		●	●	
Emerson Electric Co.	●		●	●	
Ensco plc			●	▲	■
EOG Resources Inc.		●	●	▲	
Equity Residential	●		●		
Estee Lauder Cos. Inc.	●		●	●	
Exelon Corp.	■		▲	●	
Express Scripts Inc.	●		●	●	
Exxon Mobil Corp.			●		
Fastenal Co.	●				
Fedex Corp.	●		●		●
Fifth Third Bancorp		●	●	●	
Firstenergy Corp.			●	●	
Ford Motor Co.	●			●	
Franklin Resources Inc.			●	●	
Freeport-McMoRan Copper & Gold	●			●	

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Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
Gap Inc.	●			●	
General Dynamics Corp.	●		●	●	
General Electric Co.	●			■	●
General Mills Inc.	●		●		
Gilead Sciences Inc.	●			●	
Goldman Sachs Group Inc.			●		●
Google Inc.	●		●		
Halliburton Co.	●		●		●
HCP Inc.	●		■	●	
Health Care REIT Inc.	●			●	
Hershey Co.	●			●	
Hess Corp.	■		●	▲	
Hewlett-Packard Co.	▲		●	●	
Home Depot Inc.	●			●	
Honeywell International Inc.	●		▲		●
Illinois Tool Works	●			●	●
Ingersoll-Rand plc	●		●	●	
Intel Corp.	●		●	●	
International Paper Co.				●	
Intl Business Machines Corp.				●	
Intuit Inc.	●		●	●	
Intuitive Surgical Inc.	●				
Johnson & Johnson	●		●	●	
Johnson Controls Inc.	●		●	▲	■
JPMorgan Chase & Co.		●	●		
Kellogg Co.	●			●	
Kimberly-Clark Corp.	●			●	
Kraft Foods Group Inc.	●		●	●	

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Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
Kroger Co.	●		●	●	●
Limited Brands Inc.	●			●	
Lockheed Martin Corp.	■		●	▲	●
Loews Corp.		●			
Lorillard Inc.	■		●	▲	
Lowe's Companies Inc.	●		●	●	
LyondellBasell Industries N.V.	●		●	●	
M&T Bank Corp.			●		
Macy's Inc.	●			●	
Marathon Oil Corp.	●		●		●
Marathon Petroleum Corp.	●		●		●
Marsh & McLennan Cos.	●		●	●	
MasterCard Inc.	●			●	
Mattel Inc.	●		●	●	
McDonald's Corp.	●			●	●
McKesson Corp.	●			●	●
Mead Johnson Nutrition Co.	●		●	●	
Medtronic Inc.	●			●	●
Merck & Co.	●		■	●	
MetLife Inc.	●		▲	●	
Microsoft Corp.			●		
Mondelez International Inc.	●		●	●	
Monsanto Co.	●			●	
Morgan Stanley	▲		●	●	
Mosaic Co.	●		●	▲	
Motorola Solutions Inc.	●		●		●
National Oilwell Varco Inc.	●		▲	●	
Newmont Mining Corp.				●	

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Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
News Corp.				●	
Nextera Energy Inc.	●			●	
Nike Inc.	●		●		●
Noble Energy Inc.	●		●	▲	
Norfolk Southern Corp.	●		●	●	
Northrop Grumman Corp.			●	●	
Nucor Corp.	●		●	●	
Occidental Petroleum Corp.				●	
Omnicom Group				●	
Oracle Corp.	●				
PACCAR Inc.	●		●		●
Parker-Hannifin Corp.		●		●	
PepsiCo Inc.				●	▲
Pfizer Inc.		●	●	●	
PG&E Corp.			●	●	
Philip Morris International			●		
Phillips 66 Co.	●			●	
Pioneer Natural Resources Co.	●		●	●	
PNC Financial Svcs Group Inc.				●	
PPG Industries Inc.	●			●	
PPL Corp.	●		●	●	
Praxair Inc.	●			●	
Precision Castparts Corp.	●				
priceline.com Inc.				●	
Procter & Gamble Co.	●		●	●	
Progressive Corp.			●	●	
Prologis Inc.	■		●	●	●
Prudential Financial Inc.	●			●	●

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

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
Public Service Enterprise Group Inc.			●	●	
Public Storage	▲			●	
QUALCOMM Inc.			●	●	
Ralph Lauren Corp.	●			●	
Raytheon Co.			●	●	
Reynolds American Inc.				●	
salesforce.com Inc.	●		●		
Schlumberger Limited	●				
Sempra Energy				●	
Sherwin-Williams Co.	●		●	●	
Simon Property Group Inc.				●	
Southern Co.	●			●	
Spectra Energy Corp.			●	●	
Starbucks Corp.	●			●	
State Street Corp.			▲	●	
Stryker Corp.	●		▲	●	
Suntrust Banks Inc.	●			●	
Symantec Corp.	■		●	●	●
Sysco Corp.	●		●		●
T. Rowe Price Group	●			▲	
Target Corp.	●		●	●	
TE Connectivity Limited	●		●		
Texas Instruments Inc.	●		●		
Thermo Fisher Scientific Inc.	▲		●	▲	
Time Warner Cable Inc.	●		●		
Time Warner Inc.	●		●	●	
TJX Companies Inc.	●			●	●
Travelers Cos. Inc.	●			●	

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

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS				
	APPRECIATION		FULL-VALUE		
	Stock Options	SARs	Time-Based Restricted Stock	Performance Shares	Performance Units/Cash
	● Continuing	▲ New or prospective grant type	■ Dropped		
Tyco International Limited	●		●	●	
U.S. Bancorp	●			●	
Union Pacific Corp.	●		●	●	
United Parcel Service Inc.	●		●	●	
United Technologies Corp.		●		●	
UnitedHealth Group Inc.			●	●	●
Valero Energy Corp.	●		●	●	
Ventas Inc.	●		●		
Verizon Communications Inc.			●	●	
VF Corp.	●			●	
Viacom Inc.	●		●	●	
Visa Inc.	●		●	●	
Vornado Realty Trust	■		●	▲	
W.W. Grainger Inc.	●			●	
Walgreen Co.	●		●	●	
Wal-Mart Stores Inc.			●	●	
Walt Disney Co.	●		●	●	
Waste Management Inc.	●			●	
WellPoint Inc.	●		●	●	
Wells Fargo & Co.			●	●	
Weyerhaeuser Co.	●		●	●	●
Whole Foods Market Inc.	●				
Williams Cos. Inc.	●		●	●	
Xcel Energy Inc.			■	●	
Yahoo! Inc.	■		●	●	
YUM! Brands 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 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, variations of this “plain-vanilla” type, including premium stock options and performance-accelerated stock options, are no longer widely used in practice.

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.

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. “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 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 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. 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.

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 2,700 corporations, in a wide variety of industries from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, Houston, Boston, 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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