



# Executive Pay in the New Economy February 2009 Results

*Information Technology Edition*

## Table of Contents

Introduction	1
Highlights Specific to Technology Firm Respondents	2
Participant Demographics	3
Company Performance and Impact on Decision Making	5
Executive Base Pay Changes	6
Executive Annual Incentive (Bonus) Programs	7
Long Term Incentives and Equity Awards	8
Severance and Security Arrangements	12
About Pearl Meyer & Partners and TEAMTECH	14

## 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). We have summarized *Information Technology* results across a variety of demographic categories, including:

- All technology firms
- Employee vs. Director perspectives
- Industry, as follows:
  - Computer / Hardware
  - Semiconductors / Semiconductor Equipment
  - Software / IT Consulting
  - Networking Hardware / Telecommunications Software

We have also included an “All Firms” results category (i.e., all 436 participants in the survey, including those from sectors other than Information Technology), as a frame of reference.

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 Respondents

### Company Performance and Impact on Decision Making

- Winter 2009 responses showed an increase over a similar study we conducted in Fall 2008 in the number reporting that performance for the year was “well off target” (23.9%, vs. 15.6% for Fall 2008) and the number indicating that recent financial market turmoil would significantly impact pay decisions (37.0%, vs. 16.9% for Fall 2008).
- 72.7% of respondents who reported that company performance for the year was “well off target” indicated that recent financial market turmoil would “significantly” impact pay decisions.

### Executive Base Salary and Bonus Changes

- 51.6% of respondents indicated that executive team base salary increases for 2009 would be “considerably less” than 2008 increases.
- Relative to Fall 2008 there has been a marked increase in executive team base salary freezes. While only 23.4% reported that they were “strongly” considering base salary freezes in the Fall 2008 study, 58.9% said that they have already implemented or were “strongly” considering a freeze in Winter 2009.
- 26.1% of respondents indicated that they would not provide a bonus payout to executives for 2008 performance. Respondents from the “Semiconductors / Semiconductor Equipment” category were most likely to indicate that they would pay no bonus (42.9%).

### Long-Term Incentives and Equity Awards

- 28.4% of respondents indicated that the economic value of this year’s award would be “considerably” lower than last year’s. Once again, respondents from the “Semiconductors / Semiconductor Equipment” category had the most negative outlook, with 53.8% anticipating a “considerably” lower grant.
- Roughly 8.4% of respondents indicated that they have just completed, are in the midst of, or will attempt an underwater stock option exchange in the next 6 months. The topic continues to be of interest to technology firms in general, and 38.9% of those who have decided not to pursue an exchange will revisit the topic in the next 12 months.

### Industry Differences

- “Semiconductors / Semiconductor Equipment” firms were most likely to report that company performance was “well off target” as compared to budget, and to anticipate that recent financial market turmoil would “significantly” impact the executive pay decision making process over the next 6 months.
- “Computer / Hardware” firms were most likely to report a base salary freeze for executives.
- “Computer / Hardware” and “Networking Hardware / Telecommunications Services” firms indicated that performance shares would account for a greater percentage of executive LTI awards in 2009.

Executive Pay in the New Economy  
February 2009 Results

Participant Demographics	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Employee of the firm</b>								
Employee of the firm	75.2%	81.5%	81.5%	0.0%	78.4%	86.7%	89.3%	66.7%
Outside director	24.8%	18.5%	0.0%	18.5%	21.6%	13.3%	10.7%	33.3%
<b>What best describes your role with this organization?</b>								
Chief Executive Officer	7.8%	7.6%	9.3%	0.0%	5.4%	0.0%	10.7%	16.7%
Chief Financial Officer	1.8%	1.1%	1.3%	0.0%	2.7%	0.0%	0.0%	0.0%
VP of Human Resources	17.2%	12.0%	14.7%	0.0%	13.5%	13.3%	10.7%	8.3%
General Counsel	1.6%	1.1%	1.3%	0.0%	0.0%	0.0%	3.6%	0.0%
A member of the executive team (other than those listed above)	5.5%	3.3%	4.0%	0.0%	0.0%	13.3%	3.6%	0.0%
A member of the compensation department	37.9%	54.3%	66.7%	0.0%	51.4%	60.0%	60.7%	41.7%
A member of human resources (not in the compensation department)	1.1%	1.1%	1.3%	0.0%	2.7%	0.0%	0.0%	0.0%
Other employee of the firm	2.3%	1.1%	1.3%	0.0%	2.7%	0.0%	0.0%	0.0%
Chairman of the Compensation Committee	11.0%	6.5%	0.0%	35.3%	5.4%	0.0%	3.6%	25.0%
Member of the Compensation Committee (non-Chairman)	8.7%	3.3%	0.0%	17.6%	5.4%	0.0%	3.6%	0.0%
Member of the Board (not participant on Compensation Committee)	4.1%	7.6%	0.0%	41.2%	8.1%	13.3%	3.6%	8.3%
Other Outside Director	0.7%	1.1%	0.0%	5.9%	2.7%	0.0%	0.0%	0.0%
<b>Organizational Size (Revenue / Assets / Operational Budget)</b>								
Under \$300 million	25.5%	40.2%	33.3%	70.6%	35.1%	33.3%	50.0%	41.7%
\$300 million to less than \$1 billion	22.5%	17.4%	17.3%	17.6%	18.9%	6.7%	21.4%	16.7%
\$1 billion to less than \$3 billion	22.0%	17.4%	21.3%	0.0%	21.6%	20.0%	14.3%	8.3%
\$3 billion to less than \$10 billion	18.6%	16.3%	18.7%	5.9%	16.2%	33.3%	10.7%	8.3%
\$10 billion or greater	11.5%	8.7%	9.3%	5.9%	8.1%	6.7%	3.6%	25.0%

Executive Pay in the New Economy  
February 2009 Results

Participant Demographics	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Form of Ownership</b>								
Publicly Held; For Profit	72.0%	76.1%	58.7%	17.4%	78.4%	93.3%	57.1%	91.7%
Closely Held; For Profit	3.0%	1.1%	1.1%	0.0%	0.0%	0.0%	3.6%	0.0%
Privately Held; For Profit	20.0%	18.5%	17.4%	1.1%	10.8%	6.7%	39.3%	8.3%
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	5.1%	4.3%	4.3%	0.0%	10.8%	0.0%	0.0%	0.0%
<b>Industry Group</b>								
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%
<b>Organization's reporting entity:</b>								
Parent/Stand Alone	93.1%	92.4%	90.7%	100.0%	94.6%	93.3%	85.7%	100.0%
Subsidiary	6.4%	7.6%	9.3%	0.0%	5.4%	6.7%	14.3%	0.0%
Division	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Executive Pay in the New Economy  
February 2009 Results

Company Performance and Impact on Decision Making	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Please indicate your assessment of your company's performance for the year as compared to plan or budget.</b>								
Well off target	26.4%	23.9%	22.7%	29.4%	21.6%	40.0%	21.4%	16.7%
Somewhat off target	34.7%	32.6%	33.3%	29.4%	24.3%	33.3%	35.7%	50.0%
On target	18.3%	23.9%	28.0%	5.9%	32.4%	6.7%	25.0%	16.7%
Somewhat ahead of target	14.6%	13.0%	8.0%	35.3%	16.2%	6.7%	14.3%	8.3%
Well ahead of target	4.9%	3.3%	4.0%	0.0%	2.7%	0.0%	3.6%	8.3%
Not sure	1.2%	3.3%	4.0%	0.0%	2.7%	13.3%	0.0%	0.0%
<b>To what extent will recent financial market turmoil impact your pay decision making process over the next 6 months?</b>								
Not at all	8.6%	6.5%	8.0%	0.0%	8.1%	0.0%	7.1%	8.3%
Some impact on decision making process	56.1%	56.5%	52.0%	76.5%	54.1%	33.3%	67.9%	66.7%
Significant impact on decision making process	35.3%	37.0%	40.0%	23.5%	37.8%	66.7%	25.0%	25.0%

Technology Firms	Impact on Executive Pay Decision Making in 2009			
Performance vs Plan	Not at all	Some Impact	Significant Impact	Total
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%

Executive Pay in the New Economy  
February 2009 Results

Executive Base Pay Changes	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>In percentage terms, do you anticipate that your executive team's base salary increases for 2009 will be...</b>								
Considerably less than 2008's increases	40.3%	51.6%	51.4%	52.9%	59.5%	64.3%	39.3%	41.7%
Somewhat less than 2008's increases	29.5%	22.0%	21.6%	23.5%	10.8%	14.3%	35.7%	33.3%
About the same as 2008's increases	28.1%	25.3%	25.7%	23.5%	29.7%	21.4%	21.4%	25.0%
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%	1.4%	0.0%	0.0%	0.0%	3.6%	0.0%
<b>Are you considering freezing your executive team's base salaries in 2009?</b>								
We have already decided to freeze executive base salaries in 2009	37.2%	40.0%	39.7%	41.2%	54.3%	33.3%	21.4%	50.0%
We are strongly considering freezing base salaries	13.7%	18.9%	19.2%	17.6%	8.6%	33.3%	25.0%	16.7%
We have given somewhat more consideration to freezing base salaries in 2009 than in recent years	13.0%	7.8%	5.5%	17.6%	5.7%	6.7%	7.1%	16.7%
We have given little consideration to freezing base salaries, and no more so than in recent years	8.8%	7.8%	9.6%	0.0%	5.7%	0.0%	14.3%	8.3%
We are not considering freezing base salaries	27.3%	25.6%	26.0%	23.5%	25.7%	26.7%	32.1%	8.3%
<b>What is your anticipated total merit increase budget for executives for 2009?</b>								
0% (Base salaries are frozen)	39.7%	46.2%	45.9%	47.1%	61.1%	40.0%	25.0%	58.3%
0% to 2%	15.2%	18.7%	18.9%	17.6%	13.9%	26.7%	25.0%	8.3%
2% to 3%	13.3%	9.9%	8.1%	17.6%	8.3%	6.7%	10.7%	16.7%
3% to 4%	19.2%	11.0%	10.8%	11.8%	8.3%	13.3%	14.3%	8.3%
4% to 5%	7.1%	6.6%	8.1%	0.0%	0.0%	0.0%	17.9%	8.3%
5% to 6%	2.6%	4.4%	4.1%	5.9%	8.3%	0.0%	3.6%	0.0%
More than 6%	2.9%	3.3%	4.1%	0.0%	0.0%	13.3%	3.6%	0.0%

Executive Pay in the New Economy  
February 2009 Results

Executive Annual Incentive (Bonus) Programs	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>What is the likelihood that you may exercise discretion in determining your annual incentive payout FOR 2008 PERFORMANCE?</b>								
We have paid, or are likely to pay "below formula"	29.1%	33.0%	33.8%	29.4%	27.8%	26.7%	39.3%	41.7%
We may pay "below formula"	13.1%	13.2%	13.5%	11.8%	16.7%	26.7%	7.1%	0.0%
We have paid, or are most likely to pay "at formula"	43.6%	41.8%	40.5%	47.1%	44.4%	26.7%	42.9%	50.0%
We may pay "above formula"	8.2%	7.7%	6.8%	11.8%	5.6%	13.3%	10.7%	0.0%
We have paid, or are likely to pay "above formula" annual incentive	6.1%	4.4%	5.4%	0.0%	5.6%	6.7%	0.0%	8.3%
<b>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?</b>								
We do not anticipate (or have not made) any annual incentive payout for 2008 performance	24.8%	26.1%	26.8%	23.5%	20.6%	42.9%	28.6%	16.7%
The payout will be 100% cash	55.8%	58.0%	59.2%	52.9%	61.8%	57.1%	57.1%	50.0%
We allow executives to choose to receive a portion of their incentive payout in the form of stock	3.2%	4.5%	4.2%	5.9%	5.9%	0.0%	7.1%	0.0%
By policy, we denominate a portion of the payout (less than 50%) in the form of stock	11.3%	8.0%	7.0%	11.8%	8.8%	0.0%	3.6%	25.0%
By policy, we denominate a portion of the payout (50% or more) in the form of stock	4.9%	3.4%	2.8%	5.9%	2.9%	0.0%	3.6%	8.3%

Executive Pay in the New Economy  
February 2009 Results

Long Term Incentives and Equity Awards	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Relative to the prior year's equity award, the value of awards made at the end of 2008 or beginning of 2009 will be...</b>								
Considerably lower	30.4%	28.4%	31.0%	18.8%	23.1%	53.8%	20.8%	27.3%
Somewhat lower	29.1%	31.1%	25.9%	50.0%	15.4%	38.5%	45.8%	27.3%
About the same	31.3%	33.8%	34.5%	31.3%	57.7%	7.7%	20.8%	36.4%
Somewhat higher	6.1%	5.4%	6.9%	0.0%	3.8%	0.0%	8.3%	9.1%
Considerably higher	3.1%	1.4%	1.7%	0.0%	0.0%	0.0%	4.2%	0.0%
<b>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)?</b>								
We referenced market data and attempted to match the economic value at a targeted market percentile.	39.5%	46.6%	42.1%	62.5%	46.2%	46.2%	34.8%	72.7%
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%	5.3%	12.5%	7.7%	7.7%	8.7%	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%	22.8%	6.3%	15.4%	23.1%	21.7%	18.2%
The number of shares was determined based on achievement relative to pre-determined performance goals.	10.9%	8.2%	8.8%	6.3%	11.5%	7.7%	8.7%	0.0%
We used an alternative approach not described above.	24.3%	19.2%	21.1%	12.5%	19.2%	15.4%	26.1%	9.1%

Executive Pay in the New Economy  
February 2009 Results

Long Term Incentives and Equity Awards	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>How do you anticipate awards will compare to awards provided in the prior year? (Percents are of those providing each type of award)</b>								
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%	5.6%	9.1%	5.6%	11.1%	6.3%	0.0%
About the Same	54.0%	61.7%	61.1%	63.6%	61.1%	44.4%	68.8%	75.0%
Lower Percentage of Value	37.1%	31.9%	33.3%	27.3%	33.3%	44.4%	25.0%	25.0%
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%	50.0%	0.0%	0.0%	0.0%	50.0%	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%	50.0%	0.0%	0.0%	0.0%	50.0%	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	17.2%	16.7%	14.0%	27.3%	15.8%	20.0%	11.8%	25.0%
About the Same	52.0%	51.9%	53.5%	45.5%	47.4%	50.0%	52.9%	62.5%
Lower Percentage of Value	30.8%	31.5%	32.6%	27.3%	36.8%	30.0%	35.3%	12.5%
Performance Shares / Units (shares of stock subject to achievement of pre-determined performance goals)								
Greater Percentage of Value	20.6%	25.0%	25.0%	25.0%	46.2%	0.0%	0.0%	25.0%
About the Same	52.2%	42.9%	37.5%	75.0%	30.8%	57.1%	25.0%	75.0%
Lower Percentage of Value	27.2%	32.1%	37.5%	0.0%	23.1%	42.9%	75.0%	0.0%
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%	11.1%	12.5%	0.0%	0.0%	25.0%	0.0%
About the Same	50.0%	46.2%	50.0%	37.5%	66.7%	25.0%	41.7%	50.0%
Lower Percentage of Value	38.3%	42.3%	38.9%	50.0%	33.3%	75.0%	33.3%	50.0%
<b>Relative to the prior year's burn rate, do you anticipate that this year's burn rate will be...</b>								
Considerably lower	15.9%	13.9%	12.3%	20.0%	12.0%	7.7%	21.7%	9.1%
Somewhat lower	19.3%	22.2%	26.3%	6.7%	24.0%	30.8%	17.4%	18.2%
About the same	39.9%	47.2%	45.6%	53.3%	40.0%	38.5%	56.5%	54.5%
Somewhat higher	15.6%	13.9%	14.0%	13.3%	20.0%	23.1%	4.3%	9.1%
Considerably higher	9.3%	2.8%	1.8%	6.7%	4.0%	0.0%	0.0%	9.1%

Executive Pay in the New Economy  
February 2009 Results

Long Term Incentives and Equity Awards	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Is your organization considering repricing / restructuring / exchanging outstanding underwater stock options?</b>								
No, this is not under consideration	71.5%	66.7%	68.4%	60.0%	74.1%	76.9%	57.1%	54.5%
We have given the topic some consideration, but are unlikely to take action in the next 6 months	15.5%	13.9%	12.3%	20.0%	22.2%	7.7%	0.0%	27.3%
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%	10.5%	13.3%	3.7%	0.0%	33.3%	0.0%
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%	7.0%	0.0%	0.0%	15.4%	9.5%	0.0%
We have just completed a repricing or are in the midst of doing a repricing	1.6%	2.8%	1.8%	6.7%	0.0%	0.0%	0.0%	18.2%
<b>If not considering repricing, what were the factors in the decision to not take action over the next 6 months?</b>								
Anticipated difficulty in garnering support from shareholders.	43.1%	33.3%	23.1%	60.0%	42.9%	100.0%	14.3%	33.3%
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%	15.4%	40.0%	28.6%	100.0%	0.0%	33.3%
Additional expense associated with tender offer, filings, etc. (i.e., administrative expense).	13.8%	16.7%	23.1%	0.0%	28.6%	0.0%	0.0%	33.3%
Logistical difficulties in developing and implementing a program within this limited time frame.	16.9%	22.2%	30.8%	0.0%	28.6%	0.0%	28.6%	0.0%
Decided to preclude action until it is confirmed that share price drop is long-term (not an isolated event).	29.2%	44.4%	46.2%	40.0%	42.9%	0.0%	42.9%	66.7%
<b>If not considering repricing within the next 6 months, do you anticipate reconsidering in the next 12 months?</b>								
Yes	29.2%	38.9%	38.5%	40.0%	57.1%	0.0%	42.9%	0.0%
No	16.9%	22.2%	15.4%	40.0%	42.9%	0.0%	0.0%	33.3%
Not sure at this time.	53.8%	38.9%	46.2%	20.0%	0.0%	100.0%	57.1%	66.7%

Executive Pay in the New Economy  
February 2009 Results

Long Term Incentives and Equity Awards	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>If considering or have completed a repricing, what will (or were) surrendered options be replaced with?</b>								
New stock options	59.1%	83.3%	80.0%	100.0%	N/A	50.0%	100.0%	100.0%
Restricted shares / RSUs	45.5%	33.3%	20.0%	100.0%	N/A	50.0%	0.0%	50.0%
Cash	4.5%	0.0%	0.0%	0.0%	N/A	0.0%	0.0%	0.0%
<b>Percent eligible to participate in repricing / restructuring / exchange</b>								
Non-Executive Board Members Eligible	27.3%	16.7%	20.0%	0.0%	N/A	0.0%	50.0%	0.0%
CEOs Eligible	50.0%	50.0%	60.0%	0.0%	N/A	50.0%	100.0%	0.0%
Other Named Executive Officers Eligible	59.1%	50.0%	60.0%	0.0%	N/A	50.0%	100.0%	0.0%
<b>Importance of Considerations in Implementing Repricing / Exchange / Restructuring - Average Rank (1=Highest, 6 = Lowest)</b>								
New motivational and retentive power for EXECUTIVES.	2.2	3.2	2.6	6.0	N/A	1.5	2.0	6.0
New motivational and retentive power for EMPLOYEES.	3.0	2.0	2.2	1.0	N/A	1.5	2.5	2.0
Reduced dilution and creation of additional shares available for future grant.	3.5	3.5	3.6	3.0	N/A	4.0	4.5	2.0
Restore alignment between executives / employees and shareholder interests.	3.0	3.3	3.6	2.0	N/A	4.5	2.5	3.0
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	4.1	3.8	3.8	4.0	N/A	3.5	3.5	4.5
Other (e.g., compliance with 409A, administrative issues, etc.)	5.3	5.2	5.2	5.0	N/A	6.0	6.0	3.5
<b>Percent Ranking 1 or 2</b>								
New motivational and retentive power for EXECUTIVES.	68.2%	50.0%	60.0%	0.0%	N/A	100.0%	50.0%	0.0%
New motivational and retentive power for EMPLOYEES.	50.0%	66.7%	60.0%	100.0%	N/A	100.0%	50.0%	50.0%
Reduced dilution and creation of additional shares available for future grant.	22.7%	16.7%	20.0%	0.0%	N/A	0.0%	0.0%	50.0%
Restore alignment between executives / employees and shareholder interests.	40.9%	33.3%	20.0%	100.0%	N/A	0.0%	50.0%	50.0%
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	9.1%	16.7%	20.0%	0.0%	N/A	0.0%	50.0%	0.0%
Other (e.g., compliance with 409A, administrative issues, etc.)	9.1%	16.7%	20.0%	0.0%	N/A	0.0%	0.0%	50.0%

Executive Pay in the New Economy  
February 2009 Results

Severance and Security Arrangements	All Firms	Technology	Primary Role		Industry Group			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Do you anticipate reviewing your executive severance or change-in-control arrangements during the next 12 months?</b>								
Yes, we will be reviewing these arrangements and anticipate some modifications	18.8%	14.7%	14.5%	15.4%	18.2%	18.2%	4.3%	25.0%
Yes, we will be reviewing these arrangements as normal course-of-business, but do not anticipate modifications	26.2%	27.9%	25.5%	38.5%	18.2%	45.5%	17.4%	50.0%
No, we do not anticipate reviewing these arrangements	55.0%	57.4%	60.0%	46.2%	63.6%	36.4%	78.3%	25.0%
<b>Do you anticipate that modifications will increase or decrease severance to executives in terminations ABSENT a change-in-control?</b>								
Increase	2.6%	2.4%	0.0%	11.1%	0.0%	14.3%	0.0%	0.0%
Decrease	19.3%	17.1%	9.4%	44.4%	0.0%	14.3%	8.3%	62.5%
Uncertain	78.1%	80.5%	90.6%	44.4%	100.0%	71.4%	91.7%	37.5%
<b>Do you anticipate that modifications will increase or decrease severance to executives in terminations FOLLOWING a change-in-control?</b>								
Increase	7.2%	12.2%	9.4%	22.2%	7.1%	14.3%	16.7%	12.5%
Decrease	14.4%	14.6%	9.4%	33.3%	7.1%	14.3%	0.0%	50.0%
Uncertain	78.4%	73.2%	81.3%	44.4%	85.7%	71.4%	83.3%	37.5%
<b>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)?</b>								
Yes	7.7%	7.3%	6.3%	11.1%	0.0%	14.3%	0.0%	25.0%
No, we are leaving our current provisions unchanged.	35.9%	34.1%	25.0%	66.7%	21.4%	28.6%	58.3%	25.0%
No, we are actually adding or expanding gross-up provisions.	1.5%	2.4%	3.1%	0.0%	0.0%	0.0%	8.3%	0.0%
No, we do not currently provide for gross-up payments and do not plan on adding these provisions.	26.7%	26.8%	28.1%	22.2%	21.4%	42.9%	16.7%	37.5%

Executive Pay in the New Economy  
February 2009 Results

Severance and Security Arrangements	<u>All Firms</u>	<u>Technology</u>	<u>Primary Role</u>		<u>Industry Group</u>			
	Total	Total	Employee of the firm	Outside director	Computer / Hardware	Semi / Semi Equip	Software / IT Consulting	Networking HW / Telecomm Svc
Number of Firms Reporting	436	92	75	17	37	15	28	12
<b>Which statement best describes your current treatment of outstanding equity grants upon a change-in-control?</b>								
We provide single-trigger acceleration (accelerated vesting upon a change-in-control)	33.6%	23.6%	21.1%	33.3%	12.5%	30.8%	33.3%	18.2%
We provide double-trigger acceleration (accelerated vesting requires both a change-in-control and job loss)	49.0%	55.6%	54.4%	60.0%	70.8%	46.2%	41.7%	63.6%
Not sure	17.4%	20.8%	24.6%	6.7%	16.7%	23.1%	25.0%	18.2%
Of those providing single-trigger acceleration: Percent considering changing to double-trigger acceleration over the next year?	8.8%	11.8%	0.0%	40.0%	33.3%	0.0%	12.5%	0.0%
Of those providing double-trigger acceleration: Percent considering changing to single-trigger acceleration over the next year?	4.0%	12.5%	12.9%	11.1%	11.8%	16.7%	20.0%	0.0%

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