

COMPENSATION COMMITTEE HANDBOOK

S&P 500 Long-Term Incentive Mix Statistics

Meridian reviewed the mix of long-term incentives granted to S&P 500 CEOs in the most recent fiscal year (e.g., calendar 2010). We analyzed the data in terms of both prevalence of vehicle and percentage of grant value provided in each vehicle type.

Our general findings were as follows.

- The prevalence of each vehicle type is relatively even as shown below. Other survey data suggests that stock options have declined in prevalence (by approximately 10 percentage points over the past 4 years) and performance plans have increased in prevalence by approximately the same margin.

Type of Vehicle	S&P 500 Prevalence
Stock options (includes all types of stock option designs, and SARs)	76%
Performance plans (includes performance shares and units and performance-based restricted stock)	69%
Time-based restricted stock	63%

- Across all S&P 500 companies, the mix of the three long-term incentive elements is also fairly even, though time-based restricted stock has a somewhat lower mix percent than the other vehicles.

Type of Vehicle	Weight in S&P 500 CEO LTI Opportunity	
	Average	Median
Stock options	35%	33%
Performance plans	36%	33%
Time-based restricted stock	28%	25%
Total	100%	N/A (Medians are independently derived and do not add to 100%)

Detailed Findings

Table 1: Prevalence and Percent of Value Delivered in Each Equity Vehicle

Equity Mix (based on proxy Grants of Plan-Based Awards Table)	Prevalence		Percent of Value Delivered		
	# of Companies	% of Companies	Options	Performance Awards	Time-Based Restr. Stock
All Three Vehicles					
Options + Time-Based Restr. Stock + Performance Awards	126	26%	33%	37%	30%
Two Vehicles					
Options + Performance Awards	107	22%	44%	56%	0%
Options + Time-Based Restr. Stock	90	18%	51%	0%	49%
Time-Based Restr. Stock + Performance Awards	49	10%	0%	56%	44%
One Vehicle					
Performance Awards Only	34	7%	0%	100%	0%
Time-based Restr. Stock Only	27	6%	0%	0%	100%
Options Only	28	6%	100%	0%	0%
No LTI	26	5%	--	--	--
All Equity Mixes	487	100%	35.3%	36.4%	28.3%

Table 2: Weight in LTI Mix – Percent of companies with at least a specified value percentage i.e., percents are cumulative. The boxed figures represent the medians

% of Companies With at Least the Specified Value Mix			
Weight in LTI Mix of:	Stock Options	Performance Plans	Restricted Stock
100%	6%	7%	6%
90%	7%	8%	6%
80%	8%	10%	7%
75%	9%	12%	9%
70%	11%	16%	10%
67%	13%	18%	11%
60%	15%	23%	14%
50%	26%	35%	22%
40%	43%	45%	31%
33%	51%	52%	39%
30%	57%	59%	43%
25%	64%	63%	50%
20%	70%	66%	55%
10%	75%	69%	61%
>0% - 9.99%	76%	69%	63%
0%	24%	31%	37%

Table 3: Weight in LTI Mix – Percent of companies using each specified range (same information as Table 2, but percents are not cumulative). The boxed figures again represent the medians

% of Companies with the Specified Range of Value Mix			
Weight in LTI Mix of:	Stock Options	Performance Plans	Restricted Stock
100%	6%	7%	6%
90% - 99.9%	1%	0%	0%
80%- 89.9%	1%	2%	1%
70% - 79.9%	3%	6%	3%
60% - 69.9%	5%	7%	4%
50% - 59.9%	10%	12%	9%
40% - 49.9%	17%	10%	8%
30% - 39.9%	15%	13%	13%
20% - 29.9%	12%	7%	11%
10% - 19.9%	5%	3%	6%
>0% - 9.99%	2%	0%	2%
0%	24%	31%	37%

Methodology

Data represents latest grants made to S&P 500 CEOs as disclosed in most recent proxy statements (i.e., fiscal year 2010 for most companies).

All grant amounts represent the accounting values disclosed in the Grants of Plan-Based Awards table within proxy statements. Details by type of plan:

- Options: Black-Scholes value used for accounting expense purposes
- Performance plans with non-market-based measure, or performance unit (cash) plans: Target value using grant date stock price
- Performance plans with a market-based measure (e.g., relative TSR): Monte Carlo valuation using grant date stock price
- Time-based restricted stock: Grant date stock price.

Because companies currently participating in the Troubled Asset Relief Program (TARP) can only grant time-based restricted stock (not stock options or performance plans), we removed them from our analysis. Ten S&P 500 companies were TARP participants at the times of their disclosed LTI grants.