

MEMORANDUM

TO: File

FROM: Scott Hodgdon
Attorney-Adviser
Office of Rulemaking
Division of Corporation Finance
U.S. Securities and Exchange Commission

RE: Meeting with the Center on Executive Compensation on Title IX of the Dodd-Frank Act

DATE: August 19, 2010

On August 19, 2010, Paula Dubberly, Felicia Kung, Michele Anderson, Lillian Brown, Jennifer Zepralka, Anne Krauskopf and Scott Hodgdon of the Division of Corporation Finance met with the following representatives of the Center on Executive Compensation: Tim Bartl and Charlie Tharp. Among the topics discussed was the implementation of Title IX, Subtitle E, Sections 951, 953 and 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which relate to shareholder approval of executive compensation, executive compensation disclosures, and recovery of erroneously awarded compensation. The agenda and handouts are attached to this memorandum.

Attachments

Meeting Between SEC Division of Corporation Finance and Center On Executive Compensation

August 19, 2010

Purpose: To discuss executive compensation provisions of the
Dodd-Frank Wall Street Reform and Consumer Protection Act,
P.L. 111-203

AGENDA

- I. Introductions**
- II. Say on Pay and Golden Parachute Votes Under Section 951**
- III. Clawback Requirements Under Section 954**
- IV. Discussion of Executive Compensation Disclosures Under Section 953**
- V. Adjourn**



Disclosure of the Ratio of Median Employee Pay to CEO Pay in Dodd-Frank Requires Proxy Calculations for Each Worker Globally

Pay Ratio Provides Little Useful or Comparable Information to Investors, But Even If it Did, Inability to Provide Timely, Accurate Data Makes Compliance Nearly Impossible

A little-noticed requirement in the recently passed financial reform bill would require employers to disclose in their proxy statements and other securities filings the ratio of median employee pay, excluding the CEO, to CEO pay. The requirement in Section 953 of the Dodd-Frank Wall Street Reform and Consumer Protection Act is perhaps the most burdensome executive compensation requirement in the bill, as few large public companies have the ability to accurately calculate this ratio. The requirement imposes substantial, costly and counterproductive regulatory burdens on employers at a time when growing the economy and encouraging job growth are top priorities. At a minimum, the Center believes that Congress should indicate through legislative history that it intended the SEC to have some latitude to interpret the provisions of this requirement in a reasonable fashion. Ultimately, Congress should eliminate this provision or at least amend it to make compliance substantially less onerous and costly.

Employers Required to Calculate Pay for All Employees According to the Proxy Disclosure Rules Designed for Senior Executives Section 953(b) of the Dodd-Frank Act requires the SEC to promulgate rules mandating companies to disclose in their proxies three additional numbers:

- The median compensation of “all employees” of the company except for the CEO;
- The total compensation for the CEO, as disclosed in the summary compensation table in the proxy statement; and
- The ratio of the median employee pay to CEO pay.

Neither the provision nor the legislative history provides any insight on how this provision is to be interpreted. The scope of the section depends upon the definition of “all employees” and whether any relief is given to the calculation of median employee pay.

Read Literally, “All Employees” Refers to All Employees Globally The statute does not clarify what is meant by “all employees” whose pay is to be used to calculate the median compensation. Read literally, the phrase means all employees of the issuer globally, and could even be read to include affiliates and subsidiaries. Alternatively, the phrase could be read narrowly to mean all U.S. employees. In addition, there is no indication of whether “all employees” includes part-time or merely full-time employees. A logical interpretation would be that the disclosure requirement applies to all full-time U.S. employees. Comparing the pay of a U.S. CEO to that of employees in the U.S. and other global geographical labor markets would yield a meaningless ratio, since the CEO pay is calculated based on the U.S. market. At a minimum, Congress should make clear via legislative history that the SEC has the latitude to

interpret “all employees” to provide the most logical comparison of pay in identical geographical markets.

Median Calculation Requires Separate Pay Calculation for Each Employee. The provision requires companies to determine the median pay of all employees except for the CEO, using the same calculations they use to determine total pay under the SEC’s proxy disclosure rules. Because the definition of median means “midpoint,” companies will be required to calculate pay as specified by the proxy rules for each individual employee and then determine the median of those values. For large employers, this means they will have to accurately calculate pay for tens of thousands and in some cases, hundreds of thousands of employees to determine the median.

No Public Employer Calculates All Employee Pay According to SEC Disclosure Rules Calculation of the ratio of median employee to CEO pay will impose a virtually insurmountable compliance burden on companies without providing investors with data that will materially inform their voting or investment choices. No public company currently calculates each employee’s total compensation as it calculates total pay on the Summary Compensation Table for the named executive officers, because disclosure of executive pay has a different purpose than internal accounting.

The SEC’s proxy disclosure rules are designed to promote investor understanding regarding the executive compensation decisions made by the compensation committee in the previous year. Thus, the Summary Compensation Table total pay number includes amounts that employers typically would not include for rank and file employees, such as the additional actuarial value of defined benefit pension plans and the full grant date fair value of equity awards. By contrast, the proxy disclosure rules are not meant to compare compensation between executives and nonexecutives. The requirement will particularly be problematic for companies with broad-based equity compensation plans and defined benefit pension plans, as they will be required to make additional calculations to determine total pay consistent with the Summary Compensation Table approach.

Accuracy a Significant Concern in Making the Disclosure, Especially for Global Employers If the ratio requirement applies to all global employees, global companies will be faced with the difficult, if not impossible, task of calculating the median employee pay for employees across dozens of countries. For many of these employers, compensation data is housed in dozens of computer systems, and the data may not be sufficiently accurate for SEC disclosure purposes. For example one global employer with over 200,000 employees operating in over 60 countries has data housed in over 100 different systems. The company has would be required to develop and coordinate a consistent calculation across all countries and then ensure that the results were accurate, thus allowing its CEO and CFO to sign the proxy statement, as required under section 302 of Sarbanes-Oxley. Whether most global companies could develop this information in time for the 2011 proxy season is dubious.

Broad Survey Confirms Difficulty of the Calculation. The example above is consistent with a 2006 survey conducted by Professor Robert L. Clark of North Carolina State University of a sample of Fortune 1000 companies regarding the SEC’s proposed requirement to disclose the compensation of three additional employees. The survey found that only 20 percent of

respondents indicated that they keep the information necessary to calculate total compensation for highly compensated employees – much less all employees -- in a single database. Seventy percent of respondents said that they neither had the requisite systems in place to calculate total compensation as required by the SEC and that it would be a substantial burden to do so. As one survey respondent indicated “Our biggest concern would be in trying to identify and accurately value the total compensation package for a number of employees in foreign countries,” which would include country-specific requirements and practices, such as government-funded pensions.

Exchange Rate Fluctuations Blur Comparability. Exchange rate fluctuations will impact the calculation of total pay for global employees, further obscuring the comparability of the data. For employers with a substantial share of employees outside the U.S., exchange rate fluctuations from one year to the next could have a material impact on the pay ratio without any changes in the levels of compensation having occurred. This is particularly a concern, given the volatility in the European currency markets over the past year.

Ratio Must Be Included in Multiple Filings Annually The language of section 953(b) states that the ratio must be included in any filing described in Section 229.10(a) of Regulation S-K (the regulation that sets forth federal proxy disclosures). That section not only covers proxy filings, but also registration and going-private transaction statements, quarterly and annual reports, among others. Still not clear is whether companies would be required update the ratio for each filing.

Disclosure Based on SEC’s Disclosure Rules as of July 2010. . .Forever The legislative language requires employee compensation to be calculated according to the Commission’s disclosure rules that are currently in effect, even if the rules are later amended. Ironically, this could mean that the CEO’s compensation could be calculated in one way for Summary Compensation Table disclosure purposes, and another for pay ratio disclosure purposes.

At a Minimum, the SEC Should Be Given Sufficient Latitude to Reasonably Implement the Pay Ratio Calculation Ultimately, Congress should eliminate the pay ratio calculation as part of a technical corrections bill or at least revise it to make compliance substantially less onerous. In the meantime, it should communicate that it intended the SEC to have the ability to interpret the calculation in a way that makes sense for shareholders and companies alike.



The Pay Ratio Disclosure Mandate in Dodd-Frank: Examples of the Burdens on Global Companies

Section 953 of the Dodd-Frank Wall Street Reform and Consumer Protection Act would require employers to disclose in their proxy statements and other securities filings the ratio of median employee pay, excluding the CEO, to CEO pay. The requirement is perhaps the most burdensome executive compensation requirement in the bill, as few large public companies have the ability to accurately calculate this ratio. The following examples demonstrate the burden and the extreme difficulty – if not impossibility of calculating the ratio as currently structured.

Company A

Number of Employees Globally: 42,000
Number of Countries: 60
Number of Pay Systems: 10-15

Company B

Number of Employees Globally: 360,000
Number of Countries: 19
Number of Pay Systems: More than 10

Company C

Number of Employees Globally: 78,900
Number of Countries: 40
Number of Pay Systems: Over 40

Company D

Number of Employees Globally: 137,000
Number of Countries: 68
Number of Pay Systems: Over 1,000

Company E

Number of Employees Globally: 33,000
Number of Countries: 35
Number of Pay Systems: About 75

Company F

Number of Employees Globally: 107,500
Number of Countries: 52
Number of Pay Systems: Over 115 and over 100 vendors



Pay for Performance at a Glance: A Simpler, Clearer Model for Explaining CEO Compensation in Proxy Statements

Companies Urged to Adopt Two Tables Providing Snapshot of the Link Between Actual Pay and Actual Performance at the Front of the CD&A

Companies, shareholders, investors and activists all generally agree that executive pay should be linked to performance and that this link should be clearly disclosed. Yet, the U.S. Securities and Exchange Commission's disclosure rules, particularly the total compensation number in the Summary Compensation Table, do not foster a clear understanding of this link. The total number in the Summary Compensation Table mixes current actual compensation with future potential compensation, confusing whether a company has paid for performance and the criteria to earn compensation under long-term incentive grants.

Because the pay for performance link is expected to receive increasing attention from regulators, institutional investors, proxy advisory services and the media, without a clear, logical approach for explaining the linkage, stakeholders are likely to draw the wrong conclusions. Rather than wait for the SEC or investor activists to drive changes in disclosure practices, the Center On Executive Compensation is urging its Subscribers and other forward thinking companies to adopt its "pay for performance at a glance" approach at the front of their Compensation Discussion and Analyses (CD&As). By adopting a standardized approach to disclosing the pay-for-performance relationship, companies, acting in concert, can establish the de facto standard for the disclosure of executive pay and rectify many of the incorrect and misleading assertions by pay critics and the media.

The Center's model would provide for two tables at the front of the CD&A, following a short executive summary:

- The first table would disclose actual pay earned in the reporting year and the corresponding performance that earned it;
- The second table would disclose the estimated potential future pay from long-term incentives, compared with the performance required to earn the estimates.

Under both tables, the explanation of performance would also include a brief description of why the incentive plans and levels are best suited to the company and its overall business strategy, without divulging confidential information.

The Rationale for Clearer Pay for Performance Disclosure in the Proxy

Changes in disclosure regulations and best practice are accelerating the push for better, simpler and shorter pay for performance disclosure. The SEC's current

executive compensation disclosure rules require companies to disclose what their pay plans provide and why they were adopted. However, triennial proxy statement reviews by the SEC staff mandated by Sarbanes-Oxley routinely result in comments seeking greater explanation of the rationale behind a company's pay programs. Even then, compensation disclosures in large company proxies routinely exceed 25 pages, with many topping 35 pages. The sheer length of these documents requires a compelling executive summary at the front of the CD&A to clearly and succinctly communicate a company's pay philosophy and approach.

Recent pay developments are reinforcing the need for clearer and understandable explanations of why companies have adopted pay programs. Increasingly, disclosure regarding how the potential for excessive risk in incentives in the CD&A is mitigated is becoming a best practice. Moreover, the threat of a mandated annual nonbinding shareholder vote on pay ("say on pay"), which is typically premised on pay for performance, makes a compelling synthesis of what a company paid and why essential.

Companies With Clearer Disclosure Have an Advantage. As various pressures mount for clearer disclosure, companies that can tell their pay for performance stories succinctly will have an advantage in the marketplace with regulators, institutional investors, proxy advisory services and activists. These interests are less likely to "red flag" a company simply because they do not understand the pay program. Clearer disclosure is also likely to encourage better engagement by those institutional investors who seek to discuss pay issues with the company. Not only is improved disclosure likely to lead to better compliance, it may streamline interaction with stakeholders.

The Current Summary Compensation Table Mixes Actual and Future Potential Pay

The purpose behind the Pay for Performance at a Glance Approach is that the Summary Compensation Table does not give an accurate picture of pay and performance, leading interested parties to potentially wrong conclusions. As noted above, the total number in the Summary Compensation Table:

- Mixes current actual pay (salary, bonus, and payouts of annual and long-term cash incentive program awards) with future potential pay (grants of restricted stock/RSUs, options, and long-term incentive plan payments), which currently represent a pro-rata portion of the financial accounting estimate of the future pay.
- Combines the payouts of short- and long-term cash incentive awards in one column, requiring stakeholders to calculate the respective amounts from other disclosures in the current and prior years' proxy statements in order to match the pay with the appropriate time frame for performance.

The Summary Compensation Table

Name/Position	Fiscal Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan	Chg in Pension Value	All Other Comp	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Actual	Actual	Potential	Potent'l	Actual	N/A	Actual	Mix
		Pay	Pay	Pay	Pay	Pay		Pay	

Because of this mix of reporting to come up with a total compensation number, the table:

- Distorts the relationship between actual pay and actual results by comparing a mix of past and future potential pay to past results (absent substantial calculations) and
- Confuses the relationship between potential future pay and the performance that would be required to earn the estimated pay.

Without a different message to counter the inaccurate conclusions that could result by using the numbers in the Summary Compensation Table, stakeholders will continue to rely on the total compensation number.

The changes proposed by the SEC to the disclosure of equity on the Summary Compensation Table, while a welcome development, do not address the mix of current and future pay in the table. Instead, they remove anomalies associated with the accounting approach, and provide a more consistent estimate of future payments. While the SEC may address this issue at some point in the future, it is not expected to do so in the near term. For this reason, companies are encouraged to adopt the following disclosures in the CD&A.

The “Pay for Performance at a Glance” Model

The Center On Executive Compensation believes that in the near term clearer disclosure of the pay for performance link will become a best practice, and it could become a regulatory requirement, if say on pay becomes law. For these reasons, the Center is urging its Subscribers and all proactive companies to incorporate the two following tables at the beginning of their CD&As as part of a brief executive summary of the pay program. Each table would disclose the pay for the CEO only, because the CEO’s pay typically receives the greatest amount of attention, and typically sets the tone, if not the framework of pay for the other named executive officers.

Table 1: Actual Pay in the Reporting Year Compared to Performance. The first table would report the actual pay received by the CEO in the reporting year, including

- salary;
- annual incentives;
- payouts of long-term equity (restricted stock, RSUs, stock options, etc.) or cash incentive plans;
- total compensation received in the reporting year;

Each of the rows of the table would describe the location of these elements in the Summary Compensation Table, and the columns would provide the total amount, annualized amount (if a long-term award), and a description of what was awarded and why. The purpose of the “annualized amount” column is to facilitate comparability of total pay for CEOs between different companies, given that long-term incentive periods and stock option exercise periods and restricted stock vesting periods may differ among companies. Because these amounts are typically earned over several years, the annualized amount may more accurately represent what is earned in the reporting year.

Salary Disclosure. The salary disclosure element would describe how the company sets the salary level in reference to the company's peers (e.g., at the 50th percentile). It would also disclose whether there was a change from the prior year, why the change was made and the total salary.

Annual Incentive Disclosure. The annual incentive disclosure would reiterate the performance measures on which the annual incentive was based. It should disclose performance actually achieved as a percentage of targeted performance. Where practicable, companies should also disclose information about the executive's level of performance. Such disclosure should not be made if disclosing performance targets would be competitively harmful.

Long-Term Incentive Payout Disclosure. The long-term incentive disclosure would provide the earnings from long-term incentive plan payouts that the executive received in the reporting year and the annualized gain. The disclosure would provide the total payout, the incentive measures on which performance payouts received in the prior year were based, and the time period over which the incentives were earned. The table would also discuss the performance actually achieved in relation to targeted performance. The value of performance share payouts would also be reported here.

Stock Option Exercises. As with long-term incentive payouts, the table would report the amount of compensation realized for the reporting year from stock option exercises. The narrative in the table would report the total gains upon the exercise of stock options, the stock price appreciation which generated the gains, and the period over which the options were outstanding. The annualized amount would be reported in a separate column, as explained above.

Restricted Stock Vesting. Similarly, the value of the amount realized through the vesting of restricted stock would be reported, and an annualized amount would be listed in a separate column because the total amount was earned over multiple years, not just the year in question. The narrative in the table would disclose the appreciation in stock price over the period as well as the vesting period.

Other Compensation. To provide completeness of disclosure, perquisites and other non-performance-based compensation would be disclosed in the Summary Compensation Table, but would not be included in the discussion of performance-based compensation.

Total Actual Compensation Earned in the Prior Year. The amounts from the individual elements of actual pay would be totaled, thereby providing a snapshot of the actual pay earned during the prior year, the performance generating such pay, and the time period over which pay was earned. An annualized total would also be provided so that the amount actually earned in the current year is disclosed.

Table 2: Potential Future Incentive Pay Compared to Future Performance. The second part of the Center's proposal is aimed at clearer disclosure of long-term incentives granted in the reporting year. Since such awards are contingent upon future service and performance, the Center believes that they should not be combined with current actual pay, as is currently done in the Summary Compensation Table. Instead, the FAS 123R estimates of the equity granted in the current year should be disclosed,

along with performance required to achieve those estimates, in a separate table. This allows shareholders to evaluate whether long-term incentive grants are reasonable in light of the performance required to achieve them without mixing actual pay with estimated future potential pay. There are four elements to this disclosure:

- An explanation of the meaning of the values in the Summary Compensation Table.
- A performance award disclosure.
- A stock and stock options disclosure
- The total estimate of the future value of performance-based awards.

Each of these is discussed below.

Describe What the Summary Compensation Table Values Mean. The first element of the disclosure is a short narrative that explains that the values in the stock and options tables are accounting expense estimates related to the years over which the awards vest. This description would carefully explain that the numbers in the table do not reflect actual earnings, but are estimates of potential future earnings if performance is achieved. It should state that actual earnings will be determined only when the awards vest, if at all.

Performance Awards Disclosure. A second disclosure under future pay and performance addresses performance awards, such as performance shares, performance share units, and performance-vested restricted stock and restricted stock units. For these types of awards, the company would list the performance that would need to be achieved under each form of award to reach the estimated payout for each year in which an award is outstanding in the Summary Compensation Table.

Descriptions of the performance would vary by company because of differences in the equity devices used. For example, in describing performance based on relative total shareholder return, the company would describe how the performance relates to the company's peer group, such as at, above or below the median of the peers. As with the annual incentive disclosure, specific financial targets should only be disclosed if they are already disclosed elsewhere or if such disclosure would not result in competitive harm.

Stock Options Disclosure. Companies would provide a similar disclosure for stock options. The disclosure would list the grant date of the options, and the grant date stock price. For each tranche, the company would report the required increase in stock price over the grant date price that would produce the estimate shown as an expense for the award in column 6 of the Summary Compensation Table. To give a good estimate of performance, the company should also list the total increase in shareholder value of the potential stock price increase if performance is achieved. For example, if the Black-Scholes value is 40 percent of the stock option award, the stock would have to appreciate by 40 percent over the vesting period to make this a true reflection of future pay.

Total Financial Accounting Estimate of Awards. The disclosure would include the total estimate of each type of long-term incentive award. Performance-based award estimates would be valued at target performance and for stock options and restricted stock the grant date fair value accounting estimate would be disclosed.

This approach makes it clear that the equity-based incentives are an estimate rather than actual pay. However, the approach also gives shareholders a clearer view of the level of performance required to receive the compensation and thereby makes explicit the pay for performance linkage of equity-based incentives.

Benefits of the “Pay for Performance at a Glance” Approach

The “Pay for Performance at a Glance” concept provides several benefits that companies and their compensation committees should consider as they start planning for the 2010 proxy season. The tables provide a template for helping companies explain how current and future pay and performance actually relate, and thus helping companies to tell their pay for performance stories. Thus, the approach helps reinforce compliance with the SEC’s disclosure rules. In addition, the explanations provided can help reframe the debate away from the total number in the Summary Compensation Table.

The approach is likely to be helpful in demonstrating proactive compensation practices on the issues of risk mitigation. For example, an explanation of risk mitigating design features of incentives could be included in the description of the performance that generated pay, such as having caps on incentives. A company could also reference the share of total compensation comprised of long-term incentives rather than annual pay or discuss how stock ownership guidelines or retention requirements apply to vested restricted stock or stock options exercises.

By disclosing the pay for performance link and separating actual from future potential pay, the model is likely to streamline engagement with major institutional investors as well as activist investors. Pay numbers are coupled with clear explanations of the performance that generated them, which may be particularly helpful in years in which long-term incentives pay out due to strong early-year performance, even though the current year’s performance is lower. In addition, the approach may allow companies to shorten their CD&As by placing the explanation of the CEO’s pay package in a table, rather than a narrative.

Companies Urged to Adopt Pay for Actual Performance in Their 2010 Proxies

It is likely that with many pay changes still in the works, including the potential of mandated say on pay for all companies, that the SEC will ultimately require clearer disclosure of how pay and performance are connected. The Center believes that its approach is one that the SEC would consider using if it becomes the de facto standard - that is, it is viewed as having credibility among companies and investors.

To build this credibility and support, the Center is encouraging its Subscribers and all members of the HR Policy Association to incorporate the disclosure in their 2010 proxies. The SEC’s Division of Corporation Finance has encouraged companies to use supplemental tables in the CD&A to explain their pay arrangements, and the Center’s approach is consistent with SEC rules. At a minimum, we urge you to prepare the

disclosure and show it to your compensation committee and judge whether it provides them with a more complete understanding of your pay programs. The Center will continue to advocate for the approach with the SEC, other policymakers and to the public at large.

Conclusion

The increased focus on executive compensation will lead to more intense scrutiny of the relationship between pay and performance. By adopting these relatively simple approaches to disclosure, companies can make that connection clearer for shareholders, while providing a useful contrast between the information in the Summary Compensation Table and what executives actually earned.

Sample First Paragraph of a CD&A Executive Summary Using the Pay for Performance at a Glance Approach

Executive Summary

The company has a pay-for-performance philosophy that seeks to link the interests of the named executive officers with those of the shareholders and that guides the Committee's decisions regarding executive compensation. Despite an unfavorable economic environment in the second half of the year, in 2008, the company still generated positive earnings and posted an increase in cash flow. Long-term results were also positive and on par with peer companies.

To assist shareholders in assessing the extent of the pay for performance link, the company has provided two supplemental tables, one that shows how actual pay compares with actual performance and another that shows the future performance required to realize gains from the long-term incentives awarded. These tables differ from the Summary Compensation Table (page X) in that the Summary Compensation Table is a mixture of actual pay realized in 2008 and the accounting expense for long-term incentives that are contingent upon future performance. The Summary Compensation Table also includes elements considered compensation under SEC rules which are not directly related to performance, specifically items included in "All Other Compensation" and the actuarial increases in pension value and nonqualified deferred compensation earnings. The tables are not intended as a replacement for the Summary Compensation Table, and while no approach to explaining the link between compensation programs and performance is perfect, the company believes the following tables provide greater clarity into the relationship.

Table 1 provides information as to the actual levels of compensation realized during 2008 by Mr./Ms. (Name), the company's Chief Executive Officer, and a description of the performance results that generated the realized compensation. In the case of long-term incentive payouts, gains on stock options exercised and restricted shares that vested during the year, these awards were earned over multiple years but were realized in 2008. For this reason, Table 1 provides both the total compensation realized and the annualized amount of compensation ratably attributable to 2008 and the other years between the grant date and 2008. Because the ratable amount is not known until the year in which the award is realized, and this is the first year the company has used this format, the ratable portion for years before 2008 is not reflected in previous years' compensation. Going forward, the company intends to use the actual pay framework annually, which should enhance the comparability of realized pay year-to-year.

Table 2 shows long-term incentive awards granted in 2008 that must be earned over future years and describes the performance requirements that must be satisfied to realize value from these awards. If the future performance objectives are not achieved, if service requirements are not satisfied or if the value of the company's stock does not appreciate, the awards will not result in compensation to the executive. Table 2 allows shareholders to assess the structure of future incentives in support of sustained future contributions to creating shareholder value.

Table 1: Comparison of Actual Pay Received in 2008 to Actual Performance*

Form of Compensation	Period Covered	Total Received (\$)	Annualized Amount (\$)	Performance Results Over Performance Period That Produced the Compensation
Salary	2008	\$1,000,000	\$1,000,000	The company generally targets salary for all executives at the 50 th percentile of peer group companies. Based on this analysis, no adjustment was necessary for 2008.
Annual Incentive	2008	\$1,800,000	\$1,800,000	The annual incentive paid to NEOs is based on EBITDA, which measures economic profit and is a good measure of short-term performance; free cash flow from continuing operations, which reflects the company's ability to generate cash; and other corporate objectives, which are not disclosed due to competitiveness concerns. 2008 EBITDA increased by 11.4% over the prior year and exceeded the targeted level of performance. Free cash flow from continuing operations increased by 7% over 2007, totaling \$3.3 billion and exceeded target. The Compensation Committee determined that accomplishment of other targeted corporate objectives fell short of expectations and thus resulted in no payout.
Long-Term Incentive Payout	2006-2008	\$6,450,000	\$2,150,000	The Long Term Incentive award was earned over the three-year performance period, 2006-2008, and produced a total payout of \$6,450,000, or \$2,150,000 per year. Performance criteria for this award were: (1) EPS growth, weighted 50%, which exceeded the targeted level; EPS reflects the company's profit per share and is a measure of the after-tax returns generated by the company. (2) Opening new markets in key strategic regions, weighted 25%, which was not achieved at the targeted level, and (3) Total return to shareholders compared against peer group companies, weighted 25%, for which the company ranked 7th out of 15 peer companies, producing a payout at target. Overall the payout represented 105% of target.
Equity Compensation				
Stock Option Exercises	2000-2008	\$8,000,000	\$1,000,000	The gains upon exercise of stock options in 2008 were \$8 million, based upon stock price appreciation between 2000 and 2008. During that time, the stock price appreciated from \$15 to \$35 per share, reflecting the company's strong growth and profitability. Because the \$8 million was earned over the 8 years the award was outstanding, the annualized gain (i.e., the gain spread equally over the period the options were held), is \$1 million for each year the options were outstanding, reflecting the amounts earned over the performance period.
Restricted Stock Vesting	2006-08	\$4,500,000	\$1,500,000	Similarly, the value of the restricted stock that vested in 2008 was \$4.5 million, and was earned over the three-year period from 2006 and 2008. Because the total gain was earned based on stock over the three-year vesting period, the annualized gain (i.e., the gain spread equally over 2006, 2007 and 2008) is \$1.5 million per year. The company uses restricted stock to retain our top talent and to further align their interests with those of shareholders.
Total Actual Compensation Earned in 2008	2000-2008	\$21,750,000**	\$7,450,000**	See explanations under the Salary, Annual Incentive and Long-term Incentive boxes above. For amounts earned over more than one year, the annualized amount represents the pro-rata portion attributable to 2008. It includes the annualized gain for LTIP payout, stock option exercises and restricted stock, as well as total annual salary and annual incentive.

Note: This Table differs substantially from the Summary Compensation Table required by the U.S. Securities and Exchange Commission and is not meant a substitute for that table.

* Sample disclosure for illustrative purposes only.

** Total Actual Compensation does not include the value of perquisites, as they are not related to performance. Total perquisites for the year were \$450,000.

Table 2: Comparison of Future Potential Pay to Estimated Future Performance*

The numbers in the stock awards and option awards columns of the Summary Compensation Table do not reflect what the named executive officers actually earned in 2008. Instead, the numbers are estimates of the accounting expense recognized for those awards in the current year. In contrast, the values presented below are based on the estimates of the company's total accounting expense if performance is achieved, as listed in the Grants of Plan-Based Awards Table. At the vesting date, the compensation earned by the executive may be nothing or it may be greater than the estimates in the Proxy Statement, based on the executive's and the company's performance, and the value of the equity.

The Table that follows explains the performance that is required to be achieved to earn the estimated values of stock awards and option awards granted in 2008 and listed in the 2008 Grants of Plan-Based Awards Table.

Year of Award	Type of Long-Term Incentive Award	Performance Period/Vesting Period	Performance Criteria	Financial Accounting Expense Estimate	Description of Linkage Between Performance Criteria/Objectives and the Creation of Shareholder Value
2008	Performance Shares	2008-2010	<ul style="list-style-type: none"> • 50% Earnings Per Share Growth • 50% Company's Total Shareholder Return compared to the median TSR of peer group companies 	<ul style="list-style-type: none"> • Total estimated pay from EPS at target** = \$XX • Total estimated pay from TSR** = \$XX 	<p>EPS is a key measure of the profitability and after-tax returns generated by the company. The target EPS level is set by the compensation committee applying its judgment based on factors including market competitiveness and its expectations for company performance.</p> <p>Total Shareholder Return demonstrates our ability to create value compared with our peer group competitors.</p>
2008	Restricted Stock	2008-2010	<ul style="list-style-type: none"> • Value of the shares, which vest after three years 	<ul style="list-style-type: none"> • Total grant date fair value = \$XX 	The company uses restricted stock to retain its NEOs, all of whom started their positions with the company within the last four years, and to further align their interests with those of shareholders.
2008	Stock Options	2008-2010	<ul style="list-style-type: none"> • Share price appreciation 	<ul style="list-style-type: none"> • Total grant date fair value = \$XX 	Stock options align the interests of management with shareholders through share price appreciation. Under company policy, executives are also required to retain 50% of the shares remaining upon exercise of a stock option after paying taxes and exercise costs, further continuing the alignment. To realize compensation equal to the accounting expense shown in the Summary Compensation Table for this award, the price of our company's shares would need to appreciate by 33% over the grant date stock prices of \$9.44 during the vesting period. All shares vest after four years.

Note: This Table differs substantially from the Summary Compensation Table required by the U.S. Securities and Exchange Commission and is not meant a substitute for that table.

* Sample disclosure for illustrative purposes only. Each company's disclosure would have to be customized to its incentive plans.

** The Center believes the SEC Division of Corporation Finance staff's recent interpretation requiring performance-based awards to be shown on the Grants of Plan-based awards at maximum rather than at target would create unnecessary confusion and inconsistencies with other reporting. For this reason, the Center has reported performance-based awards at target levels

Eaton Corporation
Proxy Statement
Filed March 18, 2010
Pages 19-21

The following tables summarize Mr. Cutler's 2009 realized pay and performance over the period in which the elements of compensation were earned. The information in these tables is intended to supplement the information contained in the Summary Compensation Table on page 40. The tables differ substantially from the 2009 Summary Compensation Table required by the SEC and are not a substitute for that table. The equity grants reported in the following tables reflect the gross compensation value prior to the deduction of applicable taxes to Mr. Cutler upon exercise of stock options and vesting of restricted share awards in 2009, irrespective of when the awards were granted, versus the grant date fair value of equity awards that were granted in 2009 as shown in the Summary Compensation Table. In addition, the Summary Compensation Table includes compensation based upon the change in pension value and nonqualified deferred compensation earnings, which is not shown in the following tables. The Committee monitors these amounts as part of the Tally Sheet review (discussed on page 26) and considers these programs in the context of a competitive overall benefit design and not as an element of its annual compensation decisions. Therefore, the change in pension values and above market earnings on non-qualified deferred compensation are excluded from the tables in this Executive Summary.

A. M. CUTLER - CHAIRMAN AND CHIEF EXECUTIVE OFFICER COMPARISON OF REALIZED COMPENSATION TO PERFORMANCE				
Element of Compensation	Period Earned	Target	Amount Received	Performance Results Over the Period Earned
Cash				
Base Salary	2009	\$1,150,200	\$ 973,248	We generally target the market median when establishing base salaries. Based on a market analysis conducted early in 2009, the Committee determined no increase was necessary. Subsequent to establishing Mr. Cutler's 2009 base salary the Committee approved Mr. Cutler's election to reduce his annual salary by 8 weeks of pay, or 15.4%.
Annual Incentive Compensation	2009	\$1,322,730	\$ 0	In 2009 we did not meet our Earnings Per Share and Cash Flow Return on Gross Capital objectives and the Committee exercised its discretion to reduce awards under the Senior Executive Incentive Plan to \$0.
Long-Term Cash Incentive	2006-2009	\$1,800,000	\$ 575,000	In 2006, Earnings Per Share and Cash Flow Return On Gross Capital objectives for the 2006-2009 Executive Strategic Incentive Plan grant were established. Actual results delivered a payout at 25% of target which was then multiplied by Mr. Cutler's individual performance rating to determine his final award.
Total Cash			\$1,548,248	
Equity amounts realized upon the exercise of stock options and vesting of equity awards				
Stock Option Exercises	2000-2009	n/a	\$4,424,222	The gains upon exercise of stock options were based on the stock price appreciation from 2000 to 2009. Additional details, including the number of shares exercised are reported in the Option Exercises and Stock Vested Table on page 46. The table on page 21 illustrates annualized and cumulative returns from the grant date to the exercise date.
Restricted Shares Vesting	2004-2008	n/a	\$ 800,728	This represents the vesting of 21,100 restricted share awards that were granted in 2004, 2005 and 2007. Additional details are reported in the Option Exercises and Stock Vested table on page 46. The table on page 21 illustrates annualized and cumulative returns from the grant date to the exercise date.
Total Realized Value from Equity			\$5,224,950	
Other Executive Benefits	n/a	n/a	\$ 155,741	This includes the items disclosed as "other" compensation in the Summary Compensation Table on page 40, such as use of our aircraft, financial planning, and company matching contributions to the Eaton Savings Plan for the first three months of 2009, prior to the suspension of the match.
Total Realized Compensation			\$6,928,939	

The following table further demonstrates that our incentive plans and programs are structured to deliver greater rewards for strong performance, smaller rewards if we do not achieve target performance, and no reward if we do not meet threshold performance levels by illustrating the decline in Mr. Cutler's compensation that has occurred over the last three years. This reduction in realized compensation is attributable to the impact that the economic environment has had on (a) our ability to achieve our Earnings Per Share ("EPS") and Cash Flow Return on Gross Capital ("CFR") goals under the annual and long-term incentive plans and (b) on our share price as it relates to the realized value from stock option exercises and vested restricted share awards.

Last Three Years Realized Compensation and Performance Summary

	Base Salary(a)	Annual Incentive(b)	Long- Term Cash Incentive (ESIP)(c)	Vested Restricted Shares/Stock Options Exercised(d)	Other Compensation(e)	Total Compensation	Comments
2009	\$ 973,248	\$ 0	\$ 575,000	\$ 5,224,950	\$ 155,741	\$ 6,928,939	See table above for additional details regarding 2009 elements of compensation.
2008	\$1,132,500	\$ 320,000	\$3,667,600	\$ 10,629,856	\$ 237,298	\$15,987,254	Annual incentive was delivered at 20% of target and an individual performance rating of 115%; long-term ESIP CFR and EPS goals were achieved at 163% of target and multiplied by and individual rating of 125% for the four year period.
2007	\$1,069,305	\$2,548,000	\$6,972,197	\$ 13,731,236	\$ 224,778	\$24,545,516	Annual incentive achieved at 175% of target objectives and multiplied by an individual performance rating of 100%. ESIP CFR and EPS objectives were achieved at 200% of target and multiplied by an individual performance rating of 111% for the four-year award period.

- (a) Reflects 2009, 2008 and 2007 W-2 reported salary.
- (b) Reflects actual annual incentive payments earned in 2009, 2008 and 2007 (if any) and paid in the first quarter of the following year.
- (c) Reflects actual payments made in 2010, 2009 and 2008 for the 2006-2009, 2005-2008 and 2004-2007 ESIP award periods.
- (d) Please see the Option Exercises and Stock Vested table on page 46 for additional details on 2009 stock option exercises and vested restricted shares.
- (e) Please refer to footnote (4) in the Summary Compensation Table for additional details regarding all other compensation paid in 2009.

The following table illustrates the annualized and cumulative returns on our common shares from the grant dates to the exercise dates for the realized values reported for Mr. Cutler in the previous tables:

Year Vested/Exercised	Grant Date	Exercise Date	Realized Value from Option Exercises	Realized Value from Restricted Stock Vesting	# Years Restricted Shares/ Stock Options Held	Cumulative Return	Annualized Cumulative Return Over Period Held
2009	8/1/2000	12/7/2009	\$ 907,261		9.4	172%	11%
	8/1/2000	12/7/2009	\$ 378,495		9.4	172%	11%
	8/1/2000	12/7/2009	\$ 355,841		9.4	172%	11%
	1/25/2000	8/13/2009	\$ 1,253,866		9.6	130%	9%
	1/25/2000	8/13/2009	\$ 794,448		9.6	130%	9%
	1/25/2000	8/13/2009	\$ 692,614		9.6	130%	9%
	1/25/2000	4/27/2009	\$ 41,698		9.3	75%	6%
	2/27/2007	2/27/2009		\$ 306,340	2.0	(52)%	(31)%
	2/24/2004	2/24/2009		\$ 313,713	5.0	(25)%	(5)%
	2/22/2005	2/22/2009		\$ 180,675	4.0	(34)%	(10)%
2008	1/26/1999	10/30/2008	\$ 154,453		9.8	87%	7%
	1/26/1999	5/29/2008	\$ 1,605,422		9.3	273%	15%
	1/26/1999	5/29/2008	\$ 5,518,060		9.3	273%	15%
	1/26/1999	5/29/2008	\$ 62		9.3	273%	15%
	1/27/1998	1/25/2008	\$ 114,665		10.0	170%	10%
	1/27/1998	1/24/2008	\$ 114,337		10.0	165%	10%
	1/27/1998	1/24/2008	\$ 247,315		10.0	165%	10%
	1/27/1998	1/23/2008	\$ 104,177		10.0	167%	10%
	1/27/1998	1/23/2008	\$ 231,382		10.0	167%	10%
	1/27/1998	1/22/2008	\$ 96,669		10.0	165%	10%
	1/27/1998	1/22/2008	\$ 227,902		10.0	165%	10%
	1/27/1998	1/18/2008	\$ 113,795		10.0	164%	10%
	1/27/1998	1/18/2008	\$ 251,709		10.0	164%	10%
	1/27/1998	1/17/2008	\$ 257,923		10.0	162%	10%
	2/27/2007	2/27/2008		\$ 708,645	1.0	7%	7%
	2/22/2005	2/22/2008		\$ 238,740	3.0	27%	8%
	2/24/2004	2/22/2008		\$ 644,598	4.0	48%	10%
2007	1/26/1999	8/17/2007	\$ 2,928,275		8.6	251%	16%
	1/21/1997	1/18/2007	\$ 73,286		10.0	207%	12%
	1/21/1997	1/18/2007	\$ 260,043		10.0	207%	12%
	1/21/1997	1/18/2007	\$ 1,271,864		10.0	207%	12%
	1/21/1997	1/17/2007	\$ 1,273,410		10.0	209%	12%
	1/21/1997	1/17/2007	\$ 260,198		10.0	209%	12%
	1/21/1997	1/16/2007	\$ 2,458,951		10.0	202%	12%
	1/21/1997	1/16/2007	\$ 494,056		10.0	202%	12%
	1/21/1997	1/12/2007	\$ 1,214,659		10.0	199%	12%
	1/21/1997	1/12/2007	\$ 243,047		10.0	199%	12%
	1/21/1997	1/11/2007	\$ 240,503		10.0	198%	12%
	1/21/1997	1/11/2007	\$ 1,192,140		10.0	198%	12%
	2/25/2003	2/25/2007		\$ 1,119,727	4.0	160%	27%
	2/24/2004	2/24/2007		\$ 454,626	3.0	51%	15%
	2/22/2005	2/22/2007		\$ 246,450	2.0	28%	13%

In summary, our compensation programs for Mr. Cutler and the other Named Executive Officers are heavily weighted on performance. We place an emphasis on long-term performance and delivering a balanced portfolio of cash and equity compensation as further described in the following narrative.

Avon Products, Inc.
Proxy Statement
Filed March 25, 2010
Pages 38-39

Actual Pay for Performance

The chart below illustrates how actual 2009 pay was tied to individual and company performance. The chart uses CEO pay as an example to show this linkage:

Actual CEO Pay Received in 2009

Form of Compensation	Total Received/Earned	Annualized Amount	Performance Results Over Performance Period That Produced the Compensation
Salary	\$1,375,000	\$1,375,000	In line with the company-wide merit-freeze and in consideration of competitive data, no adjustment was provided for 2009. This is the sixth year that Ms. Jung has been at this salary level.
Annual Incentive	\$3,043,906	\$3,043,906	The annual incentive paid to Ms. Jung is based on exceeding either an annual global operating profit goal of \$925 million or an annual global revenue goal of \$9.25 billion. The Committee considered the level of difficulty in this year's plan as well as performance against strategic initiatives relating to active representative growth, units sold, beauty market share and cost management. See the "Annual Incentive Compensation" section above for additional detail.
2008-2010 Long-Term Incentive Cash Plan	N/A (Paid after 2010)	N/A (Paid after 2010)	<p>The Long Term Incentive cash award is earned over the three-year performance period, 2008-2010, and payable once the period is over. Payouts, if any, will be disclosed in next year's proxy. Ms. Jung's three-year target is \$8,250,000 (annualized target for 2009 is \$2,750,000).</p> <p>Payouts will be tied to the achievement of a three-year cumulative economic profit goal (defined as operating profit minus the product of a capital charge and capital employed; capital employed means net fixed assets plus accounts receivable plus inventory).</p> <p>If the economic profit goal is achieved, the Committee may consider other factors, such as beauty market share growth and active representative growth, when determining individual awards.</p>
Stock Option Exercises	\$2,723,763	\$340,470	The gain upon exercise of stock options in 2009 was approximately \$2.7 million, based upon stock price appreciation between 2001 and 2009. The stock price appreciated from a grant price of about \$21 to a price in November, 2009 (time of exercise) of about \$32 per share. Because this amount was earned over the 8 years the award was outstanding, the annualized gain (i.e., the gain spread equally over the period the options were held), is approximately \$.3 million for each year the options were outstanding.

Form of Compensation	Total Received/Earned	Annualized Amount	Performance Results Over Performance Period That Produced the Compensation
Performance-based Restricted Stock Unit (PRSU) Vesting	\$1,732,348	\$577,449	The value of the performance restricted stock units that vested and settled in 2009 was approximately \$1.7 million, and was earned over the three-year period from 2006 to 2009. These required the achievement of the cumulative operating profit goal of \$3.1 billion and cumulative revenue goal of \$28.4 billion in order to vest. Because the total value was earned over the three-year vesting / performance period, the annualized earnings are approximately \$.6 million per year.
Total Actual Compensation Earned/Received in 2009	\$8,875,017	\$5,336,825	See explanations under the Salary, Annual Incentive and Long-term Incentive boxes above. Amounts exclude any earnings under the 2008-2010 cash plan (as awards are determined and paid at the end of the performance period). The amounts include the annualized gain for stock option exercises and restricted stock unit vesting as well as total annual salary and annual incentive payments. For amounts earned over more than one year, the annualized amount represents the pro-rata portion attributable to 2009.

Note: This Table differs substantially from the Summary Compensation Table

* Total Actual Compensation does not include the value of benefits and perquisites, as they are generally not directly related to performance.

Additional Information

Post-Termination Payments

During 2009, we entered into a separation agreement with Ms. Smith that provided for her departure as President, effective as of October 30, 2009, and her compliance with certain non-solicitation, non-competition, confidentiality, non-disparagement, and cooperation provisions, which we believe is a valuable protection given global competition in beauty and direct selling, as well as the exceptional skills and experience that Ms. Smith can potentially offer a competitor company as CEO. The separation agreement also provides for twenty-four months' base salary, pro-rated annual and long-term bonuses and a pro-rated portion of performance contingent restricted stock units in accordance with the terms of the applicable bonus and stock plans, and continued participation in medical and other benefit programs, as well as the continuation of certain perquisites and stock option vesting, for specified periods of time. The separation agreement provides for extended non-solicitation, no-hire and non-competition restrictions through April 30, 2012 and includes Ms. Smith's general release of claims against the Company. See the narrative discussion following the "Grants of Plan-Based Awards" on page 44 and "Potential Payments Upon Termination of Employment or Change-in-Control—Separation of Ms. Smith" beginning on page 60 for a further description of Ms. Smith's separation agreement.

In March 2010, the Committee adopted a single change in control policy applicable to senior officers at or above the senior vice president level who serve on our Executive Committee, other than Ms. Jung, for whom the terms of her employment agreement will continue to apply. The policy supersedes individual arrangements upon a change in control, if any (other than for Ms. Jung), and is intended to ensure consistency.

Pitney Bowes, Inc.
Proxy Statement
Filed March 26, 2010
Page 33

The supplemental table below is designed to provide additional details on the payments received by our CEO in 2009.

SUPPLEMENTAL TABLE OF CEO PAY RECEIVED IN 2009

Form of Compensation	Period Covered	Target Compensation (\$)	Total Received (\$)	Performance Results Over Performance Period That Produced the Compensation
Salary	2009	950,000	950,000	Due to the economic climate and company performance, there were no merit increases in 2009.
Annual Incentive	2009	1,520,000	937,200	The company achieved 2009 income from continuing operations objective of \$408,263,000. The company exceeded its performance targets for adjusted free cash flow and the strategic performance objective. The Committee determined that the achievement of organic growth, adjusted earnings per share and adjusted EBIT fell short of expectations and thus resulted in no payout for those objectives. The Committee compared actual performance to the predetermined targets to determine the resulting performance factor of approximately 61%. This represents a decrease of approximately 36% from the performance factor in 2008.
Performance Award Payout	2008	475,000	337,250	Based on actual 2008 adjusted earnings per share of \$2.78, the performance award payout was 71% of the target award level. Awards vested 50% in August 2009 and another 50% will vest in February 2011. The Committee decided to pay 50% of the August 2009 award in the form of stock and the remaining 50% was paid in cash and all taxes were withheld from this payment. Mr. Martin received 7,799 shares based on the closing stock price of \$21.62 on August 14, 2009.
Long-Term Incentive Payout	2007-2009	2,000,000	1,580,000	The long-term incentive award was earned over the three-year performance period, 2007-2009, and produced a total payout of \$1,580,000. The company achieved its income from continuing operations objective for 2007-2009 of \$485,412,000. Adjusted EPS was not achieved and adjusted free cash flow exceeded the target level. Total shareholder return modifier (TSR) adjusted the payment downwards. Based on the 2009 results, the total long-term incentive payout was \$0.79 per unit.
Stock Option Exercises	2009	not applicable	0	There were no stock option exercises in 2009.
Restricted Stock Vesting	2009	not applicable	0	There were no restricted stock vestings in 2009.
All Other Compensation	2009	not applicable	103,272	
Total 2009 Target		4,945,000		
Total Payments Received in 2009*			3,907,722	

Note: This table differs substantially from the Summary Compensation Table required by the U.S. Securities and Exchange Commission and is not meant to be a substitute for that table.

* This amount does not include the value of other benefits, such as pension plan value attributed to 2009, since they are not payments Mr. Martin received in 2009.

KeyCorp
Proxy Statement
Filed April 2, 2010
Pages 60-62

Performance Assessment Against 2009 Goals

KeyCorp's 2009 capital ratios were strong and both liquidity and funding ratios were strengthened throughout the year. Performance fell below or in the lower end of established performance ranges on credit quality and profitability measures. Progress was made on leadership goals and the execution of corporate initiatives in improved efficiency and investments in the branch network was on track to achieve agreed upon goals. The Compensation Committee determined that the actions taken in 2009 to strengthen capital, reserves and liquidity; address asset quality; and invest and reshape KeyCorp's businesses have set the stage for KeyCorp to emerge from this extraordinary period as a strong, competitive company. Recognizing that many of the participants in the Incentive Plan are professionals in finance, operations, technology, compliance, risk management and human resources who made significant contributions in 2009, the Compensation Committee used its discretion to fund a pool of 50% of target incentive pay for Incentive Plan participants, excluding our CEO and the named executive officers.

While KeyCorp was prohibited from linking our CEO's pay directly to performance, we have provided the supplemental tables below to provide a clearer view of our CEO's compensation than that provided by the Summary Compensation Table found on page 67 of this proxy statement. The Summary Compensation Table displays the actual pay realized in 2009, and indicates the accounting expense for long-term equity grants and actuarial increases in retirement and deferred compensation earnings. The supplemental tables below provide information regarding actual level of compensation realized in 2009 (first table), and the long-term awards granted in 2009 that must be earned over future years (second table).

CEO Actual Pay Received in 2009

Form of Compensation	Period Covered	Total Received (\$)	Annualized Amount (\$)	Performance Results Over Performance Period That Produced the Compensation
Salary	2009	1,642,731	1,642,731	Not tied to performance criteria. Mr. Meyer was prohibited from receiving an Annual Incentive due to the ARRA. As discussed above, the Compensation Committee still assessed his performance against the goals established for the Annual Incentive Plan.
Annual Incentive	2009	0	0	
Long-Term Incentive Payout	2007-2009	0	0	The targets set in the first quarter of 2007 for the 2007-2009 performance cycle were as follows: Cumulative EPS of \$9.11; cumulative EPA of \$1,055 million; and average ROE of 16.41%. KeyCorp's performance fell short of the threshold at the end of the 2007-2009 long-term performance cycle and no performance shares vested for the cycle.
Equity Compensation:				
Stock Option Exercises	2009	N/A	N/A	N/A
Restricted Stock Vesting	2003-2009	152,223	25,371	Vested based on passage of time.
Total Annual Compensation Earned in 2009	2009	1,794,954	1,668,102	

2009 Future Potential Pay

Year of Award	Type of Long-Term Incentive Award	Performance Period/Vesting Period	Performance Criteria	Financial Accounting Expense Estimate	Linkage to the Creation of Shareholder Value
09	Performance Shares	N/A	N/A	N/A	N/A
09	Restricted Stock	N/A	N/A	Total grant date fair value = \$1,247,483	Shares vest after the later of 3 years or repayment of TARP.
09	Stock Options	N/A	N/A	Total grant date fair value = \$2,142,000	Vested upon grant, however require a holding period until the later of one-third per year for 3 years or the repayment of TARP.

SHAREHOLDER ALIGNMENT AND EXECUTIVE RETENTION

EXECUTIVE STOCK OWNERSHIP GUIDELINES

KeyCorp has stock ownership guidelines for its senior executives, as well as specific requirements for shares that must be purchased by each executive outside of KeyCorp-sponsored plans ("beneficially owned shares"). The Compensation Committee monitors peer practices to determine if any changes to the guidelines are warranted. For 2009, the guidelines continued to be stated as a dollar value but, to be more consistent with peer group practices, the Compensation Committee reduced the percentage of base salary from 6X to 5X for our CEO and from 4X to 3X for the other named executive officers. The new guidelines are as follows:

- Our CEO must own Common Shares with a value equal to at least five times his annual base salary payable in cash, including a minimum of 10,000 beneficially owned shares.
- Our CEO's direct reports must own Common Shares with a value equal to at least three times their annual base salary payable in cash, including a minimum of 5,000 beneficially owned shares.
- Newly-hired or promoted senior executives are expected to meet or exceed their required ownership levels within three years of the date they become subject to the requirements and are required to comply within five years.
- The value of the stock owned is determined quarterly, using the average of the previous twelve-month-end closing market price of the Common Shares.
- Beneficially owned shares and unvested restricted shares and units, as well as phantom shares owned by the senior executives under KeyCorp's 401(k) Savings Plan and deferred compensation plans, count toward the ownership requirements. Performance shares delivered in cash and unexercised stock options do not count toward the ownership requirements.
- Our CEO and all Section 16 officers⁴ are required to hold 100% of the net shares obtained upon the exercise of any stock option (less the applicable exercise price and withholding taxes) for at least one year following the exercise date or, if later, until the executive officer meets the ownership requirements.

Assessing Stock Ownership

The Compensation Committee reviews the stock ownership of the senior executive team to monitor compliance with the Executive Stock Ownership Guidelines and reviews ownership status with our CEO at each Compensation Committee meeting. As of September 30, 2009, our CEO and each of the other named executive officers met the beneficial ownership guidelines and all but Mr. Hancock had met the multiple of salary requirement. Prior to his resignation on February 12, 2010, Mr. Hancock would have had three years from his date of hire (December 2008) to comply.

Other Alignment and Retention Tools

There are several other ways that KeyCorp's equity-based awards help align the compensation interests of employees with the investment interests of shareholders and promote executive retention:

Conditional awards. All restricted stock and special retention options are awarded on the condition that the recipient executes an agreement that:

- restricts his or her post-employment use of confidential information; and
- prohibits him or her from soliciting KeyCorp clients or hiring KeyCorp employees for a period of one year following termination of employment.

⁽⁴⁾ Identified on page 50 of this proxy statement.

The Boeing Company
Proxy Statement
Filed March 15, 2010
Page 37

As noted on page 34, the supplemental table provided below shows elements of our CEO's 2009 compensation that the Compensation Committee reviewed in making compensation decisions. This supplemental table includes a comparison of actual pay realized in 2009 compared to actual pay realized in 2008.

CEO COMPARISON OF ACTUAL PAY REALIZED							
Name	Year	Salary (1)	Annual Incentive (2)	Long- Term Incentive Plan (LTIP) Payout (3)	Equity Compensation		Total Actual Compensation Realized (6)
					Stock Option Exercises (4)	Restricted Stock Vesting (5)	
W. James McNerney, Jr.	2009	\$1,930,000	\$2,340,300	\$2,160,000	\$ —	\$2,643,846	\$ 9,074,146
	2008	\$1,915,288	\$1,476,500	\$4,613,125	\$ —	\$6,562,525	\$ 14,567,438
Change in Payout from Prior Year		0.8%	58.5%	-53.2%	N/A	-59.7%	-37.7%

- (1) We generally target salary for all executives at the 50th percentile of peer group companies. Based on this target, as well as individual and company performance in 2008, no base salary increase was provided in 2009. The last base salary increase was effective March 1, 2008.
- (2) Company economic profit in 2009, as adjusted to reflect core operating performance, was \$2.4 billion versus a target of \$2.6 billion, resulting in a payout factor of 70%. The 2008 payout factor was 60%. The awards for both years were modified for individual performance.
- (3) The total three-year payout for Mr. McNerney's 2009 LTIP award was earned over the 2007-2009 performance period and produced a total payout of \$2,160,000, or \$720,000 per year. Performance criteria for this award were: Cumulative economic profit (2007-2009) target of \$10.7 billion. Company performance, as adjusted to reflect core operating performance, was \$8.3 billion. The resulting award payout factor for the three-year period was 36% (\$36 per Performance Award unit). The 2008 LTIP award (earned over the 2006-2008 performance period) had a payout factor of 111% (\$111 per Performance Award unit).
- (4) There were no exercises of stock options by our CEO in 2009 or 2008.
- (5) The amounts reported in this column represent the value of restricted stock awards that vested and were earned in 2009 and 2008. There were originally three restricted stock awards made in 2005 as new hire (replacement) grants, with annual vesting schedules of 17% (ratably over six years), 20% (ratably over five years) and 33% (ratably over three years). The values of the portions vesting in 2009 for the two remaining awards were \$1,221,750 and \$1,422,096, for a total of \$2,643,846. The values of the portions vesting in 2008 were \$2,338,740, \$2,696,640, and \$1,527,145, for a total of \$6,562,525.
- (6) The amounts reported in this column do not include the value of benefits and perquisites, as they are not related to performance. As reported in the Summary Compensation Table on page 34, total benefits and perquisites ("All Other Compensation") for 2009 and 2008 were \$1,002,642 and \$846,057, respectively.