



Survey Results

Trends and Developments in Executive Compensation

March 2011

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Executive Summary – Emerging Trends in 2011

The data presented herein represent the findings from Meridian's Trends and Developments in Executive Compensation survey. These results are based on the responses from 122 companies received as of March 1, 2011. Companies have a median revenues size of \$3.15 billion.

Say on Vote Frequency

- The most common Say on Vote Frequency recommendation in 2011 is annual (42%); with triennial at just under 20%.
- Almost a quarter of participating companies are still undecided as of March 1, 2011.

2011 Merit Increase Budgets

- Expectations for 2011 executive merit increase budgets are relatively flat in comparison to those seen in 2010 with 38% of companies implementing a merit budget increase between 3.0% and 3.4%. Only 13% of responding companies have implemented a budget increase above 3.5% for 2011, while 22% of participating companies do not have fixed merit budgets for their executives.

Annual Bonus

- The majority of participating companies (72%) paid out annual incentives to executives for 2010 performance in 2011 at or above target, most often between 100% and 175% of target.
- 37% of companies paid out annual bonuses greater than 150% of target in 2011 for 2010 performance.
- 86% of companies are using two or more annual incentive metrics when evaluating performance in 2011.
- 61% of these companies are using qualitative metrics at the individual and/or corporate level.
- Similar to 2010, the most prevalent metric used was an operating income measure (e.g., EBIT, EBITDA). As expected with an improving economy, many companies (78%) have increased their 2011 financial performance goals relative to 2010 goals.

Long-Term Incentives

- 78% of responding companies are utilizing a targeted value approach to determine 2011 LTI award size. On average, of the 52% of companies that increased their 2011 long-term grant values, LTI guidelines increased by 5%-15%.
- The majority of companies (83%) are using two or more vehicles to deliver LTI to their executives in 2011.
- In 2011, 24% of companies are using a combination of time-based restricted stock/RSUs and performance-based shares/units/cash; 23% are using a portfolio approach of three different LTI vehicles (e.g., stock options, restricted stock, and performance shares).
- Of those companies granting time-based full value share awards, 64% are using RSUs rather than restricted stock.

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Background Information

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Participating Organizations

The Trends and Developments in Executive Compensation survey included 122 organizations. These organizations are listed below by primary SIC industry. Financial highlights for the participating organization are presented in the table below.

	FYE Revenues (Millions)	Market Value (Millions)	Current Enterprise Value (Millions)	Number of Employees
25 th Percentile	\$1,338	\$1,173	\$1,676	2,922
Median	\$3,152	\$4,088	\$5,517	7,252
75 th Percentile	\$7,940	\$9,236	\$12,466	21,850

2009 fiscal year-end revenues were used for companies who have not reported fiscal year-end 2010 figures. Market value and enterprise value are effective as of December 31, 2010.

Consumer Discretionary

American Axle & Manufacturing, Inc.
BorgWarner Inc.
Brinker International, Inc.
Brown Shoe Company, Inc.
Build-A-Bear Workshop, Inc.
Darden Restaurants, Inc.
Dollar General Corporation
Fortune Brands, Inc.
Harley-Davidson Inc.
Harte-Hanks, Inc.
Interpublic Group of Companies
LSG Sky Chefs
McDonald's Corporation
Newell Rubbermaid Inc.
Service Corporation International
Tenneco Inc.
The Bon-Ton Stores, Inc.
The E.W. Scripps Company
The Timberland Company
Tim Hortons Inc.
Yum! Brands, Inc.

Consumer Staples

Cargill, Incorporated
Coca-Cola Bottling Co. Consolidated
Coca-Cola Enterprises Inc.
ConAgra Foods, Inc.
Energizer Holdings, Inc.
George Weston Limited

High Liner Foods Inc.
Kellogg Company
Kraft Foods Inc.
Loblaw Companies Ltd.
Mars Incorporated
Reynolds American Inc.
Schreiber Foods, Inc.
The Golub Corporation
The Pantry Inc.
The Procter & Gamble Company
TreeHouse Foods, Inc.

Energy

Anadarko Petroleum Corporation
Arch Coal, Inc.
Cabot Oil & Gas Corporation
Cal Dive International Inc.
Callon Petroleum Company
Devon Energy Corporation
Endeavour Corporation
FMC Technologies, Inc.
Marathon Oil Corporation
Newfield Exploration Company
Noble Energy Inc.
Pioneer Natural Resource Company
QEP Resources, Inc.
Quicksilver Resources Inc.
Southern Union Company
Tidewater Inc.

Financials

Argo Group International Holdings, Ltd.
Cullen/Frost Bankers, Inc.
Discover Financial Services
MetLife, Inc.
Moody's Corporation
Ramco-Gershenson Properties Trust
The Economical Insurance Group
The Hanover Insurance Group, Inc.
The NASDAQ OMX Group, Inc.
TransUnion LLC
Walter Investment Management Corp.

Health Care

Alexion Pharmaceuticals, Inc.
Blue Cross & Blue Shield of Kansas City
Blue Cross & Blue Shield of South Carolina
Blue Cross Blue Shield of Arizona
Medtronic, Inc.
Perrigo Company

Industrials

AMR Corp.
Andersen Corporation
Arkansas Best Corporation
ArvinMeritor, Inc.
Avis Budget Group, Inc.
BlueLinx Holdings Inc.
Bombardier Inc.
Burlington Northern Santa Fe Corporation
Caterpillar Inc.
Chicago Bridge & Iron Company N.V.
CSX Corporation
Cummins Inc.
Equifax Inc.
Finning International
Franklin Electric Co Inc
Gardner Denver, Inc.
IHS Inc.
JBT Corporation
Milliken & Company
Mueller Water Products, Inc.
Parker Hannifin Corporation
Robbins & Myers, Inc.
S&C Electric Company
Sauer-Danfoss Inc.
Schneider National, Inc.
SFN Group, Inc.

Terex Corporation
The Dun & Bradstreet Corporation
The Marmon Group
The Shaw Group Inc.
The Toro Company
Wabash National Corporation

Information Technology

Amphenol Corporation
Moneris Solutions Corporation
X-Rite Inc.

Materials

Celanese Corporation
Domtar Corporation
FMC Corporation
Graphic Packaging Corporation
IAMGOLD Corp.
Kaiser Aluminum Corporation
Valspar Corporation

Telecommunication Services

Global Crossing Ltd.
Vonage Holdings Corporation

Utilities

Ameren Corporation
El Paso Electric Company
FirstEnergy Corp.
NiSource, Inc.
ONEOK, Inc.
Progress Energy, Inc.
Questar Corporation

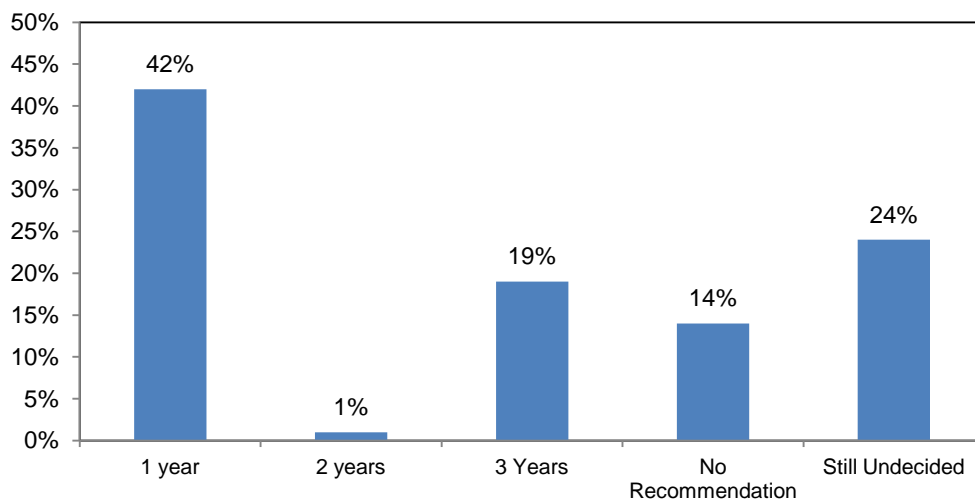
Say on Pay Vote Frequency

Say on Pay Vote Frequency

Board Recommendation to Shareholders

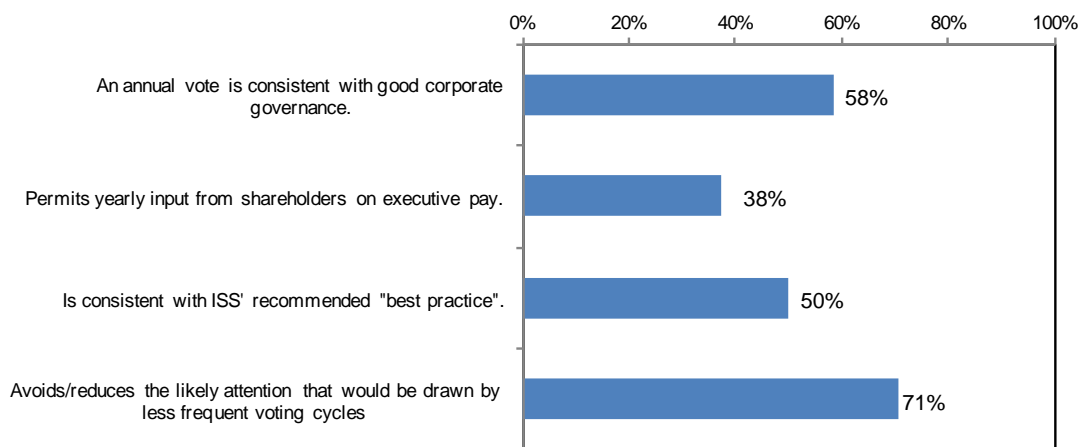
Boards are most often recommending to shareholders that Say on Pay votes should occur on an annual basis which is a change from the early season results. Fully 42% of the 114 respondents state that they have recommended or intend to recommend an annual Say on Vote Frequency of one year. Only 19% of boards from participating companies have recommended or intend to recommend a vote frequency of three years, while a substantial portion (24%) are still undecided.

Say on Vote Frequency — Board Recommendation



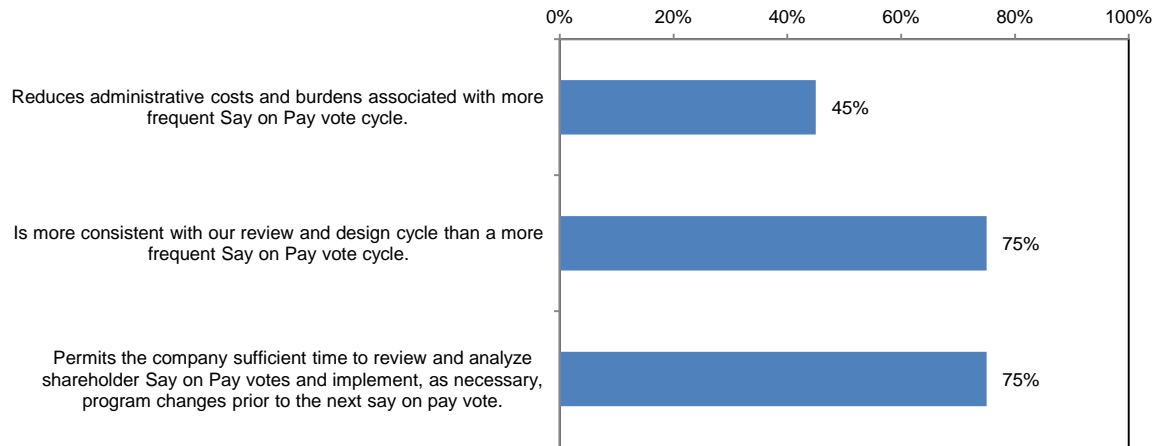
Of companies who recommended or intend to recommend annual Say on Vote Frequency, the most common rationale for this decision was because it avoids or reduces the likely attention that a less frequent recommendation would draw.

Annual Say On Pay — Board Rationale



Companies that have recommend or intend to recommend a biennial or triennial Say on Vote Frequency are doing so most often because they believe an annual recommendation does not provide sufficient time to analyze shareholder Say on Pay votes and implement necessary program changes.

2-3 Year Say On Pay — Board Rationale



2011 Merit Increase Budgets

2011 Merit Increase Budgets

Merit Budget Increase for Executives

Most companies have increased/are increasing their 2011 merit budget for executives anywhere from 2% to 3.4% with the most prevalent range being 3.0% to 3.4% (38% of 114 respondents). Unlike 2010, only 9% of responding companies have implemented or will implement a merit increase budget below 2%, while 13% have implemented or will implement a budget increase above 3.5%. Overall, our survey reveals that 2011 merit budgets are expected to only rise modestly from 2010 levels.

Merit Budget Increase for All Employees

The most prevalent merit increase structure for executives and the general employee population is between a 3.0% and 3.4% increase (38% and 48% of respondents).

2011 Merit Budget Increase Range

Increase Range	Prevalence Executives	Prevalence All Employees
0% (no merit increase for 2011)	5%	0%
< 2.0%	3%	2%
2.0% - 2.9%	19%	31%
3.0% - 3.4%	38%	48%
3.5% - 3.9%	4%	3%
4.0% - 4.4%	2%	6%
4.5% - 5%	2%	3%
> 5.0%	5%	2%
No Fixed Budget	22%	5%

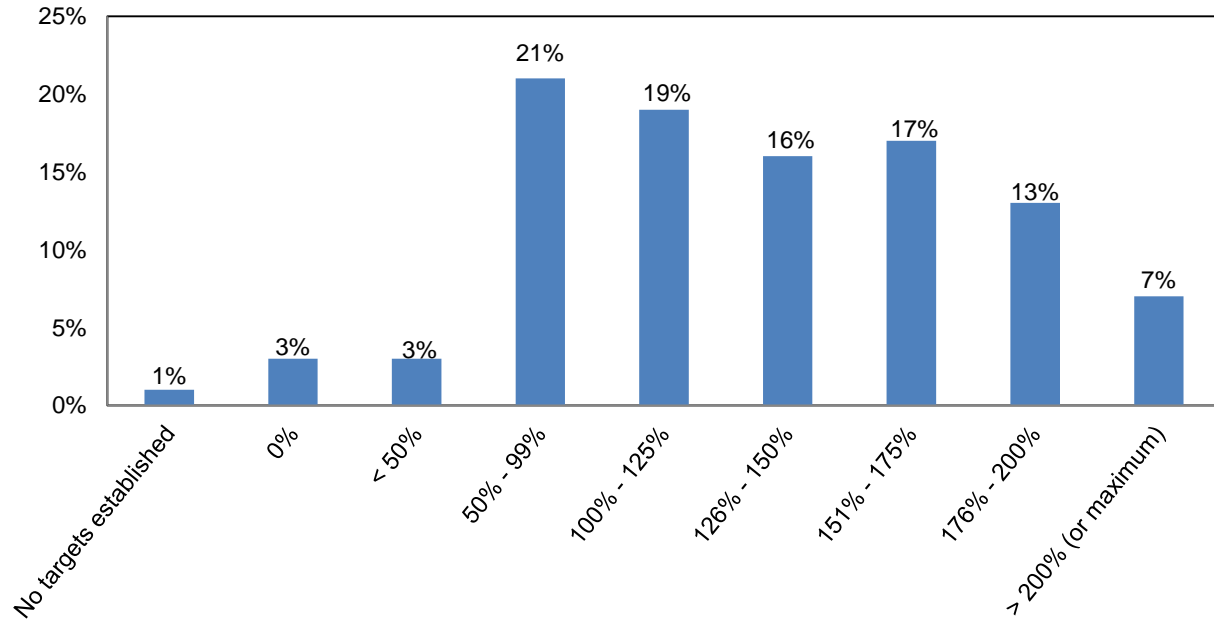
Annual Bonus

Annual Bonus

2011 Annual Incentive Payouts for 2010 Performance

Of the 118 responding companies, 72% paid out annual incentives at or above target in 2011. This is a significant increase over the past two years as financial performance has improved.

2011 Payouts as a Percentage of Target



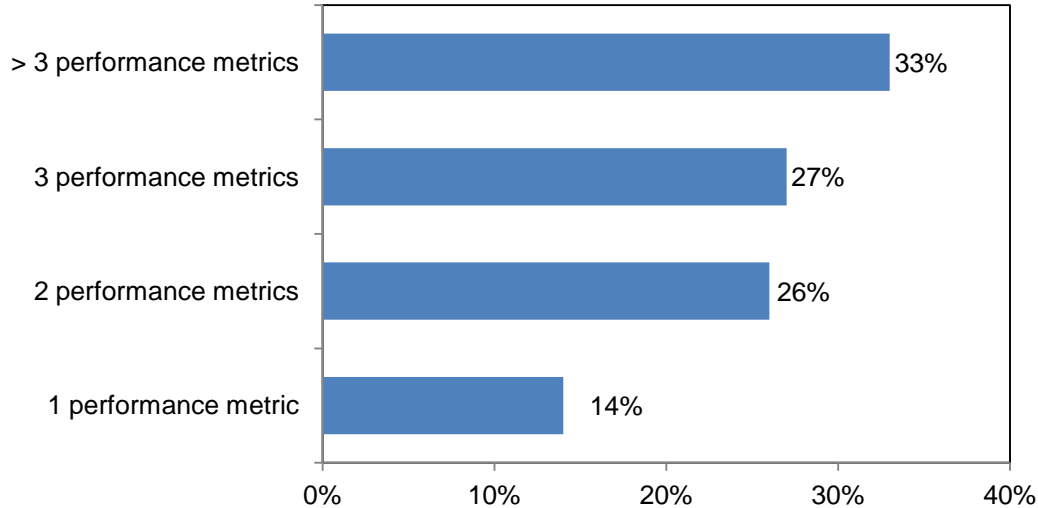
Use of Discretion in Annual Incentive Plan Payouts

The majority of organizations reported not using discretion with respect to the quantitative/financial aspects of their annual bonus programs, other than “negative” discretion used in conjunction with IRC Section 162(m) umbrella plans designed specifically to ensure tax deductibility of bonus plan payouts.

2011 Annual Incentive Performance Metrics

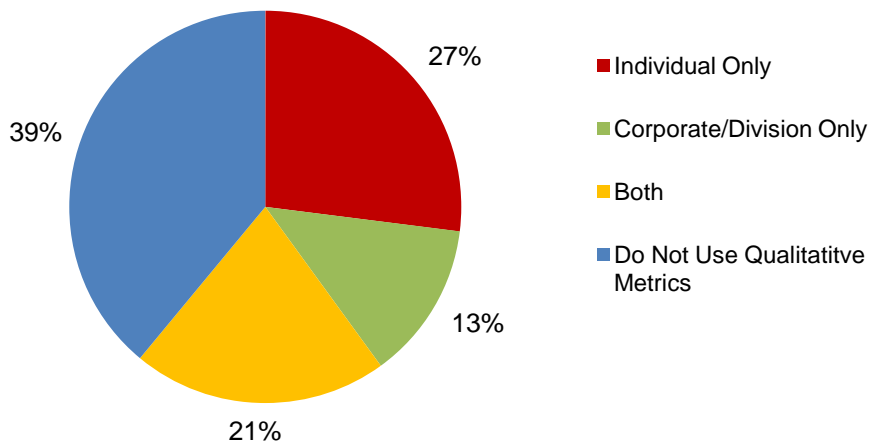
An overwhelming majority of responding companies (86%) are using two or more annual incentive performance metrics in their 2011 annual incentive plan.

Number of Performance Metrics Used

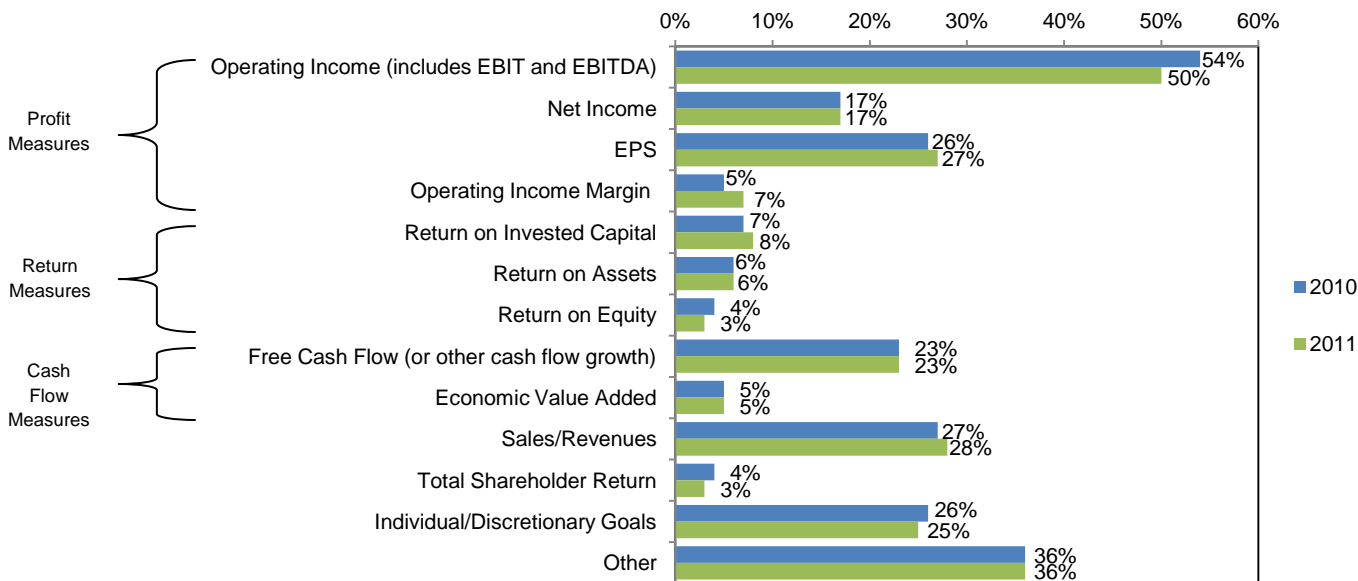


Of the 121 respondents, 39% indicated that no qualitative metrics are used when determining annual incentive payouts for executives. The remainder, 61%, utilize some form of qualitative performance measure when evaluating annual incentive payouts. The pie chart below illustrates the prevalence of qualitative metric used.

Prevalence of Qualitative Metrics



Annual Incentive Performance Metrics



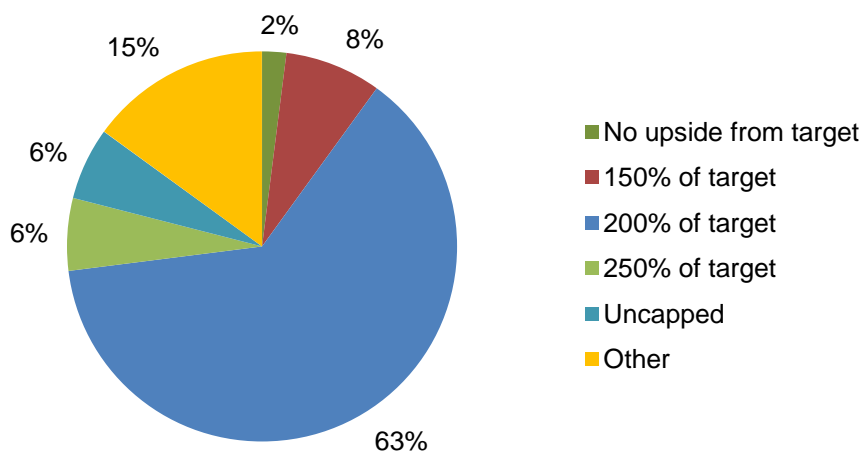
As illustrated above, profit measures were the most commonly used performance metric when evaluating annual performance. The most prevalent performance metric used was operating income (including EBIT and EBITDA). There were modest increases for 2011 in the use of sales/revenue related measures, EPS, Operating Income Margin and ROIC when evaluating performance. Less than 5% of respondents use TSR in their annual incentive plan design, generally preferring to use that metric in long-term incentive plans.

When asked to quantify how 2011 financial goals relate to the previous year’s goals, an overwhelming 78% of respondents indicated that financial performance goals have **increased** over 2010. Only 18% specified that 2011 goals are similar to 2010 goals, while only 4% say they decreased in comparison to 2010. This is another sign of an improving economy.

Plan Design

The overwhelming majority of 122 responding companies indicate that maximum payout for executives in 2011 are 200% of target levels. The majority of companies who responded as “Other” incorporate multiple maximum payout levels for individuals versus corporate/business unit financial performance and/or use individual performance modifier(s).

2011 Maximum Payout Compared to Target

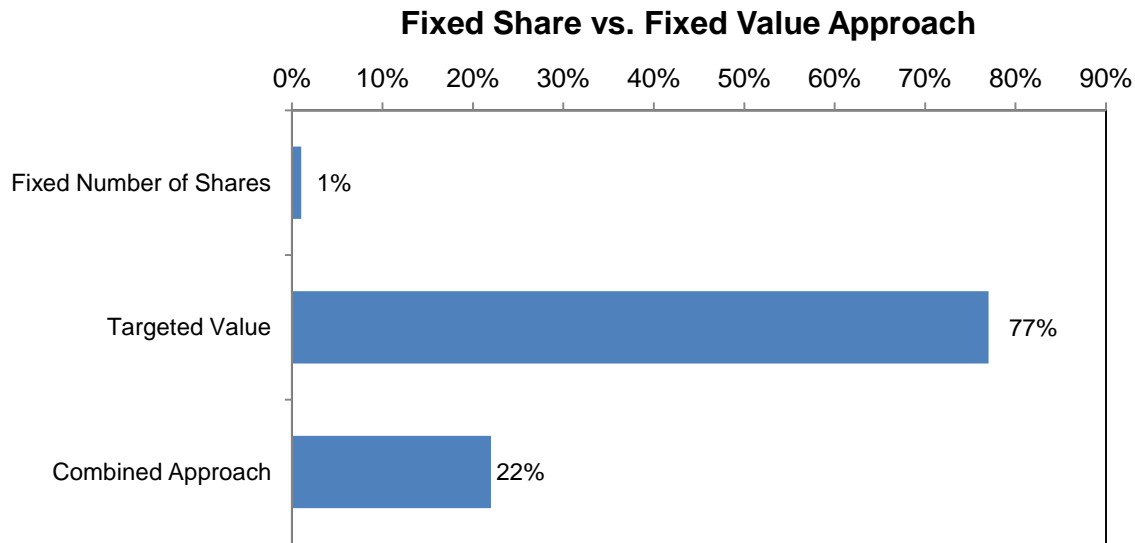


Long-Term Incentives

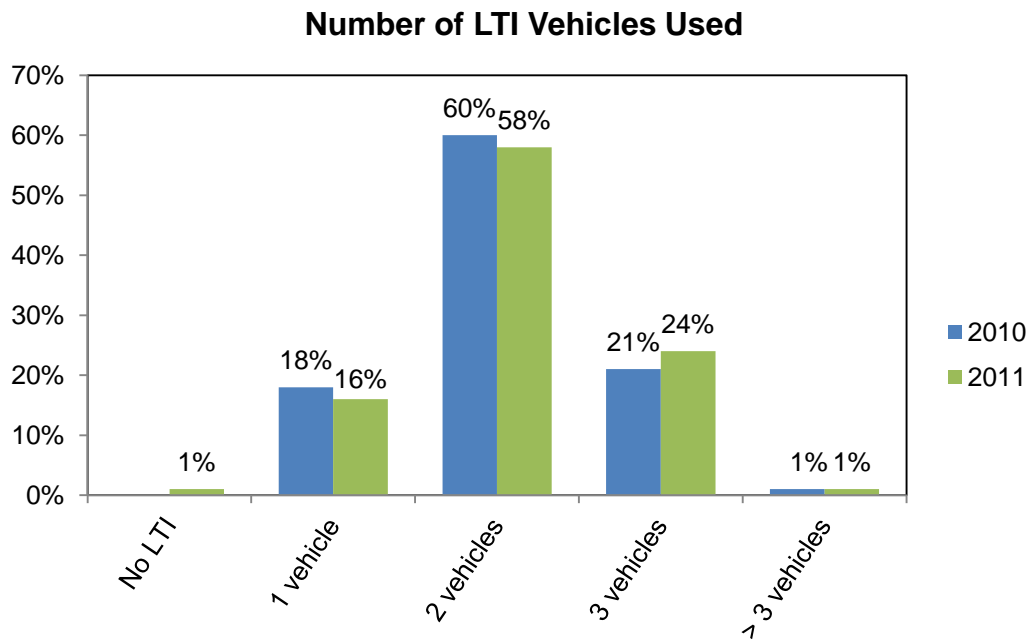
Long-Term Incentives

Plan Design Changes for 2011

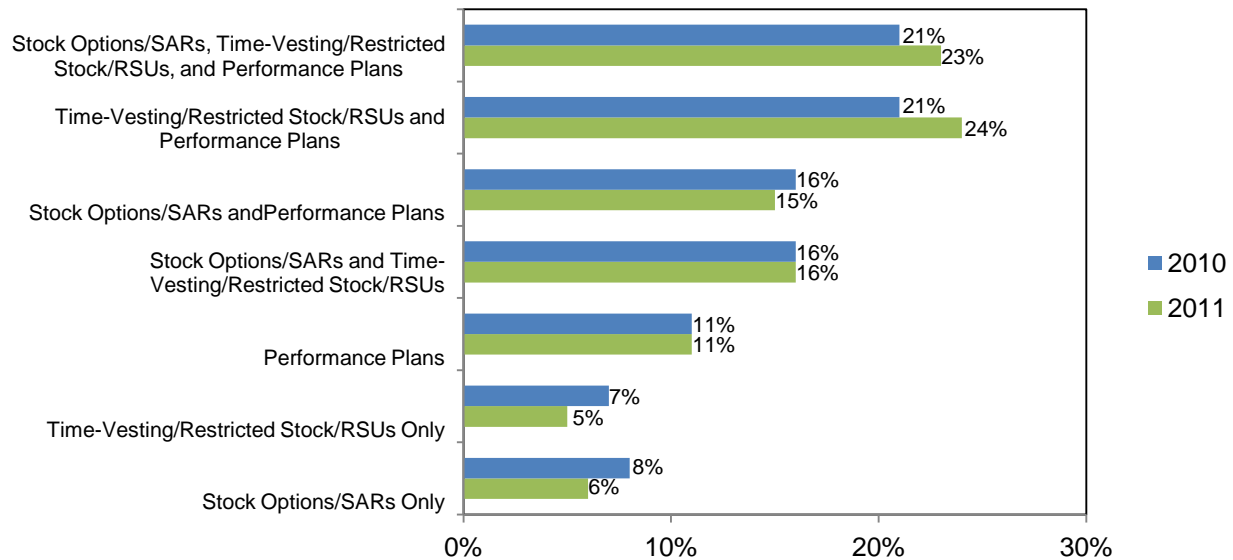
The overwhelming majority of respondents indicate that they use a targeted value approach as opposed to a fixed number of shares. Most companies target a value for key executive positions compared to a custom peer group of 15-25 companies and a specified pay objective against market.



For the 96 respondents who utilize a targeted value approach, 52% indicate that 2011 grants have a **higher** targeted economic value than 2010 grants (often 5%-15%). Approximately 43% expect 2011 targeted LTI values to be unadjusted from 2010 levels while only 5% expect them to be lower. As shown below, there has been a slight increase in the number of LTI vehicles being utilized by companies in 2011.



Most Common LTI Vehicle Mix

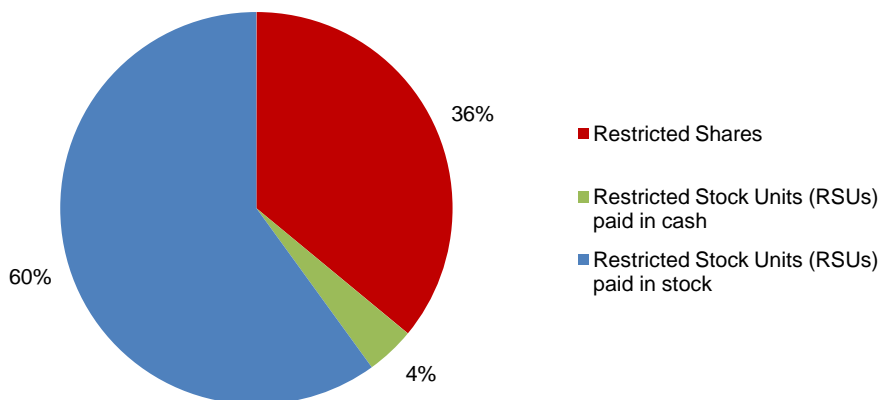


The most common LTI vehicle mix continues to be a diversified portfolio approach, using a share appreciation award (most often stock options or stock appreciation rights), a time-based full value award (typically restricted stock or units) and a performance-based full value award (i.e., performance shares or performance units/cash). The use of stock options has slightly declined across all equity vehicle mixes.

Time-Based Full Value Award Details

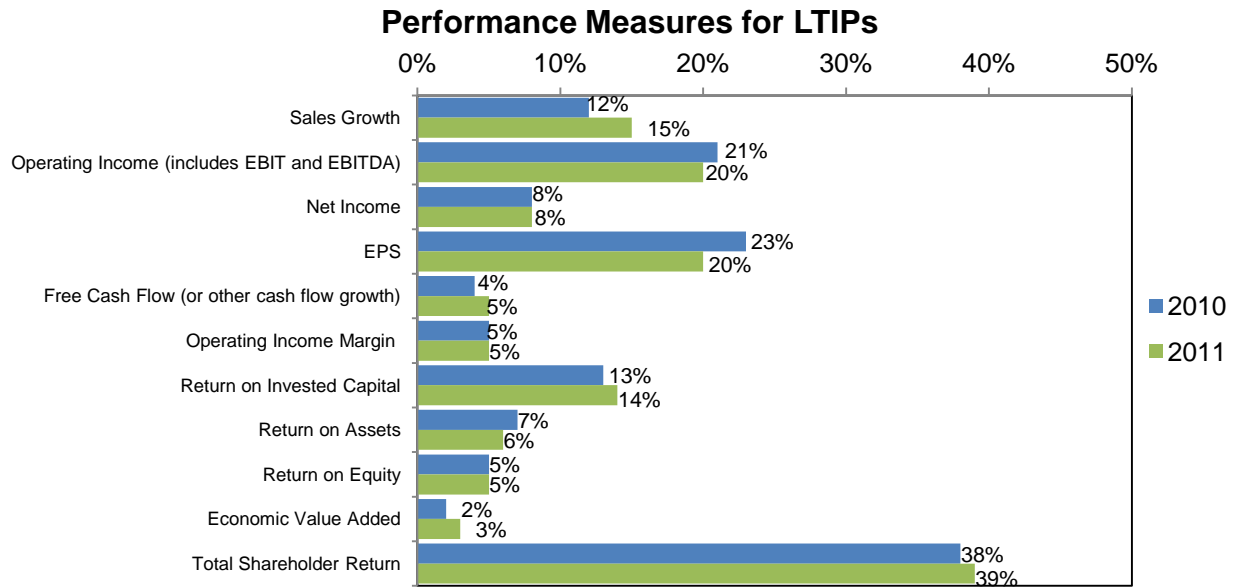
72% of survey respondents indicate that they are utilizing a time-based full value award (i.e., restricted stock or restricted stock units), in 2011. For those companies, the most prevalent practice is to grant RSUs that pay out in company stock (60% of companies). Forty-five percent of companies granting RSUs in 2011 also provide the executive with dividend equivalents.

Full Value Award Type



Performance-Based Full Value Award Details

Almost 100 of 122 responding companies (79%) indicate that they are utilizing a performance-based full value award (i.e., performance shares or performance units/cash) in 2011.



The most utilized performance metric for long-term performance plan awards is total shareholder return, which increased modestly in 2011. TSR is often used on a relative basis vs. other peer companies. Also increasing in prevalence for 2011 was the use of a sales or revenue growth related measure, cash flow related measures, and return on invested capital. Metrics that are less utilized in 2011 are operating income (e.g., EBIT, EBITDA), and return on assets (ROA).

Of those companies who use a long-term performance-based plan, 40% use **relative** performance metrics, measured against a peer group or index, as opposed to absolute metrics.

The pie chart below illustrates 55% of companies who utilize a performance-based plan set maximum payout opportunities at 200% of target while 12% establish maximum payouts above 200% of target.

