



Executive Pay in the New Economy February 2009 Results Energy Industry Edition

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INTRODUCTION

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

- Executive base salary movement
- Executive bonus program design and payout levels
- Long-term incentive plans and equity awards
- Severance and security arrangements
- Implications of underwater options and purchasing power of diluted share values

This report is an update to the *Round Two* report, which was completed in February 2009; it includes an additional 13 Energy companies. The total respondents have been increased to 450 including 37 Energy firms. We have summarized results focusing on the energy sector and its current contrast to the general sectors across a variety of demographic categories, including:

- All firms
- Energy Industry
- Employee vs. Director perspectives
- Company Performance Expectations

We will also be publishing a Trends and Issues Report in the next 30 days that includes our observations relating to the implications of report findings.

We hope that you find this information useful. We would like to thank the Boston office and Jim Heim and their web team for compiling this data. We will be conducting more of this type of service in the future and will be encouraging greater participation including, for this special report, better participation from our board client companies in the energy sector. If you would like to discuss any aspect of these findings further, please contact:

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ISSUES AND RATIONALE FOR STUDY

Hot Topics

February and March is the time when compensation committees are visiting 2009 awards, and previous year performance outcomes for the previous year for annual incentive payouts, and reviewing market data for equity grant values against deflated share price and shares remaining in the pool. These hot topics are the focus of this study – our second update of our late November Quick Poll on similar issues.

This updated *Round Two* report contains a section not in the November Quick Poll. Option re-pricings, or more appropriately, exchange offers as a means to recapture out-of-the-money options are seriously being considered by an increasing number of firms. This topic, while initially of most interest to high technology and some large caps who have continued to rely heavily on options, has drawn the interests of many other companies in recent months.

Energy Sector Key Findings

This report captures philosophies and actions in industry sectors that are very diverse. When the 4th Quarter 2008 report was compiled we noted varying reactions to salary increases, payment of last year's bonuses and prognoses for 2009 equity awards. In the few months since then, we have seen more of a "response" to the downturn in the energy sector. Deciding to update the Quick Poll just a few months later is an attempt not only to see how the climate has changed in the general sector but also that of the energy sector.

In late November the energy sector responses were almost the mirror opposite from general industry and specifically financial services and banking. Not surprising to anyone, those markets finished 2008 with poor financial results and responses were also not surprising with regard to low payouts of 2008 bonuses paid in 2009, the extent of wage freezes and pay cuts, and the significant impact on the prognosis for any significant values out of 2009 annual and long-term incentives. Retail and consumer driven markets, technology, and parts of general manufacturing were not too far behind in pulling back and re-trenching.

During the period in which committees and boards in the energy sector saw initial 2008 results, share prices either languished or did not fully recover and a less optimistic outlook for FY2009 arose.

How have and how will these factors influence decisions in the near term? We hope that the following data is helpful in assessing discretion in awards where applicable, in planning 2009 and 2010 award thresholds and related considerations. We also hope it will better qualify the framework of reference in light of most of the reports and press coverage that has thus far focused only on an "all industry" perspective.

Note: The Energy cut we used for this round differs slightly from our previous reports. We have added 13 companies to the original *Round Two* report. We have defined Energy in this *Round Two* series to only include Oil & Gas, Upstream and Down Stream, and Energy Services companies. This now includes 37 firms; compared to the 24 (original Round Two) and 28 (Round One) firms of our previous Energy studies.

HIGHLIGHTS

Energy Sector Responses Distinguished from General Industry

Company Performance – Energy Sector Compared to General Sector

- 63% of Energy companies indicated that 2008 performance met or exceeded budget expectations. This compares to only 39.5% of firms overall who reported similar results.
- 20.6% of Energy respondents indicated that recent financial turmoil would have “significant impact” on pay decisions over the next six months. This compares to the 35.3% of firms overall who indicated similarly. The majority of Energy respondents, 76.5%, indicated “some impact.”

Executive Base Salary and Bonus Changes

- 17.6 % of Energy respondents indicated that executive team base salary increases for 2009 would be “about the same” as 2008 increases with 82.4% indicating that they will be “somewhat” or “considerably” less. This compares to 52% and 40%, respectively from 4th Quarter 2008 Energy responses and 27.6% and 70.4%, respectively, of firms overall.
- 33.3% of Energy respondents indicated they have already decided to freeze base salaries while 39.4% of Energy firms “are not” or have “given little consideration” to freezing base salaries. This compares to 37.6% of firms overall freezing base salaries with only 35.6% “not considering” or have given “little consideration.”
- 81.9% of Energy respondents indicate that they “have paid or most likely will pay” at formula or higher in regard to 2008 annual incentive (48.5% at, 33.4% higher). This is in contrast to the less than 60% of companies overall that responded similarly.

Long-Term Incentives and Equity Awards

- 62.1% of Energy respondents indicated that 2009 LTI grants will be “somewhat lower” or “considerably lower” compared to those grants in 2008. Only 40% of Energy respondents indicated similar expectations in the 4th Quarter 2008 study. Approximately 59.2% of firms overall have similar expectations.
- 62.1% of Energy respondents indicated “market data” will be the driver for 2009 LTI awards with 40.8% of firms overall using the same approach.

Stock Option Repricing / Restructuring / Exchanging

- 69% of Energy companies responded they are not considering repricing underwater stock options with 6.9% indicating they are likely to attempt repricing action in the next 6 months.

Executive Pay in the New Economy
February 2009 Results

Participant Demographics	Energy Firms		All Firms		Primary Role		Company Performance vs Plan	
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	
Number of Firms Reporting	37	450	341	109	270	86	90	
Employee of the firm								
Employee of the firm	75.7%	75.8%	75.8%	0.0%	75.6%	89.5%	62.2%	
Outside director	24.3%	24.2%	0.0%	24.2%	24.4%	10.5%	37.8%	
What best describes your role with this organization?								
Chief Executive Officer	2.7%	7.6%	10.0%	0.0%	7.8%	10.5%	4.4%	
Chief Financial Officer	0.0%	1.8%	2.3%	0.0%	3.0%	0.0%	0.0%	
VP of Human Resources	24.3%	18.3%	24.0%	0.0%	19.3%	17.4%	16.7%	
General Counsel	0.0%	1.6%	2.1%	0.0%	1.5%	2.3%	1.1%	
A member of the executive team (other than those listed above)	0.0%	5.3%	7.0%	0.0%	5.2%	7.0%	4.4%	
A member of the compensation department	45.9%	37.9%	49.9%	0.0%	36.4%	47.7%	30.0%	
A member of human resources (not in the compensation department)	2.7%	1.3%	1.8%	0.0%	0.4%	2.3%	3.3%	
Other employee of the firm	0.0%	2.2%	2.9%	0.0%	2.2%	2.3%	2.2%	
Chairman of the Compensation Committee	10.8%	10.9%	0.0%	45.4%	10.4%	4.7%	18.9%	
Member of the Compensation Committee (non-Chairman)	10.8%	8.5%	0.0%	35.2%	8.2%	5.8%	12.2%	
Member of the Board (not participant on Compensation Committee)	2.7%	4.0%	0.0%	16.7%	4.8%	0.0%	5.6%	
Other Outside Director	0.0%	0.7%	0.0%	2.8%	0.7%	0.0%	1.1%	
Organizational Size (Revenue / Assets / Operational Budget)								
Under \$300 million	8.1%	24.9%	21.4%	35.8%	23.7%	26.7%	27.8%	
\$300 million to less than \$1 billion	24.3%	22.7%	21.7%	25.7%	23.0%	23.3%	18.9%	
\$1 billion to less than \$3 billion	29.7%	22.4%	22.9%	21.1%	23.7%	20.9%	20.0%	
\$3 billion to less than \$10 billion	8.1%	18.4%	21.4%	9.2%	18.9%	16.3%	20.0%	
\$10 billion or greater	29.7%	11.6%	12.6%	8.3%	10.7%	12.8%	13.3%	

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February 2009 Results

Participant Demographics	Energy Firms		All Firms		Primary Role		Company Performance vs Plan	
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	
Number of Firms Reporting	37	450	341	109	270	86	90	
Form of Ownership								
Publicly Held; For Profit	86.5%	72.2%	51.2%	20.9%	73.2%	65.1%	74.4%	
Closely Held; For Profit	2.7%	2.9%	2.0%	0.9%	3.3%	2.3%	2.2%	
Privately Held; For Profit	10.8%	20.0%	18.5%	1.6%	20.4%	20.9%	18.9%	
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	0.0%	4.9%	4.0%	0.9%	3.0%	11.6%	4.4%	
Industry Group								
Industrials / Materials	0.0%	18.7%	19.3%	16.8%	20.6%	19.3%	12.2%	
Consumer Discretionary / Staples	0.0%	16.7%	16.6%	16.8%	20.6%	10.8%	11.1%	
Health Care	0.0%	9.2%	8.3%	12.1%	6.0%	12.0%	15.6%	
Financials	0.0%	22.5%	21.1%	27.1%	27.3%	12.0%	18.9%	
Info Tech / Telecomm Services	0.0%	20.7%	22.3%	15.9%	19.5%	30.1%	16.7%	
Energy / Utilities	100.0%	12.2%	12.5%	11.2%	6.0%	15.7%	25.6%	
Organization's reporting entity:								
Parent/Stand Alone	89.2%	92.7%	91.5%	96.3%	92.6%	90.7%	94.4%	
Subsidiary	8.1%	6.7%	7.6%	3.7%	7.0%	7.0%	5.6%	
Division	2.7%	0.7%	0.9%	0.0%	0.4%	2.3%	0.0%	

Executive Pay in the New Economy
February 2009 Results

Company Performance and Impact on Decision Making	Energy Firms	All Firms	Primary Role		Company Performance vs Plan		
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead
Number of Firms Reporting	37	450	341	109	270	86	90

Please indicate your assessment of your company's performance for the year as compared to plan or budget.

Well off target	8.6%	26.0%	24.3%	31.2%	43.0%	0.0%	0.0%
Somewhat off target	28.6%	34.5%	36.2%	29.4%	57.0%	0.0%	0.0%
On target	22.9%	18.2%	21.4%	8.3%	0.0%	94.2%	0.0%
Somewhat ahead of target	28.6%	14.8%	12.2%	22.9%	0.0%	0.0%	73.3%
Well ahead of target	11.4%	5.4%	4.5%	8.3%	0.0%	0.0%	26.7%
Not sure	0.0%	1.1%	1.5%	0.0%	0.0%	5.8%	0.0%

To what extent will recent financial market turmoil impact your pay decision making process over the next 6 months?

Not at all	2.9%	8.4%	6.9%	12.8%	4.5%	12.9%	15.7%
Some impact on decision making process	76.5%	56.1%	55.3%	58.7%	48.1%	71.8%	65.2%
Significant impact on decision making process	20.6%	35.5%	37.8%	28.4%	47.4%	15.3%	19.1%

Energy Firms

Impact on Executive Pay Decision Making in 2009

		Not at all	Some Impact	Significant Impact	Total
Company Performance vs Plan	Well off target	0.0%	66.7%	33.3%	100.0%
	Somewhat off target	0.0%	70.0%	30.0%	100.0%
	On target	0.0%	87.5%	12.5%	100.0%
	Somewhat ahead of target	11.1%	66.7%	22.2%	100.0%
	Well ahead of target	0.0%	100.0%	0.0%	100.0%
	Not sure	0.0%	0.0%	0.0%	0.0%

Executive Pay in the New Economy
February 2009 Results

Executive Base Pay Changes	Energy Firms		All Firms		Primary Role		Company Performance vs Plan	
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	
Number of Firms Reporting	37	450	341	109	270	86	90	
In percentage terms, do you anticipate that your executive team's base salary increases for 2009 will be...								
Considerably less than 2008's increases	35.3%	40.9%	41.9%	37.6%	50.8%	22.9%	27.3%	
Somewhat less than 2008's increases	47.1%	29.5%	25.8%	40.4%	28.2%	32.5%	30.7%	
About the same as 2008's increases	17.6%	27.6%	29.8%	21.1%	19.9%	43.4%	36.4%	
Somewhat more than 2008's increases	0.0%	1.4%	1.5%	0.9%	0.8%	0.0%	4.5%	
Considerably more than 2008's increases	0.0%	0.7%	0.9%	0.0%	0.4%	1.2%	1.1%	
Are you considering freezing your executive team's base salaries in 2009?								
We have already decided to freeze executive base salaries in 2009	33.3%	37.6%	38.8%	33.9%	46.4%	18.1%	28.7%	
We are strongly considering freezing base salaries	21.2%	14.0%	13.5%	15.6%	17.0%	13.3%	5.7%	
We have given somewhat more consideration to freezing base salaries in 2009 than in recent years	6.1%	12.8%	11.3%	17.4%	14.0%	10.8%	11.5%	
We have given little consideration to freezing base salaries, and no more so than in recent years	9.1%	8.5%	8.0%	10.1%	6.8%	13.3%	9.2%	
We are not considering freezing base salaries	30.3%	27.1%	28.4%	22.9%	15.8%	44.6%	44.8%	
What is your anticipated total merit increase budget for executives for 2009?								
0% (Base salaries are frozen)	35.5%	40.2%	42.0%	34.9%	48.3%	27.7%	26.7%	
0% to 2%	12.9%	14.7%	13.8%	17.4%	19.2%	9.6%	5.8%	
2% to 3%	19.4%	13.1%	11.0%	19.3%	11.7%	14.5%	16.3%	
3% to 4%	19.4%	19.3%	18.4%	22.0%	14.7%	24.1%	29.1%	
4% to 5%	6.5%	6.9%	8.3%	2.8%	3.4%	18.1%	7.0%	
5% to 6%	6.5%	3.0%	3.7%	0.9%	1.1%	3.6%	8.1%	
More than 6%	0.0%	2.8%	2.8%	2.8%	1.5%	2.4%	7.0%	

Executive Pay in the New Economy
February 2009 Results

Executive Annual Incentive (Bonus) Programs	Energy Firms		All Firms		Primary Role		Company Performance vs Plan	
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	
Number of Firms Reporting	37	450	341	109	270	86	90	
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"	15.2%	28.8%	30.2%	24.8%	41.3%	8.9%	9.3%	
We may pay "below formula"	3.0%	12.9%	12.3%	14.7%	18.1%	8.9%	1.2%	
We have paid, or are most likely to pay "at formula"	48.5%	43.8%	43.7%	44.0%	33.2%	67.1%	54.7%	
We may pay "above formula"	15.2%	8.2%	7.5%	10.1%	3.5%	10.1%	20.9%	
We have paid, or are likely to pay "above formula" annual incentive	18.2%	6.3%	6.3%	6.4%	3.9%	5.1%	14.0%	
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	3.1%	24.2%	24.3%	24.1%	34.1%	9.1%	7.1%	
The payout will be 100% cash	65.6%	56.5%	63.3%	37.0%	48.1%	71.4%	69.4%	
We allow executives to choose to receive a portion of their incentive payout in the form of stock	6.3%	3.3%	3.5%	2.8%	3.1%	3.9%	3.5%	
By policy, we denominate a portion of the payout (less than 50%) in the form of stock	15.6%	10.9%	5.8%	25.9%	10.1%	13.0%	11.8%	
By policy, we denominate a portion of the payout (50% or more) in the form of stock	9.4%	5.0%	3.2%	10.2%	4.7%	2.6%	8.2%	

Executive Pay in the New Economy
February 2009 Results

Long Term Incentives and Equity Awards	Energy Firms		All Firms		Primary Role		Company Performance vs Plan	
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	
Number of Firms Reporting	37	450	341	109	270	86	90	
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	41.4%	30.8%	30.7%	30.9%	40.5%	13.0%	15.3%	
Somewhat lower	20.7%	28.4%	24.9%	37.1%	30.5%	25.9%	23.6%	
About the same	27.6%	31.7%	34.4%	24.7%	21.4%	51.9%	47.2%	
Somewhat higher	10.3%	6.2%	5.8%	7.2%	4.8%	5.6%	11.1%	
Considerably higher	0.0%	3.0%	4.1%	0.0%	2.9%	3.7%	2.8%	
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.	62.1%	40.8%	44.8%	31.2%	40.4%	52.1%	33.8%	
The number of shares is based on an assumed share price growth rate and a targeted "future value" at that growth rate.	6.9%	5.4%	4.9%	6.5%	5.6%	4.2%	5.9%	
We granted a similar number of shares as in the prior year (i.e., burn rates are relatively consistent year-over-year).	13.8%	19.6%	19.3%	20.4%	19.7%	16.7%	22.1%	
The number of shares was determined based on achievement relative to pre-determined performance goals.	10.3%	10.8%	5.4%	23.7%	10.6%	10.4%	11.8%	
We used an alternative approach not described above.	6.9%	23.4%	25.6%	18.3%	23.7%	16.7%	26.5%	

Long Term Incentives and Equity Awards	<u>Energy Firms</u>	<u>All Firms</u>	<u>Primary Role</u>		<u>Company Performance vs Plan</u>		
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead
Number of Firms Reporting	37	450	341	109	270	86	90
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	14.3%	9.5%	9.6%	9.2%	8.8%	11.4%	10.2%
About the Same	52.4%	53.6%	52.9%	55.4%	46.7%	60.0%	69.4%
Lower Percentage of Value	33.3%	36.9%	37.6%	35.4%	44.5%	28.6%	20.4%
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	33.3%	20.8%	25.0%	16.7%	22.2%	20.0%	0.0%
About the Same	33.3%	37.5%	33.3%	41.7%	38.9%	20.0%	100.0%
Lower Percentage of Value	33.3%	41.7%	41.7%	41.7%	38.9%	60.0%	0.0%
Restricted Stock / Restricted Stock Units (shares of stock subject to a restriction period during which the shares cannot be sold)							
Greater Percentage of Value	12.5%	17.7%	18.3%	16.4%	20.3%	18.4%	9.3%
About the Same	66.7%	52.4%	53.0%	50.7%	44.6%	57.9%	74.4%
Lower Percentage of Value	20.8%	29.9%	28.7%	32.8%	35.1%	23.7%	16.3%
Performance Shares / Units (shares of stock subject to achievement of pre-determined performance goals)							
Greater Percentage of Value	15.4%	20.6%	14.9%	35.0%	20.5%	26.1%	17.9%
About the Same	53.8%	52.5%	52.5%	52.5%	43.2%	60.9%	75.0%
Lower Percentage of Value	30.8%	27.0%	32.7%	12.5%	36.4%	13.0%	7.1%
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	7.7%	11.3%	9.7%	13.5%	10.4%	5.0%	16.0%
About the Same	84.6%	50.8%	50.0%	51.9%	35.1%	85.0%	72.0%
Lower Percentage of Value	7.7%	37.9%	40.3%	34.6%	54.5%	10.0%	12.0%
Relative to the prior year's burn rate, do you anticipate that this year's burn rate will be...							
Considerably lower	7.1%	15.7%	15.8%	15.4%	21.8%	4.1%	6.2%
Somewhat lower	7.1%	18.8%	17.1%	23.1%	19.3%	16.3%	18.5%
About the same	28.6%	39.3%	39.6%	38.5%	32.5%	46.9%	55.4%
Somewhat higher	42.9%	16.9%	16.7%	17.6%	13.7%	28.6%	16.9%
Considerably higher	14.3%	9.3%	10.8%	5.5%	12.7%	4.1%	3.1%

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Long Term Incentives and Equity Awards	<u>Energy Firms</u>	<u>All Firms</u>	<u>Primary Role</u>		<u>Company Performance vs Plan</u>		
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead
Number of Firms Reporting	37	450	341	109	270	86	90
Is your organization considering repricing / restructuring / exchanging outstanding underwater stock options?							
No, this is not under consideration	69.0%	70.6%	70.8%	70.2%	65.0%	86.0%	76.2%
We have given the topic some consideration, but are unlikely to take action in the next 6 months	24.1%	16.6%	16.4%	17.0%	19.2%	8.0%	14.3%
We have given the topic a great deal of consideration, but are unlikely to take action in the next 6 months	0.0%	5.3%	6.2%	3.2%	5.9%	2.0%	6.3%
We have given the topic a great deal of consideration and will likely attempt an action in the next 6 months	6.9%	5.9%	4.9%	8.5%	7.4%	4.0%	3.2%
We have just completed a repricing or are in the midst of doing a repricing	0.0%	1.6%	1.8%	1.1%	2.5%	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.	57.1%	42.9%	41.2%	47.4%	41.2%	40.0%	53.8%
Equity plan document language precludes a repricing / restructuring / exchange.	28.6%	10.0%	9.8%	10.5%	9.8%	0.0%	15.4%
A repricing / restructuring / exchange would run counter to overall compensation philosophy.	28.6%	32.9%	29.4%	42.1%	31.4%	40.0%	38.5%
Additional expense associated with tender offer, filings, etc. (i.e., administrative expense).	14.3%	12.9%	13.7%	10.5%	9.8%	20.0%	23.1%
Logistical difficulties in developing and implementing a program within this limited time frame.	14.3%	15.7%	15.7%	15.8%	17.6%	20.0%	7.7%
Decided to preclude action until it is confirmed that share price drop is long-term (not an isolated event).	14.3%	30.0%	33.3%	21.1%	21.6%	80.0%	46.2%
If not considering repricing within the next 6 months, do you anticipate reconsidering in the next 12 months?							
Yes	28.6%	30.0%	33.3%	21.1%	31.4%	20.0%	23.1%
No	0.0%	15.7%	13.7%	21.1%	7.8%	40.0%	38.5%
Not sure at this time.	71.4%	54.3%	52.9%	57.9%	60.8%	40.0%	38.5%

Executive Pay in the New Economy
February 2009 Results

Long Term Incentives and Equity Awards	<u>Energy Firms</u>	<u>All Firms</u>	<u>Primary Role</u>		<u>Company Performance vs Plan</u>		
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead
Number of Firms Reporting	37	450	341	109	270	86	90
If considering or have completed a repricing, what will (or were) surrendered options be replaced with?							
New stock options	100.0%	60.9%	73.3%	37.5%	60.0%	100.0%	0.0%
Restricted shares / RSUs	0.0%	43.5%	20.0%	87.5%	45.0%	0.0%	100.0%
Cash	0.0%	4.3%	6.7%	0.0%	5.0%	0.0%	0.0%
Percent eligible to participate in repricing / restructuring / exchange							
Non-Executive Board Members Eligible	100.0%	30.4%	26.7%	37.5%	30.0%	50.0%	0.0%
CEOs Eligible	100.0%	52.2%	46.7%	62.5%	50.0%	100.0%	0.0%
Other Named Executive Officers Eligible	100.0%	60.9%	60.0%	62.5%	60.0%	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.	2.0	2.2	2.0	2.5	2.2	1.5	3.0
New motivational and retentive power for EMPLOYEES.	1.0	2.9	3.1	2.4	3.0	2.5	1.0
Reduced dilution and creation of additional shares available for future grant.	5.0	3.6	3.6	3.5	3.5	5.0	2.0
Restore alignment between executives / employees and shareholder interests.	3.0	3.0	3.1	2.9	3.0	3.0	4.0
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	4.0	4.1	3.9	4.5	4.2	3.0	5.0
Other (e.g., compliance with 409A, administrative issues, etc.)	6.0	5.3	5.3	5.3	5.2	6.0	6.0
Percent Ranking 1 or 2							
New motivational and retentive power for EXECUTIVES.	100.0%	69.6%	73.3%	62.5%	70.0%	100.0%	0.0%
New motivational and retentive power for EMPLOYEES.	100.0%	52.2%	46.7%	62.5%	50.0%	50.0%	100.0%
Reduced dilution and creation of additional shares available for future grant.	0.0%	21.7%	20.0%	25.0%	20.0%	0.0%	100.0%
Restore alignment between executives / employees and shareholder interests.	0.0%	39.1%	40.0%	37.5%	45.0%	0.0%	0.0%
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	0.0%	8.7%	13.3%	0.0%	5.0%	50.0%	0.0%
Other (e.g., compliance with 409A, administrative issues, etc.)	0.0%	8.7%	6.7%	12.5%	10.0%	0.0%	0.0%

Executive Pay in the New Economy
February 2009 Results

Severance and Security Arrangements	Energy Firms		All Firms		Primary Role		Company Performance vs Plan	
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	
Number of Firms Reporting	37	450	341	109	270	86	90	
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	24.1%	18.6%	13.9%	31.4%	18.4%	13.5%	22.6%	
Yes, we will be reviewing these arrangements as normal course-of-business, but do not anticipate modifications	24.1%	26.0%	25.3%	27.9%	27.5%	23.1%	24.2%	
No, we do not anticipate reviewing these arrangements	51.7%	55.4%	60.8%	40.7%	54.1%	63.5%	53.2%	
Do you anticipate that modifications will increase or decrease severance to executives in terminations ABSENT a change-in-control?								
Increase	0.0%	2.6%	1.5%	4.9%	3.2%	0.0%	2.8%	
Decrease	27.3%	19.1%	15.0%	27.9%	21.6%	3.0%	25.0%	
Uncertain	72.7%	78.4%	83.5%	67.2%	75.2%	97.0%	72.2%	
Do you anticipate that modifications will increase or decrease severance to executives in terminations FOLLOWING a change-in-control?								
Increase	0.0%	7.7%	7.4%	8.2%	8.7%	5.9%	5.6%	
Decrease	9.1%	14.3%	12.6%	18.0%	15.1%	8.8%	16.7%	
Uncertain	90.9%	78.1%	80.0%	73.8%	76.2%	85.3%	77.8%	
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	9.1%	7.6%	4.4%	14.8%	6.3%	5.9%	13.9%	
No, we are leaving our current provisions unchanged.	63.6%	36.0%	34.6%	39.3%	34.6%	41.2%	36.1%	
No, we are actually adding or expanding gross-up provisions.	0.0%	1.5%	1.5%	1.6%	2.4%	0.0%	0.0%	
No, we do not currently provide for gross-up payments and do not plan on adding these provisions.	27.3%	26.4%	24.3%	31.1%	29.9%	20.6%	19.4%	

Severance and Security Arrangements	<u>Energy Firms</u>	<u>All Firms</u>	<u>Primary Role</u>		<u>Company Performance vs Plan</u>		
	Total	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead
Number of Firms Reporting	37	450	341	109	270	86	90
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)	53.8%	34.6%	38.1%	25.8%	35.0%	32.7%	33.8%
We provide double-trigger acceleration (accelerated vesting requires both a change-in-control and job loss)	46.2%	48.6%	42.9%	62.9%	47.0%	49.0%	53.8%
Not sure	0.0%	16.8%	19.0%	11.2%	18.0%	18.4%	12.3%
Of those providing single-trigger acceleration: Percent considering changing to double-trigger acceleration over the next year?	21.4%	9.2%	7.0%	17.4%	5.7%	12.5%	18.2%
Of those providing double-trigger acceleration: Percent considering changing to single-trigger acceleration over the next year?	0.0%	3.9%	4.1%	3.6%	4.3%	4.2%	2.9%

About Pearl Meyer & Partners

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