



**Executive Pay in the New Economy
February 2009 Results
Information Technology Regional Edition**

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Introduction

The Pearl Meyer & Partners “Executive Pay in the New Economy” survey series examines the modifications to executive pay programs that board members, executives and human resources professionals are contemplating in the wake of recent financial turmoil. Topics addressed include:

- Executive base salaries
- Executive bonus program design and payout levels
- Long-term incentive plans and equity awards
- Severance and security arrangements

The latest edition of the survey was completed February 6, 2009. Of the 436 total respondents, 92 represented the *Information Technology* sector, including 75 “employees of the firm” (i.e., members of the executive team, human resources or the compensation department) and 17 board members (i.e., outside directors). The report below summarizes the data by region.

We hope that you find this information useful. If you would like to discuss any aspect of these findings further, please contact:

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Highlights Specific to Information Technology by Region

Technology Sector

- Overall, 57% of companies expect their performance to be “off target,” with 94% predicting that decisions will be influenced by the troubled economy.
- 52% said executive team base salary increases will be “considerably less” than in 2008 and 59% have already imposed or are “strongly” considering imposing a freeze on 2009 salaries.
- 25% predict their 2009 executive merit increase budget will be 3% or more.
- 42% of respondents have either paid or are likely to pay “at formula” bonuses for 2008 performance.
- 93% expected to provide about the same or lower equity award value in late 2008 or early 2009 as a year earlier. At the same time, nearly half of the respondents expected the burn rate to be about the same this year as last.
- About one-third have considered or have just completed an underwater option exchange, while another 26% expect to reconsider a program in the next 12 months.
- 43% of companies plan to review executive severance or CIC arrangements during 2009.

Silicon Valley/San Francisco

- Overall, Silicon Valley/San Francisco companies expect performance levels similar to the overall sector, but are more aggressive about adjusting compensation practices.
- 100% of respondents expected base salary increases to be lower than in 2008.
 - Of those, 90% said raises would be “considerably less.”
 - 71% have already frozen base salaries.
- Silicon Valley/San Francisco respondents plan to exercise a similar level of discretion in awarding bonuses as the overall industry, but are more likely to pay “above formula” than the total group (16% vs. 4% overall).
- 41% say equity award values will be “considerably lower” than last year, compared with 28% of the total group. At the same time, more respondents (63% vs. 47% overall) anticipate burn rates to be “about the same.”
- More respondents plan to consider an underwater stock option exchange within the next 12 months (85% vs. 59% overall), while 6% have completed or are engaged in a repricing.
- More Silicon Valley/San Francisco respondents – 57% vs. 43% of the total group – anticipate reviewing their executive severance or CIC arrangements during the year, but most don’t anticipate making changes.

Massachusetts

- Perhaps due to anticipating stronger regional performance than the overall sector, Massachusetts respondents generally are maintaining their compensation practices pending more market clarity.
- In line with maintaining their prior compensation practices, 57% expect executive team base salaries will increase at “about the same” level as in 2008 and 43% report they have given little or no consideration to freezing base salaries.
- In contrast to the overall sector, total merit increase budgets were more heavily concentrated in the 2% to 5% range (50% vs. 28% overall).
- Despite anticipating better performance than the overall sector, 50% paid or expect to pay “below formula” bonuses for 2008 performance, with none expecting that bonus payouts will be “above formula.”
- 55% expect equity awards values to be “about the same” as the prior year, with only 9% (vs. 28% overall) planning to grant “considerably lower” awards.
- Burn rate projections were concentrated at the high end of the spectrum, with 36% predicting a higher burn rate in 2009.
- Only 18% of companies are considering an underwater option exchange within the next six months and 40% are “not sure” if they will reconsider in the next 12 months. The main reason cited for not taking action within the next six months was to determine whether the share price drop would be long term.
- 78% do not plan to review their executive severance or CIC arrangements in 2009.

Los Angeles

- With the exception of views toward underwater stock options exchanges, Los Angeles respondents report they are not aggressively adjusting their compensation programs despite similar performance to the overall sector.
- While 67% of Los Angeles respondents expect company performance to be “off target,” fewer companies (83% vs. 94% overall) believe that pay decisions will be affected by financial turmoil.
- Only one-third of Los Angeles respondents (compared to more than 50% overall) expect base salary increases to be “considerably less” than in 2008.
- 50% anticipate that their total merit increase budgets for executives will grow 4% or more.
- Los Angeles respondents were somewhat more likely to exercise negative discretion in determining annual incentive payouts for 2008 performance (50% vs. 46% overall).
- 67% (vs. 41% overall) plan for equity award values to be “about the same” to “considerably higher” than last year.
- 60% expect burn rates to be “about the same” and 40% anticipate “somewhat lower” levels of stock use.
- Approximately 80% have either given a great deal of consideration to exchanging underwater stock options or have just completed a repricing.
- Only 20% anticipate reviewing and modifying their executive severance or CIC arrangements in 2009.

San Diego/Orange County

- Overall, San Diego/Orange County respondents are maintaining status quo in their programs.
- Respondents anticipate company performance will be comparable with the overall sector, though a number of respondents were “not sure.”
- Parallel to the overall sector, 50% anticipate base salary increases will be “considerably less” than in 2008, with the remainder split between “somewhat less” or “about the same” growth.
- While fewer have implemented an outright base salary freeze (22% vs. 40% overall), 44% (vs. 27% overall) are considering the idea.
- There was a large spread in the anticipated total merit increase budget relative to the overall sector. Although more than 70% of respondents in both the region and the sector are budgeting less than 3% merit increase, 22% of the respondents from the overall sector budgeted increases between 3% to 6%. In contrast, 22% of San Diego/Orange County respondents anticipated a budget of more than 6%.
- Respondents from San Diego/Orange County were more likely to pay “above formula” than the overall sector (33% vs. 12% overall).
- 43% (vs. 28% overall) plan to grant “considerably lower” value equity awards this year.
- San Diego/Orange County respondents said 2009 burn rates will range from “somewhat lower” to “somewhat higher”.
- Similar to the overall sector, 62% (vs. 59% overall) anticipate giving some level of consideration to exchanging underwater stock options within the next 12 months
- 50% anticipate reviewing executive severance or CIC arrangements during the year.

Texas

- Texas respondents generally expect company performance to be off target and have aggressively adjusted their compensation programs accordingly.
- Similar to the overall sector, 56% expect to increase the executive team’s base salary by “considerably less” than a year earlier. However, in line with their aggressive approach, 67% have already frozen base salaries and only 33% anticipate having a total merit increase budget for executives for 2009.
- 67% (vs. 26% overall) do not anticipate making any annual incentive payout for 2008.
- 43% (vs. 28% overall) expect their equity awards values to be “considerably lower” than last year
- Expectations for burn rate were congregated at the lower end of the scale, with 29% (vs. 14% overall) anticipating a “considerably lower” rate than last year.
- 25% expect to attempt an exchange of underwater stock options in the next six months. 63% are not considering repricing in the six months because they are waiting for confirmation that the share price drop will be long-term, nor are they sure if they will reconsider in the next 12 months.
- The majority of the respondents (71%) do not anticipate reviewing their executive severance or CIC arrangements in 2009.

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Participant Demographics	Technology Firms		Region					
	Total All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Employee of the firm								
Employee of the firm	75.2%	81.5%	66.7%	55.6%	84.2%	78.6%	88.9%	88.6%
Outside director	24.8%	18.5%	33.3%	44.4%	15.8%	21.4%	11.1%	11.4%
What best describes your role with this organization?								
Chief Executive Officer	7.8%	7.6%	0.0%	0.0%	5.3%	14.3%	22.2%	5.7%
Chief Financial Officer	1.8%	1.1%	0.0%	0.0%	5.3%	0.0%	0.0%	0.0%
VP of Human Resources	17.2%	12.0%	16.7%	0.0%	15.8%	14.3%	0.0%	14.3%
General Counsel	1.6%	1.1%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%
A member of the executive team (other than those listed above)	5.5%	3.3%	0.0%	0.0%	5.3%	0.0%	0.0%	5.7%
A member of the compensation department	37.9%	54.3%	33.3%	44.4%	52.6%	50.0%	55.6%	62.9%
A member of human resources (not in the compensation department)	1.1%	1.1%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%
Other employee of the firm	2.3%	1.1%	0.0%	0.0%	0.0%	0.0%	11.1%	0.0%
Chairman of the Compensation Committee	11.0%	6.5%	16.7%	11.1%	10.5%	0.0%	11.1%	2.9%
Member of the Compensation Committee (non-Chairman)	8.7%	3.3%	0.0%	11.1%	5.3%	0.0%	0.0%	2.9%
Member of the Board (not participant on Compensation Committee)	4.1%	7.6%	16.7%	22.2%	0.0%	21.4%	0.0%	2.9%
Other Outside Director	0.7%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%
Organizational Size (Revenue / Assets / Operational Budget)								
Under \$300 million	25.5%	40.2%	66.7%	33.3%	31.6%	64.3%	55.6%	28.6%
\$300 million to less than \$1 billion	22.5%	17.4%	33.3%	22.2%	21.1%	14.3%	11.1%	14.3%
\$1 billion to less than \$3 billion	22.0%	17.4%	0.0%	0.0%	21.1%	14.3%	11.1%	25.7%
\$3 billion to less than \$10 billion	18.6%	16.3%	0.0%	33.3%	21.1%	0.0%	11.1%	20.0%
\$10 billion or greater	11.5%	8.7%	0.0%	11.1%	5.3%	7.1%	11.1%	11.4%

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Participant Demographics	Total	Technology Firms	Region					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Form of Ownership								
Publicly Held; For Profit	72.0%	76.1%	100.0%	100.0%	89.5%	64.3%	55.6%	68.6%
Closely Held; For Profit	3.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%
Privately Held; For Profit	20.0%	18.5%	0.0%	0.0%	10.5%	35.7%	44.4%	17.1%
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	5.1%	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%	11.4%
Industry Group								
Industrials / Materials	19.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumer Discretionary / Staples	17.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Health Care	9.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financials	23.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Info Tech / Telecomm Services	21.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Energy / Utilities	9.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Organization's reporting entity:								
Parent/Stand Alone	93.1%	92.4%	83.3%	88.9%	100.0%	100.0%	100.0%	85.7%
Subsidiary	6.4%	7.6%	16.7%	11.1%	0.0%	0.0%	0.0%	14.3%
Division	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Company Performance and Impact on Decision Making	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Please indicate your assessment of your company's performance for the year as compared to plan or budget.								
Well off target	26.4%	23.9%	16.7%	11.1%	36.8%	21.4%	33.3%	20.0%
Somewhat off target	34.7%	32.6%	50.0%	22.2%	26.3%	14.3%	66.7%	34.3%
On target	18.3%	23.9%	16.7%	11.1%	15.8%	50.0%	0.0%	28.6%
Somewhat ahead of target	14.6%	13.0%	16.7%	33.3%	15.8%	7.1%	0.0%	11.4%
Well ahead of target	4.9%	3.3%	0.0%	0.0%	5.3%	7.1%	0.0%	2.9%
Not sure	1.2%	3.3%	0.0%	22.2%	0.0%	0.0%	0.0%	2.9%
To what extent will recent financial market turmoil impact your pay decision making process over the next 6 months?								
Not at all	8.6%	6.5%	16.7%	0.0%	0.0%	7.1%	0.0%	11.4%
Some impact on decision making process	56.1%	56.5%	66.7%	55.6%	52.6%	78.6%	44.4%	51.4%
Significant impact on decision making process	35.3%	37.0%	16.7%	44.4%	47.4%	14.3%	55.6%	37.1%

All Technology Firms	Impact on Executive Pay Decision Making in 2009			
	Performance vs Plan	Not at all	Some Impact	Significant Impact
Well off target	4.5%	22.7%	72.7%	100.0%
Somewhat off target	0.0%	73.3%	26.7%	100.0%
On target	18.2%	68.2%	13.6%	100.0%
Somewhat ahead of target	0.0%	75.0%	25.0%	100.0%
Well ahead of target	0.0%	33.3%	66.7%	100.0%
Not sure	33.3%	0.0%	66.7%	100.0%

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Executive Base Pay Changes	<u>Total</u>	<u>Technology Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
In percentage terms, do you anticipate that your executive team's base salary increases for 2009 will be...								
Considerably less than 2008's increases	40.3%	51.6%	33.3%	50.0%	89.5%	21.4%	55.6%	45.7%
Somewhat less than 2008's increases	29.5%	22.0%	33.3%	25.0%	10.5%	21.4%	22.2%	25.7%
About the same as 2008's increases	28.1%	25.3%	16.7%	25.0%	0.0%	57.1%	22.2%	28.6%
Somewhat more than 2008's increases	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Considerably more than 2008's increases	0.7%	1.1%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Are you considering freezing your executive team's base salaries in 2009?								
We have already decided to freeze executive base salaries in 2009	37.2%	40.0%	16.7%	22.2%	70.6%	28.6%	66.7%	31.4%
We are strongly considering freezing base salaries	13.7%	18.9%	16.7%	22.2%	23.5%	21.4%	11.1%	17.1%
We have given somewhat more consideration to freezing base salaries in 2009 than in recent years	13.0%	7.8%	16.7%	22.2%	0.0%	7.1%	0.0%	8.6%
We have given little consideration to freezing base salaries, and no more so than in recent years	8.8%	7.8%	0.0%	0.0%	0.0%	7.1%	11.1%	14.3%
We are not considering freezing base salaries	27.3%	25.6%	50.0%	33.3%	5.9%	35.7%	11.1%	28.6%
What is your anticipated total merit increase budget for executives for 2009?								
0% (Base salaries are frozen)	39.7%	46.2%	16.7%	33.3%	83.3%	28.6%	66.7%	37.1%
0% to 2%	15.2%	18.7%	33.3%	33.3%	16.7%	21.4%	22.2%	11.4%
2% to 3%	13.3%	9.9%	0.0%	11.1%	0.0%	14.3%	11.1%	14.3%
3% to 4%	19.2%	11.0%	0.0%	0.0%	0.0%	21.4%	0.0%	20.0%
4% to 5%	7.1%	6.6%	16.7%	0.0%	0.0%	14.3%	0.0%	8.6%
5% to 6%	2.6%	4.4%	16.7%	0.0%	0.0%	0.0%	0.0%	8.6%
More than 6%	2.9%	3.3%	16.7%	22.2%	0.0%	0.0%	0.0%	0.0%

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Executive Annual Incentive (Bonus) Programs	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
What is the likelihood that you may exercise discretion in determining your annual incentive payout FOR 2008 PERFORMANCE?								
We have paid, or are likely to pay "below formula"	29.1%	33.0%	33.3%	11.1%	31.6%	50.0%	66.7%	23.5%
We may pay "below formula"	13.1%	13.2%	16.7%	11.1%	15.8%	21.4%	0.0%	11.8%
We have paid, or are most likely to pay "at formula"	43.6%	41.8%	33.3%	44.4%	31.6%	28.6%	33.3%	55.9%
We may pay "above formula"	8.2%	7.7%	16.7%	33.3%	5.3%	0.0%	0.0%	5.9%
We have paid, or are likely to pay "above formula" annual incentive	6.1%	4.4%	0.0%	0.0%	15.8%	0.0%	0.0%	2.9%
To what extent was (or will) your annual incentive payout to executives FOR 2008 PERFORMANCE be paid out in the form of stock denominated vehicles?								
We do not anticipate (or have not made) any annual incentive payout for 2008 performance	24.8%	26.1%	16.7%	12.5%	21.1%	14.3%	66.7%	28.1%
The payout will be 100% cash	55.8%	58.0%	83.3%	75.0%	68.4%	64.3%	11.1%	53.1%
We allow executives to choose to receive a portion of their incentive payout in the form of stock	3.2%	4.5%	0.0%	0.0%	0.0%	14.3%	0.0%	6.3%
By policy, we denominate a portion of the payout (less than 50%) in the form of stock	11.3%	8.0%	0.0%	12.5%	5.3%	0.0%	11.1%	12.5%
By policy, we denominate a portion of the payout (50% or more) in the form of stock	4.9%	3.4%	0.0%	0.0%	5.3%	7.1%	11.1%	0.0%

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Long Term Incentives and Equity Awards	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Relative to the prior year's equity award, the value of awards made at the end of 2008 or beginning of 2009 will be...								
Considerably lower	30.4%	28.4%	0.0%	42.9%	41.2%	9.1%	42.9%	26.9%
Somewhat lower	29.1%	31.1%	33.3%	28.6%	29.4%	27.3%	14.3%	38.5%
About the same	31.3%	33.8%	33.3%	28.6%	23.5%	54.5%	28.6%	34.6%
Somewhat higher	6.1%	5.4%	16.7%	0.0%	5.9%	9.1%	14.3%	0.0%
Considerably higher	3.1%	1.4%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%
What best describes your company's approach to determining the number of shares to grant to each executive (for awards made at the end of 2008 or beginning of 2009)?								
We referenced market data and attempted to match the economic value at a targeted market percentile.	39.5%	46.6%	50.0%	85.7%	47.1%	45.5%	57.1%	32.0%
The number of shares is based on an assumed share price growth rate and a targeted "future value" at that growth rate.	5.3%	6.8%	0.0%	0.0%	17.6%	18.2%	0.0%	0.0%
We granted a similar number of shares as in the prior year (i.e., burn rates are relatively consistent year-over-year).	20.1%	19.2%	16.7%	0.0%	23.5%	9.1%	28.6%	24.0%
The number of shares was determined based on achievement relative to pre-determined performance goals.	10.9%	8.2%	0.0%	0.0%	0.0%	9.1%	0.0%	20.0%
We used an alternative approach not described above.	24.3%	19.2%	33.3%	14.3%	11.8%	18.2%	14.3%	24.0%

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Long Term Incentives and Equity Awards	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
How do you anticipate awards will compare to awards provided in the prior year? (Percents are of those providing each type of award)								
Fair Market Value Stock Options (rights to purchase stock at a fixed price equal to 100 percent of fair market value at grant date)								
Greater Percentage of Value	8.9%	6.4%	25.0%	14.3%	0.0%	14.3%	0.0%	0.0%
About the Same	54.0%	61.7%	50.0%	71.4%	81.8%	71.4%	33.3%	46.7%
Lower Percentage of Value	37.1%	31.9%	25.0%	14.3%	18.2%	14.3%	66.7%	53.3%
Premium Priced Stock Options (rights to purchase stock at a fixed price equal to some value greater than 100 percent of fair market value at grant date)								
Greater Percentage of Value	20.8%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
About the Same	37.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lower Percentage of Value	41.7%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Restricted Stock / Restricted Stock Units (shares of stock subject to a restriction period during which the shares cannot be sold)								
Greater Percentage of Value	17.2%	16.7%	33.3%	20.0%	27.3%	11.1%	0.0%	14.3%
About the Same	52.0%	51.9%	33.3%	60.0%	36.4%	66.7%	60.0%	52.4%
Lower Percentage of Value	30.8%	31.5%	33.3%	20.0%	36.4%	22.2%	40.0%	33.3%
Performance Shares / Units (shares of stock subject to achievement of pre-determined performance goals)								
Greater Percentage of Value	20.6%	25.0%	0.0%	100.0%	14.3%	16.7%	50.0%	27.3%
About the Same	52.2%	42.9%	0.0%	0.0%	42.9%	66.7%	0.0%	45.5%
Lower Percentage of Value	27.2%	32.1%	100.0%	0.0%	42.9%	16.7%	50.0%	27.3%
Other Cash-Based Long-Term Incentive Plan (awards paid out in cash if financial targets are achieved over a period of time greater than one year)								
Greater Percentage of Value	11.7%	11.5%	50.0%	0.0%	33.3%	0.0%	0.0%	0.0%
About the Same	50.0%	46.2%	0.0%	33.3%	50.0%	62.5%	0.0%	60.0%
Lower Percentage of Value	38.3%	42.3%	50.0%	66.7%	16.7%	37.5%	100.0%	40.0%
Relative to the prior year's burn rate, do you anticipate that this year's burn rate will be...								
Considerably lower	15.9%	13.9%	0.0%	0.0%	18.8%	0.0%	28.6%	19.2%
Somewhat lower	19.3%	22.2%	40.0%	28.6%	18.8%	36.4%	28.6%	11.5%
About the same	39.9%	47.2%	60.0%	42.9%	62.5%	27.3%	42.9%	46.2%
Somewhat higher	15.6%	13.9%	0.0%	28.6%	0.0%	27.3%	0.0%	19.2%
Considerably higher	9.3%	2.8%	0.0%	0.0%	0.0%	9.1%	0.0%	3.8%

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Long Term Incentives and Equity Awards	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Is your organization considering repricing / restructuring / exchanging outstanding underwater stock options?								
No, this is not under consideration	71.5%	66.7%	20.0%	57.1%	52.9%	81.8%	62.5%	83.3%
We have given the topic some consideration, but are unlikely to take action in the next 6 months	15.5%	13.9%	0.0%	42.9%	23.5%	9.1%	12.5%	4.2%
We have given the topic a great deal of consideration, but are unlikely to take action in the next 6 months	5.5%	11.1%	40.0%	0.0%	17.6%	9.1%	0.0%	8.3%
We have given the topic a great deal of consideration and will likely attempt an action in the next 6 months	5.8%	5.6%	20.0%	0.0%	0.0%	0.0%	25.0%	4.2%
We have just completed a repricing or are in the midst of doing a repricing	1.6%	2.8%	20.0%	0.0%	5.9%	0.0%	0.0%	0.0%
If not considering repricing, what were the factors in the decision to not take action over the next 6 months?								
Anticipated difficulty in garnering support from shareholders.	43.1%	33.3%	0.0%	66.7%	57.1%	0.0%	0.0%	0.0%
Equity plan document language precludes a repricing / restructuring / exchange.	9.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A repricing / restructuring / exchange would run counter to overall compensation philosophy.	33.8%	22.2%	0.0%	66.7%	28.6%	0.0%	0.0%	0.0%
Additional expense associated with tender offer, filings, etc. (i.e., administrative expense).	13.8%	16.7%	0.0%	33.3%	14.3%	50.0%	0.0%	0.0%
Logistical difficulties in developing and implementing a program within this limited time frame.	16.9%	22.2%	50.0%	0.0%	14.3%	50.0%	0.0%	33.3%
Decided to preclude action until it is confirmed that share price drop is long-term (not an isolated event).	29.2%	44.4%	0.0%	33.3%	57.1%	100.0%	100.0%	0.0%
If not considering repricing within the next 6 months, do you anticipate reconsidering in the next 12 months?								
Yes	29.2%	38.9%	50.0%	33.3%	71.4%	0.0%	0.0%	0.0%
No	16.9%	22.2%	0.0%	66.7%	14.3%	50.0%	0.0%	0.0%
Not sure at this time.	53.8%	38.9%	50.0%	0.0%	14.3%	50.0%	100.0%	100.0%

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Long Term Incentives and Equity Awards	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
If considering or have completed a repricing, what will (or were) surrendered options be replaced with?								
New stock options	59.1%	83.3%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Restricted shares / RSUs	45.5%	33.3%	50.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Cash	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent eligible to participate in repricing / restructuring / exchange								
Non-Executive Board Members Eligible	27.3%	16.7%	0.0%	N/A	0.0%	N/A	50.0%	0.0%
CEOs Eligible	50.0%	50.0%	50.0%	N/A	0.0%	N/A	100.0%	0.0%
Other Named Executive Officers Eligible	59.1%	50.0%	50.0%	N/A	0.0%	N/A	100.0%	0.0%
Importance of Considerations in Implementing Repricing / Exchange / Restructuring - Average Rank (1=Highest, 6 = Lowest)								
New motivational and retentive power for EXECUTIVES.	2.2	3.2	3.5	N/A	6.0	N/A	2.0	2.0
New motivational and retentive power for EMPLOYEES.	3.0	2.0	2.5	N/A	3.0	N/A	1.5	1.0
Reduced dilution and creation of additional shares available for future grant.	3.5	3.5	4.0	N/A	1.0	N/A	4.5	3.0
Restore alignment between executives / employees and shareholder interests.	3.0	3.3	2.5	N/A	4.0	N/A	3.0	5.0
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	4.1	3.8	3.0	N/A	5.0	N/A	4.0	4.0
Other (e.g., compliance with 409A, administrative issues, etc.)	5.3	5.2	5.5	N/A	2.0	N/A	6.0	6.0
Percent Ranking 1 or 2								
New motivational and retentive power for EXECUTIVES.	68.2%	50.0%	50.0%	0.0%	0.0%	0.0%	50.0%	100.0%
New motivational and retentive power for EMPLOYEES.	50.0%	66.7%	50.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Reduced dilution and creation of additional shares available for future grant.	22.7%	16.7%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Restore alignment between executives / employees and shareholder interests.	40.9%	33.3%	50.0%	0.0%	0.0%	0.0%	50.0%	0.0%
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	9.1%	16.7%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other (e.g., compliance with 409A, administrative issues, etc.)	9.1%	16.7%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%

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Severance and Security Arrangements	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Do you anticipate reviewing your executive severance or change-in-control arrangements during the next 12 months?								
Yes, we will be reviewing these arrangements and anticipate some modifications	18.8%	14.7%	20.0%	0.0%	14.3%	0.0%	0.0%	25.9%
Yes, we will be reviewing these arrangements as normal course-of-business, but do not anticipate modifications	26.2%	27.9%	20.0%	50.0%	42.9%	22.2%	28.6%	18.5%
No, we do not anticipate reviewing these arrangements	55.0%	57.4%	60.0%	50.0%	42.9%	77.8%	71.4%	55.6%
Do you anticipate that modifications will increase or decrease severance to executives in terminations ABSENT a change-in-control?								
Increase	2.6%	2.4%	0.0%	33.3%	0.0%	0.0%	0.0%	0.0%
Decrease	19.3%	17.1%	100.0%	0.0%	0.0%	40.0%	20.0%	16.7%
Uncertain	78.1%	80.5%	0.0%	66.7%	100.0%	60.0%	80.0%	83.3%
Do you anticipate that modifications will increase or decrease severance to executives in terminations FOLLOWING a change-in-control?								
Increase	7.2%	12.2%	100.0%	33.3%	11.1%	0.0%	0.0%	11.1%
Decrease	14.4%	14.6%	0.0%	0.0%	0.0%	40.0%	20.0%	16.7%
Uncertain	78.4%	73.2%	0.0%	66.7%	88.9%	60.0%	80.0%	72.2%
Do you anticipate that modifications will decrease any provisions for gross-up payments (for excise tax attributable to parachute payments following a change-in-control)?								
Yes	7.7%	7.3%	0.0%	0.0%	0.0%	20.0%	20.0%	5.6%
No, we are leaving our current provisions unchanged.	35.9%	34.1%	100.0%	66.7%	44.4%	60.0%	20.0%	16.7%
No, we are actually adding or expanding gross-up provisions.	1.5%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%
No, we do not currently provide for gross-up payments and do not plan on adding these provisions.	26.7%	26.8%	0.0%	33.3%	44.4%	0.0%	20.0%	27.8%

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Severance and Security Arrangements	<u>Total</u>	<u>Firms</u>	<u>Region</u>					
	All Firms	Total	CA - LA	CA - San Diego/Orange	CA - SV / SF	MA	TX	Other
Number of Firms Reporting	436	92	6	9	19	14	9	35
Which statement best describes your current treatment of outstanding equity grants upon a change-in-control?								
We provide single-trigger acceleration (accelerated vesting upon a change-in-control)	33.6%	23.6%	80.0%	14.3%	13.3%	33.3%	42.9%	11.5%
We provide double-trigger acceleration (accelerated vesting requires both a change-in-control and job loss)	49.0%	55.6%	20.0%	71.4%	73.3%	41.7%	14.3%	65.4%
Not sure	17.4%	20.8%	0.0%	14.3%	13.3%	25.0%	42.9%	23.1%
Of those providing single-trigger acceleration: Percent considering changing to double-trigger acceleration over the next year?	8.8%	11.8%	0.0%	0.0%	50.0%	0.0%	0.0%	33.3%
Of those providing double-trigger acceleration: Percent considering changing to single-trigger acceleration over the next year?	4.0%	12.5%	0.0%	0.0%	9.1%	0.0%	0.0%	23.5%

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