



2008 DIRECTOR COMPENSATION STUDY

Study of the Top 200 Corporations

Introduction

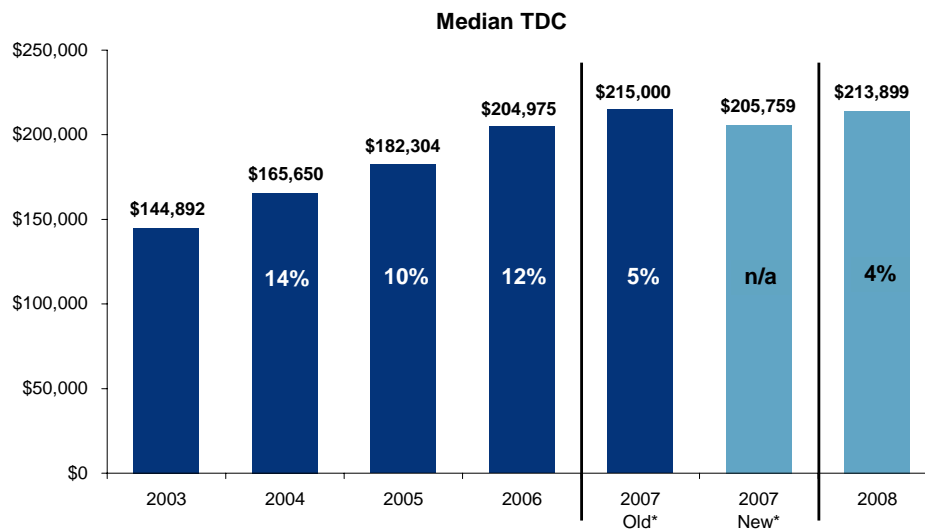
Pearl Meyer & Partners' **2008 Director Compensation Report** provides an overview of pay practices for non-employee Directors of the Top 200 U.S. industrial and service companies as reported in 2008 proxy filings. For the second consecutive year, thanks to revised disclosure rules, the study captures actual average pay per Director as well as expanded information on Board pay practices.

Among the findings of this year's study:

- More limited growth in Director pay levels, suggesting that meaningful compensation program adjustments made in response to Sarbanes-Oxley are mostly complete
- For the first time, Director fees for attending meetings are provided by fewer than half of the Top 200 companies
- Stock option use is at an all time low, with fewer than one-third of the Top 200 companies granting options
- Full-value share awards are now an element of Board compensation at nearly every Top 200 company

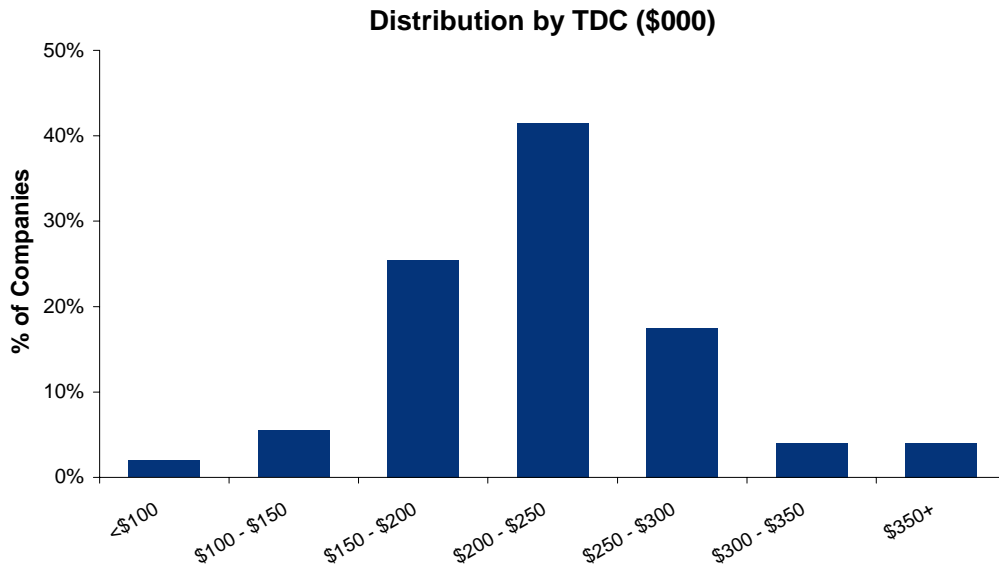
Total Direct Compensation

Generally, growth in levels of Director pay among the nation's largest and most prominent companies has slowed in the past two years. Increases were limited to 4% and 5% in 2008 and 2007, respectively, compared to double-digit increases in each of the prior three years. At median, pay per non-employee Director reported in 2008 approached \$214,000.



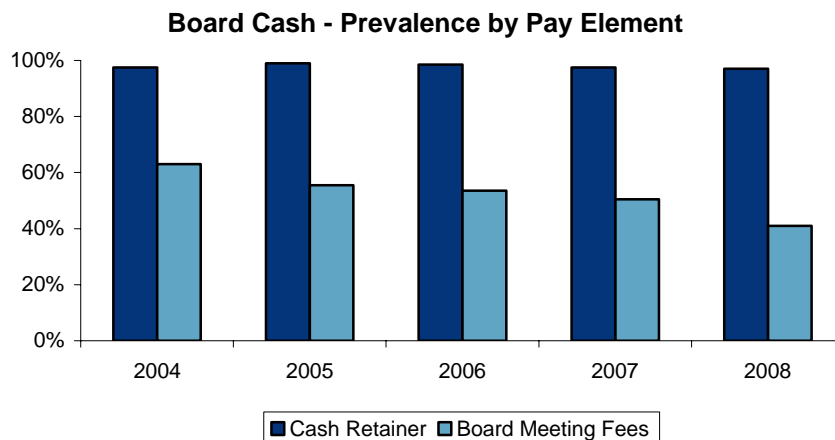
* Note that 2007 served as a transitional year from old to new methodology

The range of total pay levels also narrowed: nearly half of the Top 200 companies reported Board compensation in the neighborhood of \$200,000 to \$250,000, while fully 85% paid between \$150,000 and \$300,000. There were very few outliers at either the high or low ends of the spectrum, a trend that we expect to continue as more companies move toward a standardized structure for Director pay packages.



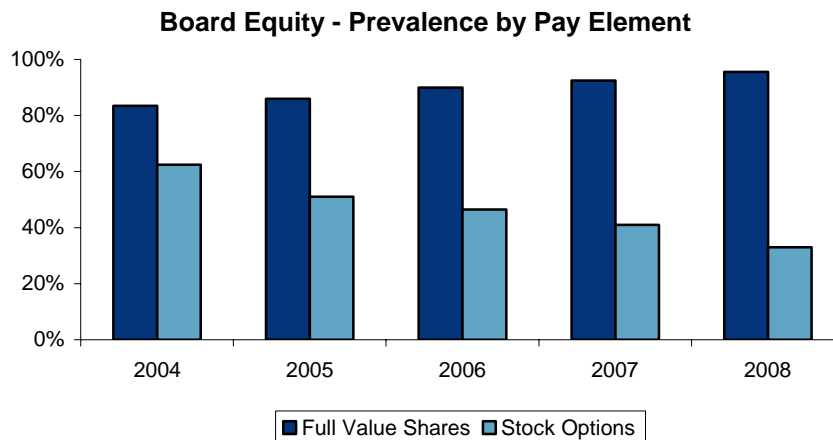
Total Board Cash

Median cash compensation for service as a member of the full Board (i.e., no Committee responsibilities) rose 4% to an even \$75,000, fueled by a \$10,000 increase in the median Board retainer. Retainers historically have been by far the most universal component of Director pay programs, and are gaining in importance as companies move away from the practice of rewarding members specifically for attendance at individual meetings. With Directors now spending considerably more time on company-related business outside of regularly scheduled meetings, many companies are finding it easier and more appropriate to pay for general service as a Board member through fixed retainers, rather than compensating members for attending meetings. As a result, just 41% of the Top 200 companies provided board meeting fees, compared to more than 60% of companies that did so four years earlier.



Total Board Equity

The median value of total equity provided to Directors was \$120,000, up nearly \$10,000, or 9%, over the previous year. A review of equity compensation reveals another ongoing shift in the structure of Board pay: a growing reliance on grants of full-value shares (such as restricted stock) rather than stock options. More than 90% of Top 200 companies reported making annual grants of full-value shares to Directors, compared to just 29% of companies that granted options. Prevalence is even higher when including companies making one time grants to incoming Directors or allowing cash compensation to be deferred into stock.

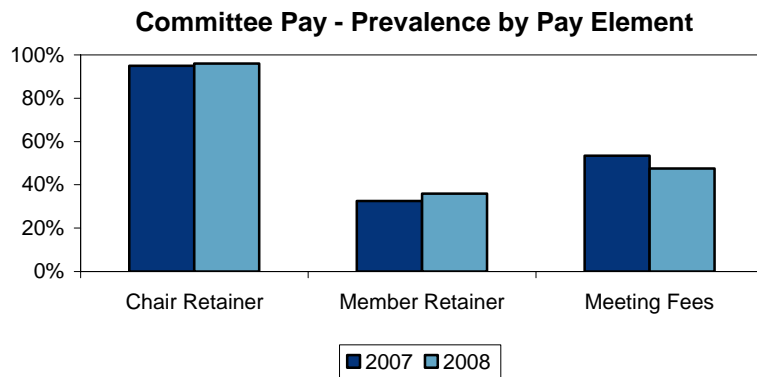


The retreat from stock options began with the implementation of FAS 123R in 2005, which required companies to expense the cost of stock option awards. More recently, there has been growing concern among governance activists that stock options can misalign Director and shareholder interests by encouraging a focus on short-term stock price appreciation, rather than long-term organizational success – potentially getting in the way of a Director’s fiduciary duties.

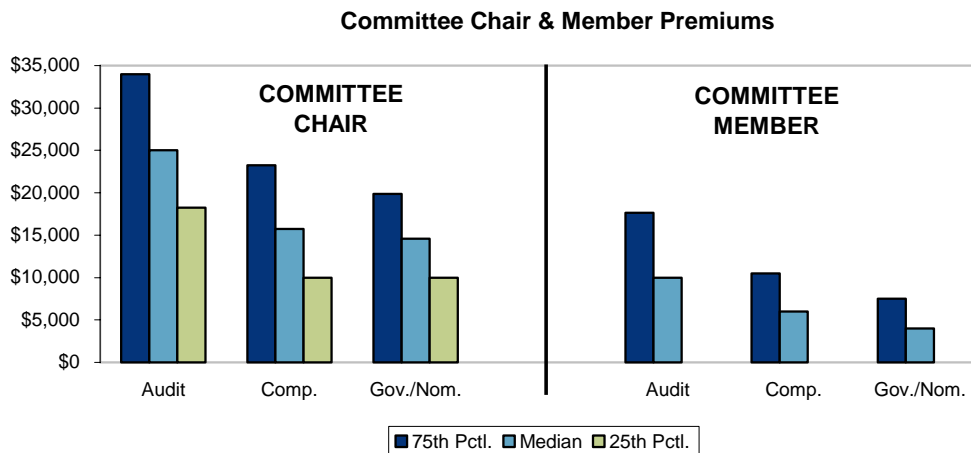
As a result of the sharp decline in stock prices in the latter half of 2008, many companies face significant new challenges in determining their next round of equity awards. For example, if a company pegs its annual Board grants to a dollar value, but the stock is trading at half the price of a year earlier, it would require twice the dilutive impact to deliver the same equity value. To address this concern, companies might opt instead to cap the number of shares they deliver, or to freeze share usage at a level consistent with the prior year. Companies might also switch to a non-dilutive form of long-term incentive compensation for Director awards, such as phantom units, in place of restricted stock. Notwithstanding recent trends, we may also see companies that are recognized as undervalued take advantage of the decline in stock price by reintroducing option awards into the director pay mix.

Compensation for Committee Service

Like the trend towards payment of a larger annual retainer in lieu of Board meeting fees, companies are moving away from the use of committee meeting fees in favor of providing retainers to Chairs and members. As with Board service, attendance at committee meetings is being viewed more as an inherent part of the Director's job. Another factor is that committee members today are spending considerably more time outside of formal meetings on committee business.



Median pay for the Chairs and members of the three most prevalent Board Committees – Audit, Compensation and Governance/Nominating – was largely unchanged from the previous year. Service on the Audit Committee continues to draw a sizeable pay premium, with median fees for Audit Chairs of \$25,000 (retainer plus meeting fees), compared to \$15,750 and \$14,600, respectively, for their counterparts on the Compensation and Governance Committees. Similarly, median compensation for Audit Committee members stood at \$10,000, while Compensation and Governance Committee members received \$6,000 and \$4,000, respectively.



Industry Practices

For the second straight year, companies in the **Securities, Petroleum/Crude-Oil Production & Pipelines, Healthcare** and **Diversified Financials** industries reported the highest level of Director pay among the 25 sectors studied. This marks the fifth straight year in which **Securities** Boards were pay leaders; they also were the only sector reporting median Board pay in excess of \$300,000. The four highest paying sectors were alone in delivering more than \$250,000 in median TDC: approximately \$305,000 for **Securities**; \$294,000 for **Petroleum/Crude-Oil Production & Pipelines**; \$269,000 for **Healthcare**; and \$255,000 for **Diversified Financials**.

In contrast, the four lowest paying industries – **General Merchandisers, Energy/Utilities, Transportation/Delivery**, and **Motor Vehicles & Parts** – paid their Directors less than \$200,000 a year. Median pay ranged from approximately \$187,000 among **General Merchandisers** to \$197,000 at **Motor Vehicles & Parts** companies.

The other 17 industries studied all delivered median TDC of between \$200,000 and \$250,000.

Total Direct Compensation by Industry

Industry	25th Percentile	Variance to Top 200	Median	Variance to Top 200	75th Percentile	Variance to Top 200
Securities	\$264,611	40%	\$305,278	43%	\$399,482	59%
Petroleum / Crude-Oil Production & Pipelines	246,875	30%	294,316	38%	360,627	43%
Healthcare	248,660	31%	268,884	26%	289,311	15%
Diversified Financials	231,072	22%	254,644	19%	260,655	3%
Computer Products & Services	\$210,407	11%	\$244,136	14%	\$305,480	21%
Construction / Engineering	202,949	7%	236,184	10%	273,771	9%
Telecommunications	206,356	9%	233,666	9%	245,341	-3%
Commercial Banks	201,119	6%	231,568	8%	249,181	-1%
Consumer Products	213,159	13%	230,050	8%	245,477	-3%
Specialty Retailers	192,400	2%	227,706	6%	247,510	-2%
Electronics / Electrical Equipment	185,395	-2%	225,385	5%	229,632	-9%
Aerospace & Defense	207,929	10%	224,500	5%	257,111	2%
Insurance	190,455	1%	220,200	3%	243,450	-3%
Pharmaceuticals	211,250	12%	214,163	0%	230,409	-9%
Food / Beverage / Tobacco	181,250	-4%	210,713	-1%	252,750	0%
Chemicals / Paper Products	170,000	-10%	210,500	-2%	222,727	-12%
Wholesalers / Distributors	187,014	-1%	207,784	-3%	221,625	-12%
Food / Drug Stores Chains	196,297	4%	205,041	-4%	209,687	-17%
Entertainment / Hotels / Restaurants	190,241	1%	204,766	-4%	221,050	-12%
Industrial, Machinery & Metal Products	174,968	-8%	203,833	-5%	214,989	-15%
Miscellaneous	176,346	-7%	201,000	-6%	219,274	-13%
Motor Vehicles & Parts	\$151,940	-20%	\$197,125	-8%	\$206,833	-18%
Transportation / Delivery	66,132	-65%	194,444	-9%	263,906	5%
Energy / Utilities	175,549	-7%	189,000	-12%	213,944	-15%
General Merchandisers	178,245	-6%	186,941	-13%	200,741	-20%
Top 200	\$189,225	---	\$213,899	---	\$251,870	---

METHODOLOGY

- Board fees are based on the actual number of Board meetings held
- Directors are assumed to have served for the entire year and attended all Board meetings
- Total Committee compensation includes all committees of the Board and reflects both actual committee assignments and actual number of meetings held
- Equity grants are valued at the closing stock price on the date of each company's annual meeting
 - Full value stock grants are valued at "grant date" fair market value
 - Stock options are valued according to each Company's FAS 123R reported value
 - One-time equity grants are annualized over five years
- Proxy-disclosed changes to a company's Director compensation program are reflected in our data

Company Name	Fortune Rank	Industry
3M Company	100	Miscellaneous
Abbott Laboratories	96	Pharmaceuticals
AES Corporation, The	183	Energy/Utilities
Aetna	85	Healthcare
Aflac Incorporated	165	Insurance
Alcoa, Inc.	80	Industrial, Machinery & Metal Products
Allstate Corporation, The	64	Insurance
Altria Group, Inc.	61	Food / Beverage / Tobacco
Amazon.com, Inc.	171	Miscellaneous
American Electric Power Company, Inc.	196	Energy / Utilities
American Express Company	75	Diversified Financials
American International Group, Inc.	13	Insurance
AmerisourceBergen Corporation	28	Wholesalers / Distributors
Amgen, Inc.	173	Pharmaceuticals
AMR Corporation	109	Transportation / Delivery
Anadarko Petroleum Corporation	159	Petroleum / Crude-Oil Production & Pipelines
Anheuser-Busch Companies, Inc.	149	Food / Beverage / Tobacco
Archer-Daniels-Midland Company	52	Food / Beverage / Tobacco
Arrow Electronics, Inc.	158	Wholesalers / Distributors
AT&T, Inc.	10	Telecommunications
Autonation, Inc.	138	Specialty Retailers
Avnet, Inc.	163	Wholesalers / Distributors
Bank of America Corporation	9	Commercial Banks
Bank of New York Mellon Corporation, The	172	Commercial Banks
Best Buy Co., Inc.	66	Specialty Retailers
Boeing Company, The	27	Aerospace & Defense
Bristol-Myers Squibb Company	125	Pharmaceuticals
Burlington Northern Santa Fe Corporation	160	Transportation / Delivery
Capital One Financial Corporation	130	Commercial Banks
Cardinal Health, Inc.	19	Wholesalers / Distributors
Caterpillar, Inc.	50	Industrial, Machinery & Metal Products
Centex Corporation	177	Construction / Engineering
Chevron Corporation	3	Petroleum / Crude-Oil Production & Pipelines
Chubb Corporation, The	180	Insurance
Cigna Corporation	141	Healthcare
Circuit City Stores, Inc.	215	Specialty Retailers
Cisco Systems, Inc.	71	Electronics / Electrical Equipment
Citigroup, Inc.	8	Commercial Banks
Coca-Cola Company, The	83	Food / Beverage / Tobacco
Coca-Cola Enterprises, Inc.	118	Food / Beverage / Tobacco
Colgate-Palmolive Company	186	Consumer Products
Comcast Corporation	79	Telecommunications
Computer Sciences Corporation	170	Computer Products & Services
Conagra Foods, Inc.	210	Food / Beverage / Tobacco
ConocoPhillips	5	Petroleum / Crude-Oil Production & Pipelines
Consolidated Edison, Inc.	195	Energy / Utilities
Constellation Energy Group, Inc.	117	Energy / Utilities
Continental Airlines, Inc.	178	Transportation / Delivery
Costco Wholesale Corporation	29	Specialty Retailers
Cummins, Inc.	206	Industrial, Machinery & Metal Products
CVS Caremark Corporation	24	Food / Drug Stores Chains
Dean Foods Company	224	Food / Beverage / Tobacco
Deere & Company	102	Industrial, Machinery & Metal Products
Dell, Inc.	34	Computer Products & Services
Delta Air Lines, Inc.	129	Transportation / Delivery
Devon Energy Corporation	221	Petroleum / Crude-Oil Production & Pipelines
DirecTV Group, Inc.	143	Telecommunications
Dominion Resources, Inc.	161	Energy / Utilities
Dow Chemical Company, The	42	Chemicals / Paper Products
E. I. Du Pont De Nemours and Company	81	Chemicals / Paper Products
Eaton Corporation	207	Industrial, Machinery & Metal Products
Edison International	205	Energy / Utilities
Electronic Data Systems Corporation	115	Computer Products & Services
Eli Lilly and Company	133	Pharmaceuticals
EMC Corporation	201	Computer Products & Services
Emerson Electric Co.	111	Electronics / Electrical Equipment
Entergy Corporation	231	Energy / Utilities
Exelon Corporation	131	Energy / Utilities
Express Scripts, Inc.	135	Healthcare
Exxon Mobil Corporation	2	Petroleum / Crude-Oil Production & Pipelines
FedEx Corporation	68	Transportation / Delivery
Firstenergy Corp.	209	Energy / Utilities
Fluor Corporation	148	Construction / Engineering
Ford Motor Company	7	Motor Vehicle & Parts
FPL Group, Inc.	168	Energy / Utilities
Freeport-McMoRan Copper & Gold, Inc.	140	Miscellaneous
Gap, Inc. The	162	Specialty Retailers
General Dynamics Corporation	87	Aerospace & Defense
General Electric Company	6	Diversified Financials
General Mills, Inc.	214	Food / Beverage / Tobacco
General Motors Corporation	4	Motor Vehicles & Parts

Company	Fortune Rank	Industry
Goldman Sachs Group, Inc., The	20	Securities
Goodyear Tire & Rubber Company, The	119	Motor Vehicle & Parts
Halliburton Company	167	Construction / Engineering
Hartford Financial Services Group, Inc., The	95	Insurance
Health Net, Inc.	179	Healthcare
Hess Corporation	77	Petroleum / Crude-Oil Production & Pipelines
Hewlett-Packard Company	14	Computer Products & Services
Home Depot, Inc., The	22	Specialty Retailers
Honeywell International, Inc.	73	Aerospace & Defense
Humana, Inc.	98	Healthcare
Illinois Tool Works, Inc.	155	Industrial, Machinery & Metal Products
Ingram Micro, Inc.	69	Wholesalers / Distributors
Intel Corporation	60	Electronics / Electrical Equipment
International Business Machines Corporation	15	Computer Products & Services
International Paper Company	114	Chemicals / Paper Products
J.C. Penney Company, Inc.	126	General Merchandisers
Jabil Circuit, Inc.	219	Electronics / Electrical Equipment
Johnson & Johnson	35	Pharmaceuticals
Johnson Controls, Inc.	72	Motor Vehicles & Parts
JPMorgan Chase & Co.	12	Commercial Banks
Kellogg Company	227	Food / Beverage / Tobacco
Kimberly-Clark Corporation	136	Consumer Products
Kohl's Corporation	152	General Merchandisers
Kraft Foods, Inc.	63	Food / Beverage / Tobacco
Kroger Co., The	26	Food / Drug Stores Chains
L-3 Communications Holdings, Inc.	182	Aerospace & Defense
Lear Corporation	157	Motor Vehicles & Parts
Lehman Brothers Holdings, Inc.	37	Securities
Lockheed Martin Corporation	57	Aerospace & Defense
Lowe's Companies, Inc.	48	Specialty Retailers
Macy's Inc.	91	General Merchandisers
Manpower, Inc.	120	Miscellaneous
Marathon Oil Corporation	36	Petroleum / Crude-Oil Production & Pipelines
Marriott International, Inc.	197	Entertainment / Hotels / Restaurants
Marsh & McLennan Companies, Inc.	220	Diversified Financials
Masco Corporation	223	Construction / Engineering
McDonald's Corporation	106	Entertainment / Hotels / Restaurants
McKesson Corporation	18	Wholesalers / Distributors
Medco Health Solutions, Inc.	51	Healthcare
Medtronic, Inc.	217	Miscellaneous
Merck & Co., Inc.	101	Pharmaceuticals
Merrill Lynch & Co., Inc.	30	Securities
Metlife, Inc.	43	Insurance
Microsoft Corporation	44	Computer Products & Services
Morgan Stanley	21	Securities
Motorola, Inc.	65	Electronics / Electrical Equipment
Murphy Oil Corporation	134	Petroleum / Crude-Oil Production & Pipelines
National City Corporation	226	Commercial Banks
Nike, Inc.	153	Consumer Products
Northrop Grumman Corporation	76	Aerospace & Defense
Nucor Corporation	151	Industrial, Machinery & Metal Products
Occidental Petroleum Corporation	123	Petroleum / Crude-Oil Production & Pipelines
Office Depot, Inc.	164	Specialty Retailers
Omnicom Group, Inc.	211	Miscellaneous
Oneok, Inc.	192	Energy / Utilities
Oracle Corporation	137	Computer Products & Services
Paccar, Inc.	169	Motor Vehicles & Parts
Penske Automotive Group, Inc.	194	Specialty Retailers
Pepsi Bottling Group, Inc., The	190	Food / Beverage / Tobacco
Pepsico, Inc.	59	Food / Beverage / Tobacco
Pfizer, Inc.	47	Pharmaceuticals
PG&E Corporation	200	Energy / Utilities
PPG Industries, Inc.	218	Chemicals / Paper Products
Procter & Gamble Company, The	23	Consumer Products
Progressive Corporation, The	175	Insurance
Prudential Financial, Inc.	74	Insurance
Public Service Enterprise Group Incorporated	198	Energy / Utilities
Qwest Communications International Inc.	187	Telecommunications
R.R. Donnelley & Sons Company	229	Miscellaneous
Raytheon Company	112	Aerospace & Defense
Rite Aid Corporation	142	Food / Drug Stores Chains
Safeway, Inc.	55	Food / Drug Stores Chains
Sara Lee Corporation	203	Food / Beverage / Tobacco
Schering-Plough Corporation	212	Pharmaceuticals
Sears Holdings Corporation	45	General Merchandisers
Smithfield Foods, Inc.	222	Food / Beverage / Tobacco
Southern Company, The	166	Energy / Utilities
Sprint Nextel Corporation	58	Telecommunications
Staples, Inc.	128	Specialty Retailers
State Street Corporation	225	Commercial Banks
Sun Microsystems, Inc.	184	Computer Products & Services

Company	Fortune Rank	Industry
Sunoco, Inc.	56	Petroleum / Crude-Oil Production & Pipelines
Suntrust Banks, Inc.	193	Commercial Banks
Supervalu, Inc.	62	Wholesalers / Distributors
Sysco Corporation	70	Wholesalers / Distributors
Target Corporation	31	General Merchandisers
Tech Data Corporation	105	Wholesalers / Distributors
Tesoro Corporation	116	Petroleum / Crude-Oil Production & Pipelines
Texas Instruments Incorporated	185	Electronics / Electrical Equipment
Textron, Inc.	202	Aerospace & Defense
Time Warner, Inc.	49	Entertainment / Hotels / Restaurants
TJX Companies, Inc., The	132	Specialty Retailers
Travelers Companies, Inc., The	93	Insurance
TRW Automotive Holdings Corp.	174	Motor Vehicles & Parts
U.S. Bancorp	122	Commercial Banks
UAL Corporation	124	Transportation / Delivery
Union Pacific Corporation	154	Transportation / Delivery
United Parcel Service, Inc.	46	Transportation / Delivery
United States Steel Corporation	146	Industrial, Machinery & Metal Products
United Technologies Corporation	39	Aerospace & Defense
UnitedHealth Group Incorporated	25	Healthcare
US Airways Group, Inc.	228	Transportation / Delivery
Valero Energy Corporation	16	Petroleum / Crude-Oil Production & Pipelines
Verizon Communications, Inc.	17	Telecommunications
Viacom, Inc.	191	Entertainment / Hotels / Restaurants
Wachovia Corporation	38	Commercial Banks
Walgreen Co.	40	Food / Drug Stores Chains
Wal-Mart Stores, Inc.	1	General Merchandisers
Walt Disney Company, Inc.	67	Entertainment / Hotels / Restaurants
Washington Mutual, Inc.	97	Commercial Banks
Waste Management, Inc.	199	Miscellaneous
Wellpoint, Inc.	33	Healthcare
Wells Fargo & Company	41	Commercial Banks
Weyerhaeuser Company	147	Chemicals / Paper Products
Whirlpool Corporation	127	Electronics / Electrical Equipment
Williams Companies, Inc., The	208	Energy / Utilities
World Fuel Services Corporation	188	Wholesalers / Distributors
Wyeth	113	Pharmaceuticals
Xerox Corporation	144	Computer Products & Services

About Pearl Meyer & Partners

As leading independent compensation consultants, Pearl Meyer & Partners' mission is twofold: to serve Board Compensation Committees as independent outside counsel in the discharge of their responsibilities and to support management through the development of executive and employee compensation programs tailored to the business needs of each client.

Consulting services include design, development, turnkey implementation and communication of:

- Board compensation programs,
- Salary programs,
- Annual incentives and sales compensation,
- Value creation and performance measurement systems,
- Long term performance incentives,
- Restricted stock, performance shares and other forms of full-value equity grants,
- Stock options, executive stock purchase and stock-for-cash arrangements,
- Business unit incentives and equity participation,
- Special co-investment and carried interest plans,
- Deferred compensation and capital accumulation plans,
- Supplementary retirement income and other executive benefits,
- Special situation incentives for IPOs, spin-offs, LBOs, LLCs, partnerships, M&As, new ventures, turn-arounds and bankruptcies,
- Change-in-control and severance programs,
- Negotiation and drafting of senior executive employment contracts and severance agreements,
- Corporate governance with respect to executive and Board compensation,
- Expert witness, opinions and litigation support,
- Organization development, and
- Marketplace compensation surveys.

Clients range from Fortune 1,000 industrial and service corporations in the U.S. and globally, to smaller, not-for-profit and private organizations.

Headquartered in New York, Pearl Meyer & Partners maintains offices in Atlanta, Boston, Charlotte, Chicago, Houston and Los Angeles.

Questions regarding the data in this report may be directed to Jannice Koors in our Chicago office and Maureen Knowles in our New York office. For other information and guidance on compensation, or to learn more about Pearl Meyer & Partners' services, please feel free to contact any of our offices listed on the next page or visit our website at www.pearlmeyer.com.



www.pearlmeyer.com

NEW YORK

570 Lexington Avenue
New York, NY 10022
(212) 644-2300
newyork@pearlmeyer.com

ATLANTA

One Alliance Center
3500 Lenox Road, Suite 1708
Atlanta, GA 30326
(770) 261-4080
atlanta@pearlmeyer.com

BOSTON

132 Turnpike Road, Suite 300
Southborough, MA 01772
(508) 460-9600
boston@pearlmeyer.com

CHARLOTTE

3326 Siskey Parkway, Suite 330
Matthews, NC 28105
(704) 844-6626
charlotte@pearlmeyer.com

CHICAGO

123 N. Wacker Drive, Suite 1225
Chicago, IL 60606
(312) 242-3050
chicago@pearlmeyer.com

HOUSTON

Three Riverway, Suite 1575
Houston, TX 77056
(713) 568-2200
houston@pearlmeyer.com

LOS ANGELES

550 S. Hope Street, Suite 1600
Los Angeles, CA 90071
(213) 438-6500
losangeles@pearlmeyer.com

