

The 2012 Top 250 Report

*Long-Term Incentive Grant
Practices for Executives*

OCTOBER 2012

FREDERIC W. COOK & CO., INC.

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EXECUTIVE SUMMARY

The 40th 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 senior executive compensation packages at the nation's highest-profile companies, these awards are among the most visible and scrutinized elements reported in proxy statements. As a function of this close attention, we often first see the emergence of new long-term incentive strategies and plan designs among the Top 250.

A second full year of Say-on-Pay voting is largely complete at the time of this writing. As was the case in 2011, most companies passed with strong shareholder support. Yet in looking at the companies that failed, we see how shareholder ire has a way of coalescing around long-term incentive arrangements that are judged to be insufficiently performance-oriented, are outsized, or are otherwise problematic, especially if the company has lagged its peers in total shareholder return (TSR). At the same time, the proxy advisory firms (ISS, Glass Lewis, etc.) issue voting recommendations tied to narrowly-defined performance specifications and adoption of specific compensation policies, implicitly pushing companies towards greater uniformity and less strategic compensation design differentiation. A big jump in the use of TSR as a metric in long-term performance awards, a notable finding in this year's Top 250 report, is likely due in part to companies' desire to hew closer to the compensation and performance-measurement policies of the proxy advisory firms.

Key findings from the Frederic W. Cook & Co. 2012 Top 250 report include the following:

- For the second consecutive year, stock options are outnumbered by long-term performance shares, which continue to increase in prevalence while the use of time-based restricted stock awards and long-term cash plans remains largely unchanged
- Stock options continue to decrease in prevalence for various reasons, but are not expected to go away, as they are by nature a performance-based long-term incentive vehicle and a common complement to full-value share awards
- Two-thirds of companies use only one or two long-term incentive grant types, with stock options being the sole long-term incentive vehicle at only three percent of companies
- Use of TSR as a long-term performance measure increased by 18 percent, while revenue declined in popularity
- Vesting periods are split with about half of stock options and restricted stock awards granted with three year vesting periods, and half with vesting periods greater than three years

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 40th 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 29, 2012, 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 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 Form 4 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 2012 Top 250 companies, 29 are new to this year's report (12 percent). As a reflection of the importance of consumer spending to the continuing, if fickle, economic recovery, the 2012 Top 250 report includes 35 companies in the consumer discretionary sector, representing a 13 percent increase over 2011 and the largest jump in sector representation. Trend data are influenced by these changes in the survey sample from year-to-year, as well as by actual changes in grant usage.

In some circumstances, totals may not add to 100 percent 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-2012. A grant type is generally considered to be in use at a company if grants have been made in the current year or past years 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.

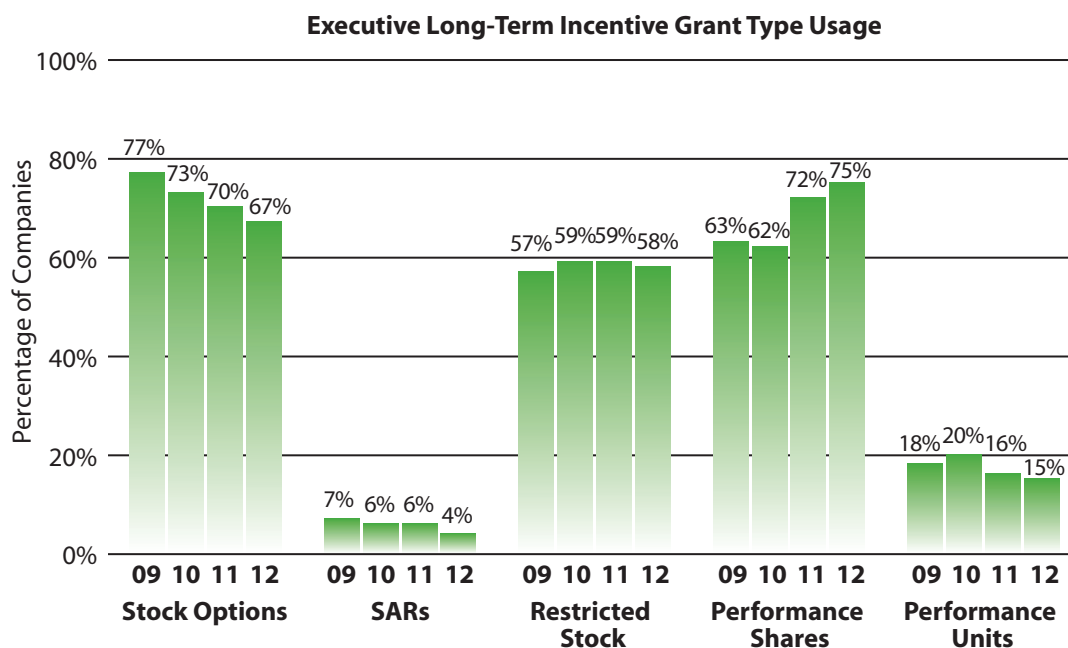
To be considered a “long-term incentive” for purposes of this report, a grant must possess the following general characteristics:

- 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)
- The grant type must not be delivered primarily to accommodate foreign tax or securities laws. For example, a company that grants stock appreciation rights (SARs) in foreign countries as an alternative to the normal award of stock options in the U.S. would not be considered a grantor of SARs as a long-term incentive for purposes of this report
- 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

Summary of Grant Types in Use



Stock Options are rights to purchase company stock at a specified exercise price over a stated option term. The use of stock options, in gradual decline since the introduction of mandatory accounting expensing, fell to 67 percent of the sample companies. Once both ubiquitous (they were used at 99 percent 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 are increasingly utilized as one component of a multi-vehicle long-term incentive portfolio.

Stock Appreciation Rights (SARs) are rights to receive at exercise the increase between the grant price and the market price of a share of stock, and so are functionally identical to stock options. Four percent of companies in the Top 250 currently grant SARs, a decrease from six percent last year. While different types of SARs can be granted, all of the Top 250 companies using SARs grant “freestanding” SARs in replacement of option grants, and all but one Top 250 company use the “stock-settled” variety.

Restricted Stock includes actual shares or share “units” that are earned solely 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), are classified as restricted stock.

58 percent 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 2012 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 performance period. Restricted shares with a one-year performance period and continued service-vesting are classified as performance shares. For the second consecutive year, performance shares are the most widely used long-term incentive grant type among the Top 250 companies, in use at three-quarters of the sample companies. Beginning in 2010, the Top 250 report 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

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

(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. As the MSU model has gained traction and companies have adopted variations to the original design, they are included in the report as performance shares.

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. 15 percent of the Top 250 companies granted or have begun to grant performance units/cash in the last year, a slight decrease from 16 percent in the previous year. Performance unit plans continue to be attractive to companies on a situation-specific basis, with factors such as share availability constraints, expectation of share price volatility, and the impact of variable (liability) accounting all 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. About half of the Top 250 companies use two long-term incentive grant types in their long-term incentive program, and one-third use three. 17 percent of the Top 250 companies grant only one type of long-term incentive. These percentages are generally consistent with prior years.

NUMBER OF GRANT TYPES	PERCENT OF COMPANIES USING
1	17%
2	48%
3	34%
4	1%

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:

- Every utility company grants some form of performance award (either performance shares or performance units) and only one third grant appreciation awards (either stock options or SARs), which may reflect the sector’s historical low stock price volatility and high dividend yields
- Companies in the energy sector employ the most “balanced-portfolio” approach, with each of the three main award types found at more than 70 percent of companies in the industry
- The consumer discretionary sector has the lowest prevalence of time-based restricted stock awards for executives, at one-third of companies in the sector

EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES AND USAGE

LONG-TERM INCENTIVE GRANT TYPE USAGE BY SECTOR				
Sector	<i>Percentage of Companies Using</i>			
	Number of Companies	Appreciation Grants	Restricted Stock	Performance Awards
Utilities	15	33%	60%	100%
Telecommunications Services	3	0%	100%	100%
Industrials	30	90%	57%	93%
Materials	12	83%	42%	92%
Consumer Discretionary	35	80%	34%	86%
Consumer Staples	24	71%	63%	83%
Energy	24	79%	71%	83%
Financials	45	62%	64%	78%
Health Care	30	77%	43%	77%
Information Technology	32	66%	78%	72%
Top 250	250	71%	58%	83%

OTHER LONG-TERM INCENTIVE PRACTICES

Grant Structure – Stock Options 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 Term

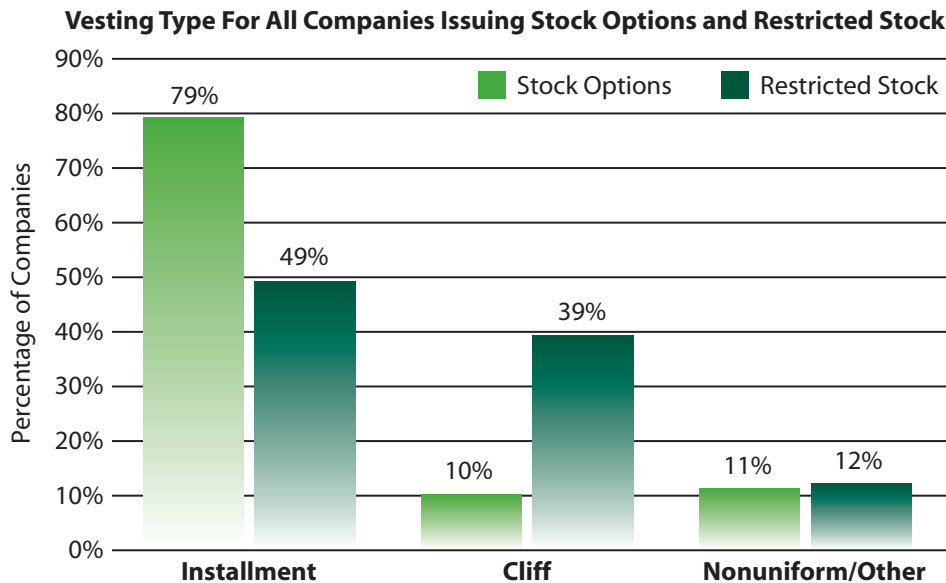
An overwhelming majority of the Top 250 companies (79 percent of companies) continue to use the standard 10-year option term. Seven years is the most common alternative to the traditional 10-year term. This compares to 77 percent with a 10-year option term and 23 percent with less than 10 years in 2011. The shorter option term may help manage potential shares outstanding but generally has not materially reduced accounting expense as the “expected life” used in calculating option expense for financial reporting purposes often is not significantly affected by such a reduction in the option’s “contractual life”. None of the Top 250 companies has an option term that extends beyond a 10-year period.

OPTION TERM	PERCENT OF COMPANIES USING
10 years	79%
9 years	0%
8 years	3%
7 years	16%
6 years	1%
5 years	1%

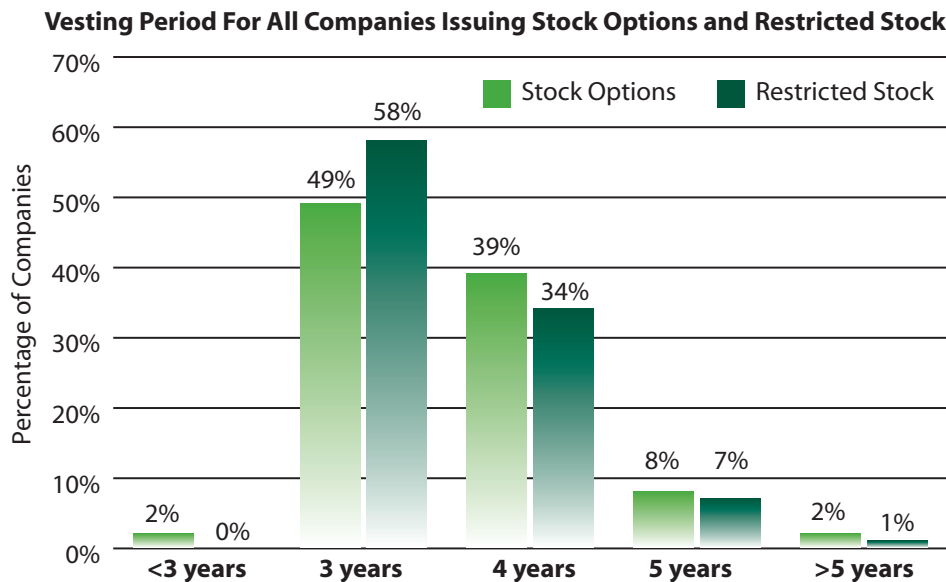
OTHER LONG-TERM INCENTIVE PRACTICES

Vesting Schedules

Type of Vesting – 79 percent of the Top 250 companies issuing stock options apply uniform (equal installment) vesting to their stock option grants. Restricted stock grants, in contrast, are often used as retentive awards and therefore companies more often apply “cliff” vesting (i.e., 100% vesting after a specified number of years). 39 percent of the Top 250 companies granting restricted stock awards apply cliff vesting, versus only 10 percent of the Top 250 companies granting stock options. 11 percent of companies granting stock options and 12 percent of companies granting restricted stock use non-uniform vesting (e.g., 25 percent vest after year one, 25 percent vest after year two, 50 percent vest after year three, etc.). Prevalence of vesting types remains generally the same as compared to the 2011 report.



Vesting Period – Three years continues to be the most common vesting period for both stock options (49 percent of companies) and restricted stock (58 percent of companies). Roughly half of the companies, however, choose vesting periods of four or more years.



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.

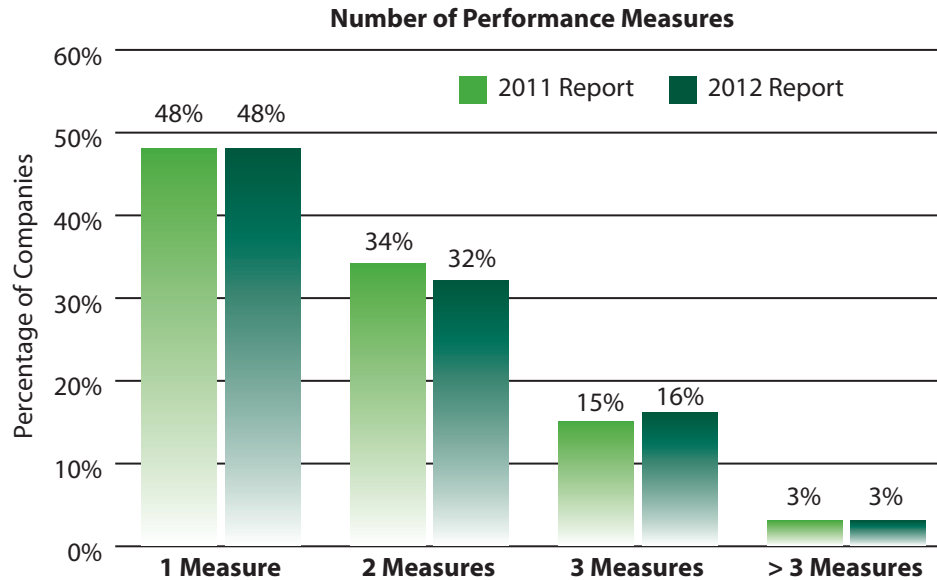
Performance Measures

Categories – Half of the Top 250 companies granting performance awards use some type of “profit” measure as a basis for award payout, still the most prevalent performance measure and even with last year. The number of Top 250 performance plans employing TSR has jumped sharply this year to 45 percent. While the inclusion of relative TSR in a performance plan has both significant appeal and notable drawbacks, some of the increase is also likely driven by the importance given to the measure by the proxy advisory firms in the quantitative models that influence their proxy voting recommendations, including their Say-on-Pay vote recommendations. 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. Operational metrics (e.g., profit, revenue, etc.) tend to be measured on an absolute basis, with a minority of companies measuring operational performance on a relative basis. Occasionally companies may incorporate both approaches.

PERFORMANCE MEASURE CATEGORIES						
Category	Performance Measures	Percent of Companies Using		Performance Measurement Approach 2012 Report		
		2011 Report	2012 Report	Absolute	Relative	Both
<i>Profit</i>	EPS, net income, EBIT/EBITDA, operating income, pretax profit	50%	50%	88%	12%	0%
<i>Total Shareholder Return</i>	Stock price appreciation plus dividends	38%	45%	4%	93%	3%
<i>Capital Efficiency</i>	Return on equity, return on assets, return on capital	32%	36%	83%	14%	4%
<i>Revenue</i>	Revenue, revenue growth	22%	18%	78%	23%	0%
<i>Cash Flow</i>	Cash flow, cash flow growth	12%	12%	96%	4%	0%
<i>Other</i>	Safety, quality assurance, new business, discretionary, individual performance	14%	15%	NA	NA	NA

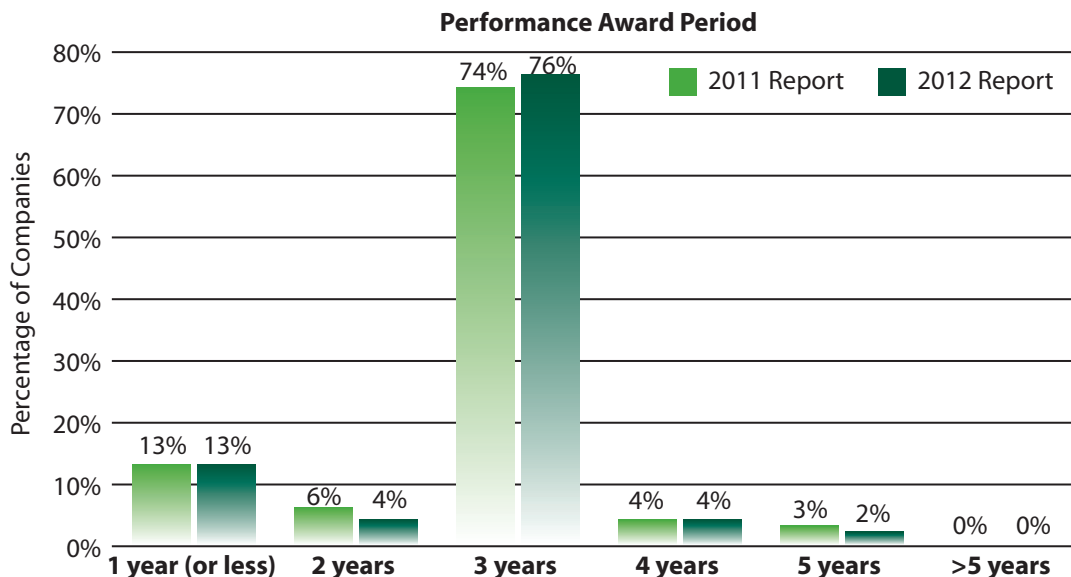
OTHER LONG-TERM INCENTIVE PRACTICES

Number of Measures Used – Nearly half of performance award programs utilize only one performance measure category, while another third use two. Note that companies using both performance shares and performance units/cash (or two types of performance shares) are more heavily weighted in these statistics.



Performance Award Period

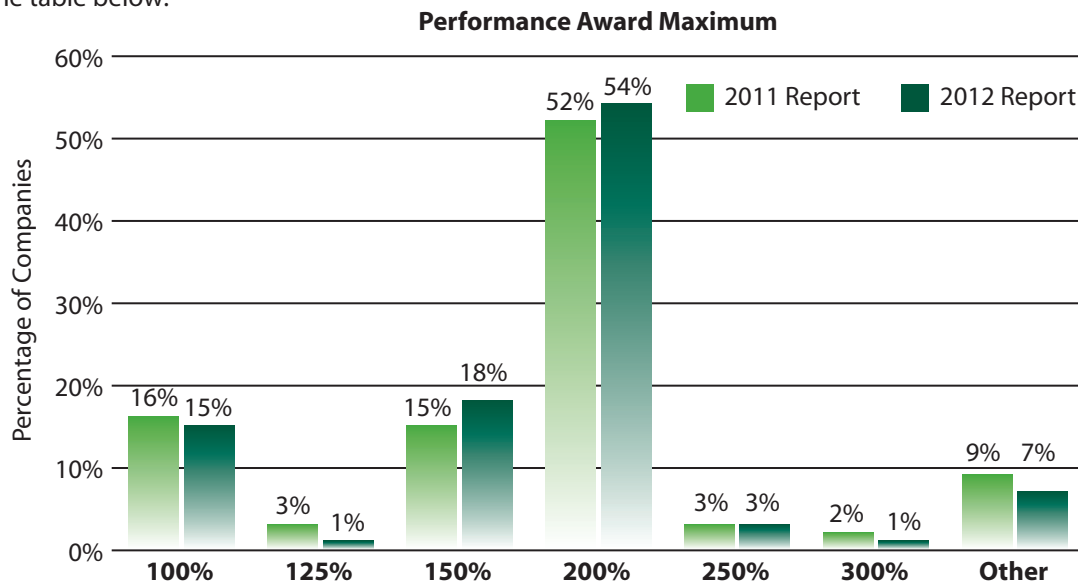
A measurement period of three years is the most common time horizon for performance periods among the Top 250 companies. Other time horizons vary around three years, but tend to be shorter rather than longer, which reflects the difficulty of setting multi-year performance goals in a perpetually uncertain economic environment. Following an increase after the late-2000s recession, the number of companies employing performance periods shorter than three years has stabilized, with 13 percent granting awards with a one-year performance period and four percent granting awards with a two-year performance period.



OTHER LONG-TERM INCENTIVE PRACTICES

Performance Award Maximum Payout

54 percent of performance award programs used by Top 250 companies set maximum payout levels at 200% of target, consistent with 2011. This year showed a modest increase in the percentage of companies using a maximum payout of 150% (18 percent this year versus 15 percent last year) coupled with a decrease in the number of companies using a maximum payout of 125% (one percent of this year's sample companies). 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
	● Continuing	▲ New or prospective grant type	■ Dropped		
3M Co.	●		●	●	
Abbott Laboratories	●			●	
Accenture plc			●	●	
Ace Limited	●		●	●	
Adobe Systems Inc.	●		●	●	
Aetna Inc.				●	
Aflac Inc.	●			●	
Agilent Technologies Inc.	●			●	
Air Products & Chemicals Inc.	●		●	●	
Allergan Inc.	●				
Allstate Corp.	●		■	▲	
Altera 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.	●		●	●	
Aon Corp.			●	●	
Apache Corp.	●		●	●	
Apple Inc.			●		
Applied Materials Inc.				●	
Archer-Daniels-Midland Co.	●		●		
AT&T Inc.			●	●	
Automatic Data Processing	●			●	

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
	● Continuing	▲ New or prospective grant type	■ Dropped		
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.		●		●	
Bed Bath & Beyond Inc.	●			●	
Berkshire Hathaway					
Biogen Idec Inc.				●	
BlackRock Inc.			●	●	
Boeing Co.	●		●		●
Boston Properties Inc.	●		●	●	
Bristol-Myers Squibb Co.				●	
Broadcom Corp.			●	●	
CA Inc.	●			●	
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
	● Continuing	▲ New or prospective grant type	■ Dropped		
Chevron Corp.	●			●	
Chipotle Mexican Grill Inc.		●			
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.	●			●	
ConocoPhillips	●			●	
Consolidated Edison Inc.				●	
Corning Inc.	●		●		●
Costco Wholesale Corp.				●	
Covidien Plc	●		●	●	
CSX Corp.			●	●	
Cummins Inc.	●			●	●
CVS Caremark Corp.	●		●	▲	●
Danaher Corp.	●			●	
Deere & Co.	●		●	●	●
Dell Inc.	●			●	
Devon Energy Corp.	●		■	▲	
DIRECTV	▲			●	
Discover Financial Svcs Inc.			●	●	
Discovery Communications 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
	● Continuing	▲ New or prospective grant type	■ Dropped		
Dominion Resources Inc.			●		●
Dow Chemical	●		●	●	
Duke Energy Corp.			●	●	
E. I. Du Pont De Nemours	●		●	●	
Eaton Corp.	●		●	●	
eBay Inc.	●		●	●	
Ecolab Inc.	●			●	
Edison International	●		●	●	
El Paso Corp.	●		●	●	
Eli Lilly & Co.				●	
EMC Corp.	●		●	●	
Emerson Electric Co.	●		●	●	
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	●			●	
General Dynamics Corp.	●		●	▲	
General Electric Co.	●		■	●	●
General Mills 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
	● Continuing	▲ New or prospective grant type	■ Dropped		
Gilead Sciences Inc.	●			●	
Goldman Sachs Group Inc.			●		●
Goodrich Corp.	●		●	●	
Google Inc.	●		●		
H. J. Heinz Co.	●		●		●
Halliburton Co.	●		●		●
HCP Inc.	●		●	●	
Hershey Co.	●			●	
Hess Corp.	■		●	▲	
Hewlett-Packard Co.			●	●	
Home Depot Inc.	●			●	
Honeywell International Inc.	●				●
Humana Inc.	●		●		
Illinois Tool Works	●			●	●
Intel Corp.	●		●	●	
Intl Business Machines Corp.				●	
International Paper Co.				●	
Intuit Inc.	●		●	●	
Intuitive Surgical Inc.	●				
Johnson & Johnson	●		●	▲	■
Johnson Controls Inc.	●		●		●
JPMorgan Chase & Co.		●	●		
Kellogg Co.	●			●	
Kimberly-Clark Corp.	●			●	
Kohl's Corp.	●			●	
Kraft Foods Inc.	●		●	●	
Kroger Co.	●		●	●	●
Limited Brands 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
	● Continuing	▲ New or prospective grant type	■ Dropped		
Lockheed Martin Corp.	●		●		●
Loews Corp.		●			
Lorillard Inc.	■		●	▲	
Lowe's Companies Inc.	●		●	▲	
Macy's Inc.	●			●	
Marathon Oil Corp.	●		●		●
Marathon Petroleum Corp.	●		●		●
Marsh & McLennan Cos.	●		●	●	
MasterCard Inc.	●			●	
McDonald's Corp.	●			●	●
McGraw-Hill Companies	■			●	
McKesson Corp.	●			●	●
Mead Johnson Nutrition Co.	●		●	●	
Medco Health Solutions Inc.	●		●		
Medtronic Inc.	●			●	●
Merck & Co.	●		●	●	
MetLife Inc.	●			●	
Microsoft Corp.			●		
Monsanto Co.	●			●	
Morgan Stanley	●		●	●	
Mosaic Co.	●		●		
Motorola Solutions Inc.	●		●		●
Murphy Oil Corp.	●			●	
National Oilwell Varco Inc.	●			●	
NetApp Inc.	●		●		
Newmont Mining Corp.	■			●	
News Corp.				●	
Nextera Energy 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
	● Continuing	▲ New or prospective grant type	■ Dropped		
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			●		
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.	●		●	●	
Progress Energy Inc.			●	●	
Progressive Corp.			●	●	
Prologis Inc.	■		●	▲	▲
Prudential Financial Inc.	●			●	●
Public Service Enterprise Group Inc.			●	●	
Public Storage				●	

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
	● Continuing	▲ New or prospective grant type	■ Dropped		
QUALCOMM Inc.			●	●	
Ralph Lauren Corp.	●			●	
Raytheon Co.			●	●	
Reynolds American Inc.				●	
Ross Stores Inc.			●	●	
salesforce.com Inc.	●		●		
Schlumberger Limited	●				
Sempra Energy	■			●	
Simon Property Group Inc.				●	
Southern Co.	●			●	
Spectra Energy Corp.			●	●	
St. Jude Medical Inc.	●				
Stanley Black & Decker Inc.	●		●	●	
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
	● 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.			●	●	
Whole Foods Market Inc.	●				
Williams Cos. Inc.	●		●	●	
Wynn Resorts Limited	●				
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.

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, 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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- Directors' Compensation
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