



2008 EQUITY STAKE STUDY

Study of the Top 200 Corporations

Introduction

Pearl Meyer & Partners' annual study of equity use among the Top 200 U.S. industrial and service companies reveals a continuation of recent trends, notably relatively low annual share use and a steady decline in overhangs – both in response to pressure for more “shareholder friendly” incentive practices. Looking ahead, however, the economic downturn will challenge the ability of companies to conserve share use.

Generally, the steep fall in share prices will leave many companies hard-pressed to maintain meaningful levels of equity value. Organizations that grant a specific number of shares may be faced with a significant drop in award values, while those making dollar value grants might be faced with the need to significantly boost share use to compensate for lower market prices. This equity conundrum already has compelled some companies to consider freezing 2009 grant values at prior year levels and others to discount target grant values. As events unfold in 2009, we may see more companies contemplating the use of option exchange programs in order to deliver desired equity values.

Summary - Equity Participation in the 200 Largest U.S. Corporations*

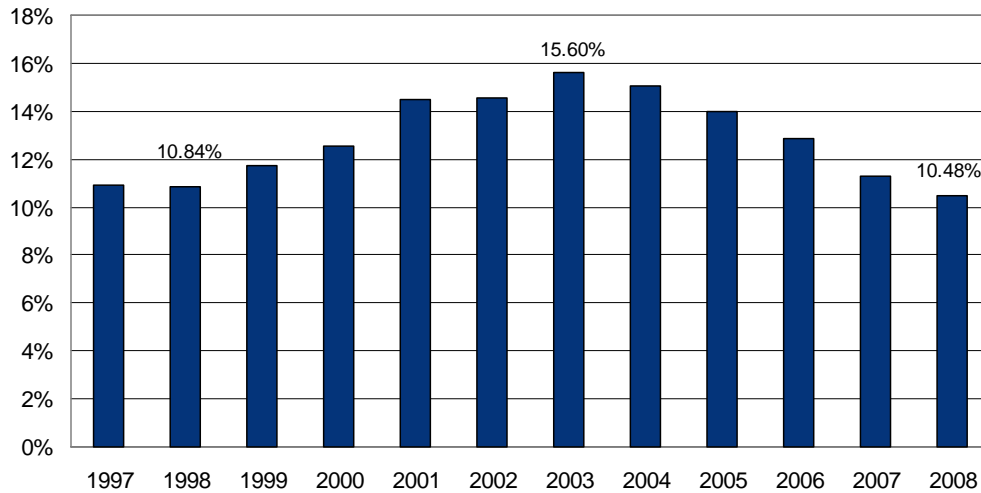
	High	75th	50th	25th	Low	Count
Shares Reserved for Outstanding Grants	32.36%	8.77%	5.99%	3.60%	0.65%	
Shares Available for Future Grants	49.32%	5.81%	4.20%	2.77%	0.00%	
Shares Allocated in Equity Plans	62.60%	13.90%	10.48%	7.59%	0.92%	
Shares Granted in 2007	6.84%	1.42%	0.93%	0.57%	0.02%	
New or Amended Equity Plans						31
New or Amended Plan Percentage	8.80%	5.51%	3.64%	2.08%	0.26%	
Evergreen Provisions						7
Evergreen Percentage	3.20%	2.37%	1.46%	0.37%	0.12%	

* For the fiscal years ending between 3/1/07 and 2/28/08

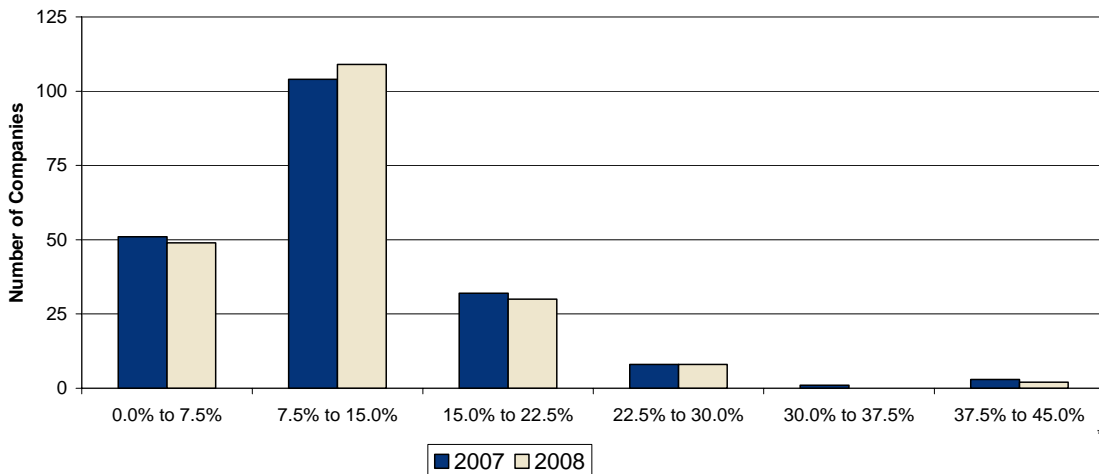
2008 Study Highlights

- Median share authorizations by the Top 200 declined for the fifth straight year, although not as significantly as a year earlier.** Potential shareholder dilution among Top 200 companies fell to 10.5% of shares outstanding from 11.3% a year earlier. Approximately 55% of companies reported dilution between 7.5% - 15.0% of shares outstanding. Although the recent fall in stock prices during the last half of 2008 will not greatly affect authorizations for fiscal 2008, companies and their Boards will need to re-evaluate their ability to maintain incentive values in 2009 without exceeding shareholders' expectations of dilution levels.

Median Shares Authorized for Management and Employee Equity Incentive Plans as a Percent of Shares Outstanding



Distribution of Total Overhang

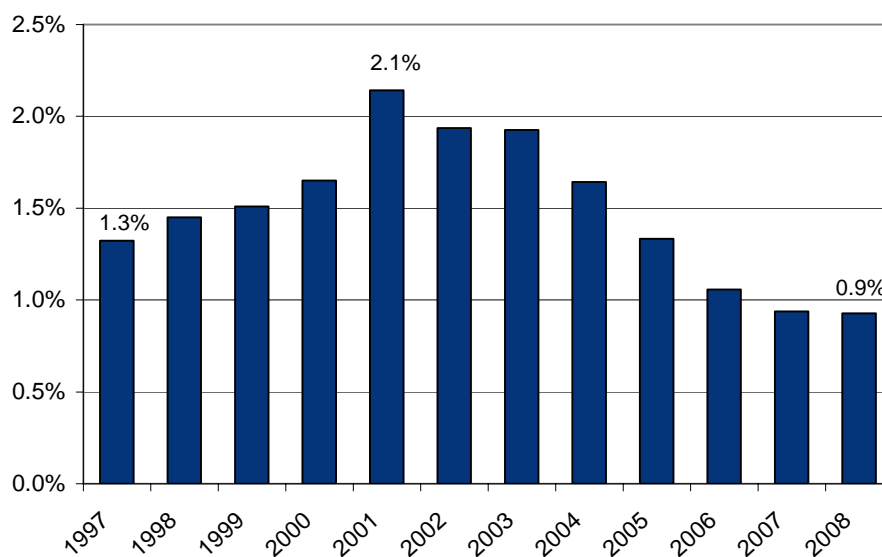


* There was one company in 2007 and two companies in 2008 with total overhang greater than 45%.

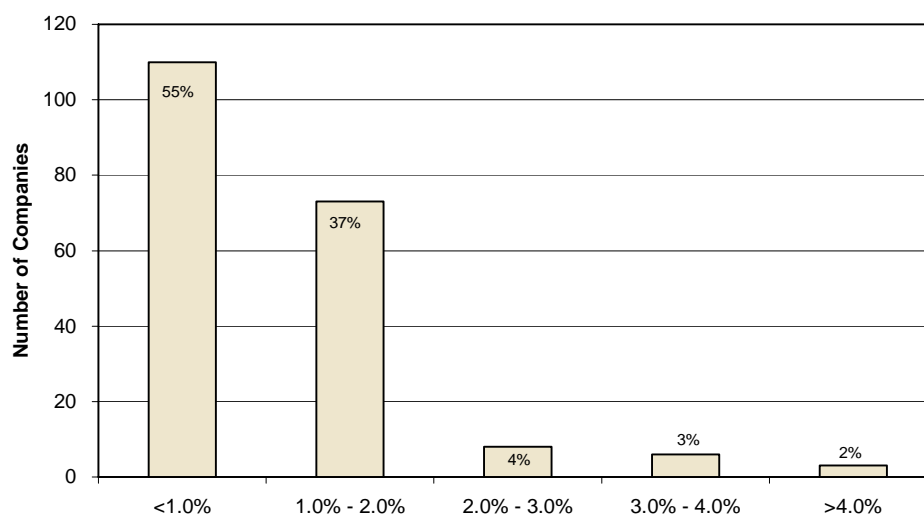
- Median annual grant rates among the Top 200 stabilized at 0.9% of shares outstanding, similar to a year earlier, maintaining the lowest level of annual equity use in a previous decade.** A total of 55% of companies reported run rates of less than 1% of shares outstanding, up slightly from a year earlier. At the upper end of equity use, eight industries reported median grant rates in excess of 1.0% of shares outstanding: Securities (4.0%), Computer Products & Services (1.7%), Commercial Banks (1.4%), Motor Vehicles & Parts (1.3%), Healthcare (1.2%), Specialty Retailers (1.2%), Wholesalers & Distributors (1.2%), and Food/Beverage/Tobacco (1.1%). As with dilution levels, many companies may resort to significant hikes in share utilization to compensate for falling stock prices. Faced with the possibility of a significant rise in grant levels, companies may consider implementing a share usage cap, which would address

shareholder concerns by managing awards to the newly established grant rate. We are also likely to see an acceleration of an ongoing shift toward the use of full-value shares over stock options, given the greater challenges of minimizing share utilizations in a bear market.

Median Shares Granted Annually for Management and Employee Equity Incentives



Grant Rate Prevalence*



* Percentage of weighted average shares outstanding on a diluted basis.

- **Share ownership guidelines continue to spread.** Approximately 88% of Top 200 companies disclosed maintaining some form of share ownership requirements for their top executives, up from 84% last year and 75% two years ago. The vast majority of minimum ownership standards are delineated in dollars, either as a multiple of salary or total cash. Looking ahead, some companies, particularly those with relatively steep equity ownership requirements, may take a more flexible approach to standards that have the potential to become onerous under troubled market conditions. Some alternatives might include:
 - Reassessing share counting definitions
 - Reducing guideline minimums
 - Shifting to a fixed share ownership standard, rather than as a multiple of base salary
 - Extending the time period to meet guideline (currently 5 years at median)

Prevalence of Ownership Guideline Structures

	Number of Companies	Percent of Cos. With Guidelines/ Requirements	Percent of Top 200
Multiple of			
Salary	120	68.6%	60.0%
Salary & Retention Ratio	19	10.9%	9.5%
Salary or Shares	4	2.3%	2.0%
Total Cash	2	1.1%	1.0%
	145	82.9%	72.5%
Number of Shares			
Shares	18	10.3%	9.0%
Shares & Retention Ratio	2	1.1%	1.0%
	20	11.4%	10%
Holding Requirements			
Retention Ratio	10	5.7%	5.0%
Total	175	100%	87.5%

Time Frame and Ownership Requirements as a Multiple of Base Salary (143 Companies)

	Time Frame (yrs.)	CEO	Direct Reports	Key Executives
Median	5.0	5.0x	3.0x	2.0x
75th Percentile	5.0	6.0x	4.0x	3.0x
Minimum	1.0	2.0x	1.0x	0.5x
Maximum	5.0	25.0x	12.5x	8.0x

Industry Summary

- Median dilution declined in 16 of the 25 industries studied, demonstrating a widespread corporate commitment to reducing overhangs.
- Of the nine industries that increased dilution levels, the Securities industry exhibited the biggest growth – 43.5% of shares outstanding in the 2007 fiscal year, compared to 38.3% a year earlier. The Securities industry also recorded the largest increase in annual grant rate – 4.0% of share outstanding in fiscal 2007, up from 2.7% a year earlier. As economic turmoil continues to ripple through financial services industries, more intense shareholder scrutiny is likely to accompany any increase in dilution and/or grant rate levels by the surviving companies.
- Looking ahead to 2009, industries with significant stock price declines will be challenged to balance the need for meaningful long-term incentive awards with shareholders' concerns over dilution/grant rates. They may choose to heighten requirements for participation in equity incentive programs, shift to more use of full-value share awards, or provide a greater portion of incentives in cash.

Median Total Share Allocations and Grant Rates by Industry

Industry	Number of Companies	Percent of Weighted Average Shares Outstanding			
		Reserved for O/S Grants	Available for Future Grants	Total Allocation	2007/08 Grant Rate
Aerospace & Defense	9	5.3%	4.7%	9.3%	1.0%
Chemicals / Paper Products	5	5.9%	5.4%	11.0%	0.9%
Commercial Banks	12	7.0%	4.1%	11.5%	1.4%
Computer Products & Services	10	11.0%	6.6%	17.1%	1.7%
Construction / Engineering	4	6.1%	4.6%	11.0%	1.0%
Consumer Products	4	7.1%	4.9%	12.3%	1.0%
Diversified Financials	3	7.9%	4.9%	12.2%	1.0%
Electronics / Electrical Equipment	7	10.3%	4.0%	14.0%	1.0%
Energy / Utilities	15	2.4%	3.1%	6.0%	0.5%
Entertainment / Hotels / Restaurants	5	9.8%	3.8%	12.2%	0.8%
Food / Beverage / Tobacco	14	6.8%	3.4%	10.8%	1.1%
Food / Drug Stores Chains	5	6.9%	6.5%	11.1%	0.8%
General Merchandisers	6	3.8%	4.7%	9.0%	0.8%
Healthcare	8	5.4%	5.8%	11.6%	1.2%
Industrial, Machinery & Metal Products	8	4.0%	4.4%	9.0%	0.7%
Insurance	9	3.6%	4.6%	8.1%	0.5%
Miscellaneous	8	6.8%	4.3%	10.2%	1.0%
Motor Vehicles & Parts	7	7.6%	3.8%	11.2%	1.3%
Petroleum / Crude-Oil Production & Pipelines	12	2.9%	3.2%	7.1%	0.6%
Pharmaceuticals	9	8.0%	4.1%	12.3%	1.0%
Securities	4	21.5%	14.2%	43.5%	4.0%
Specialty Retailers	11	6.3%	2.8%	9.8%	1.2%
Telecommunications	6	4.6%	3.7%	8.1%	0.6%
Transportation / Delivery	9	4.0%	2.5%	7.8%	0.8%
Wholesalers / Distributors	10	9.3%	4.0%	13.0%	1.2%
Median	200	6.0%	4.2%	10.5%	0.9%

METHODOLOGY

Pearl Meyer & Partners has conducted this study of management and employee equity incentive participation since 1989.

- The survey group is comprised of the 200 largest public U.S. industrial and service corporations (the Top 200), excluding mutual companies and companies with dominant insider ownership, as listed on the following pages.
- Survey results are based on 2007/2008 proxy statements and annual reports for fiscal years ending March 1, 2007 through February 28, 2008.
- Share allocations cover shares reserved for outstanding and future grants under equity programs, including stock options, executive stock purchase, deferred stock, restricted stock, stock bonus, and other stock awards. Grants under such plans are generally reserved for management, professional and supervisory personnel, although many companies in the study extend such grants lower in their organizations, utilize all-employee programs, or include non-employee directors.
- Allocations do not include shares utilized or set aside for qualified plans such as employee stock purchase plans, 401(k)s or ESOPs.
- Evergreen plans are assumed to have ten-year terms, unless otherwise reported.
- 2007/08 proxy statement requests for new share authorizations are assumed to have passed.

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 Aalap Shah and Shaun Bisman 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.



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