

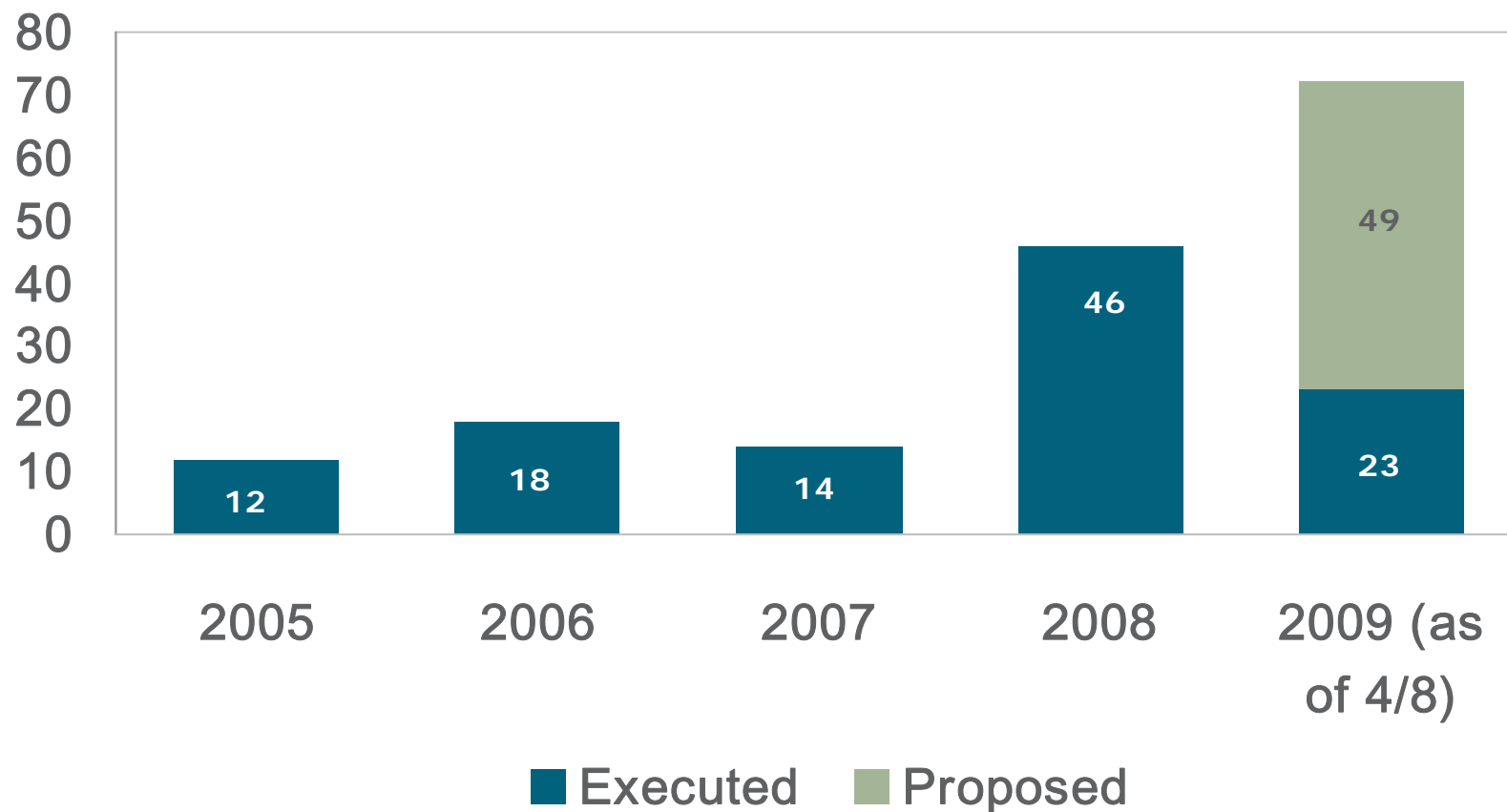
Employee Stock Option Exchange Programs

- Moderator:
 - Michael Casey – Chair of Management Compensation Committee, NASDAQ OMX
- Speakers:
 - Brett Harsen - Vice President, Radford Consulting
 - Eric Hilfers - Partner, Cravath, Swaine & Moore LLP
 - Pat McGurn – Special Counsel, RiskMetrics Group
 - Arnold Golub – Vice President, NASDAQ OMX

In order to access the audio portion of this event please make sure the volume is turned up on your computer speakers and that your computer is not muted.

Recent Underwater Exchange Activity is Unprecedented

Number of Underwater Exchanges

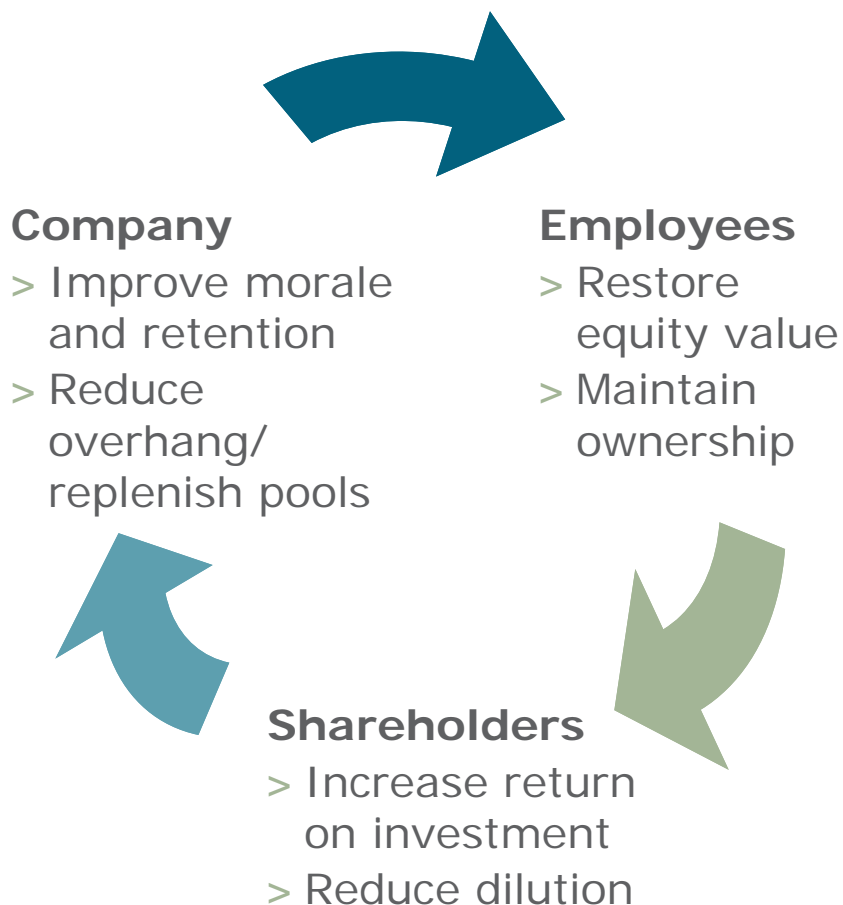


Source: Radford Consulting

Significant Changes Since the Last Round of Repricings in 2001/2002...

- Mandatory FAS 123(R) accounting
- NASDAQ and NYSE shareholder approval rules
- Shareholders have become more sophisticated and vocal in assessing compensation practices overall

...Have Led to the Evolution of More Balanced Underwater Exchanges



- Leaving underwater options outstanding is inefficient
- Underwater option solutions can be designed to benefit all stakeholders (shareholders, employees and the company)
- Designs should be shareholder friendly
 - Shareholder-approved
 - Board and top officers excluded
 - Only significantly underwater options addressed
 - Fewer new shares issued than old options tendered (value-neutral ratios)
 - New vesting required to add retention

RiskMetrics Group Criteria for Exchange Approval

Design Consideration	RiskMetrics' Criteria
Type of Exchange	No explicit preference for new options, stock or cash used as consideration in the exchange
Option Holder Eligibility	Members of the Board of Directors and Named Executive Officers excluded
Option Award Eligibility	Exclude options with strike prices below the 52-week high trading price as of the time the offer is made to employees
Exchange Ratios	Exchange ratios such that new award binomial value does not exceed old award binomial value (per RMG proprietary valuation method)
New Award Vesting	New award vesting is reset such that no awards are fully-vested on the date of grant
Contractual Term (if new options issued)	Contractual term of new options is not longer than remaining term of original options
Rationale for Conducting Program	Rationale for exchange program is clearly defined (general market downturn is not sufficient rational)
Net Share Recaptures	Cost of returning net surrendered options to active plans does not exceed RMG limits (shareholder value transfer calculation)

Type of Exchange

Approach	Description	Advantages	Disadvantages
Options for Options (50% of offers)	Cancellation of underwater options followed by an immediate regrant of (<i>typically</i> fewer) new options	<ul style="list-style-type: none"> > Ease of communication > Employees maintain control of taxable event > Some reduction in issued stock overhang 	<ul style="list-style-type: none"> > New options can fall underwater
Options for Stock (36% of offers)	Cancellation of underwater options followed by an immediate regrant of (<i>significantly</i> fewer) new shares of restricted stock/units	<ul style="list-style-type: none"> > New award cannot go underwater > Greater overhang reduction 	<ul style="list-style-type: none"> > Higher exchange ratios > Employees lose control of taxable event
Options for Cash (14% of offers)	Cancellation of underwater options for a (<i>immediate</i>) cash payment	<ul style="list-style-type: none"> > Greatest overhang reduction 	<ul style="list-style-type: none"> > Cash cannot have vesting provisions > Requires cash outlay > Employees lose upside stock opportunity

Source: Radford Consulting

Exchange Ratios

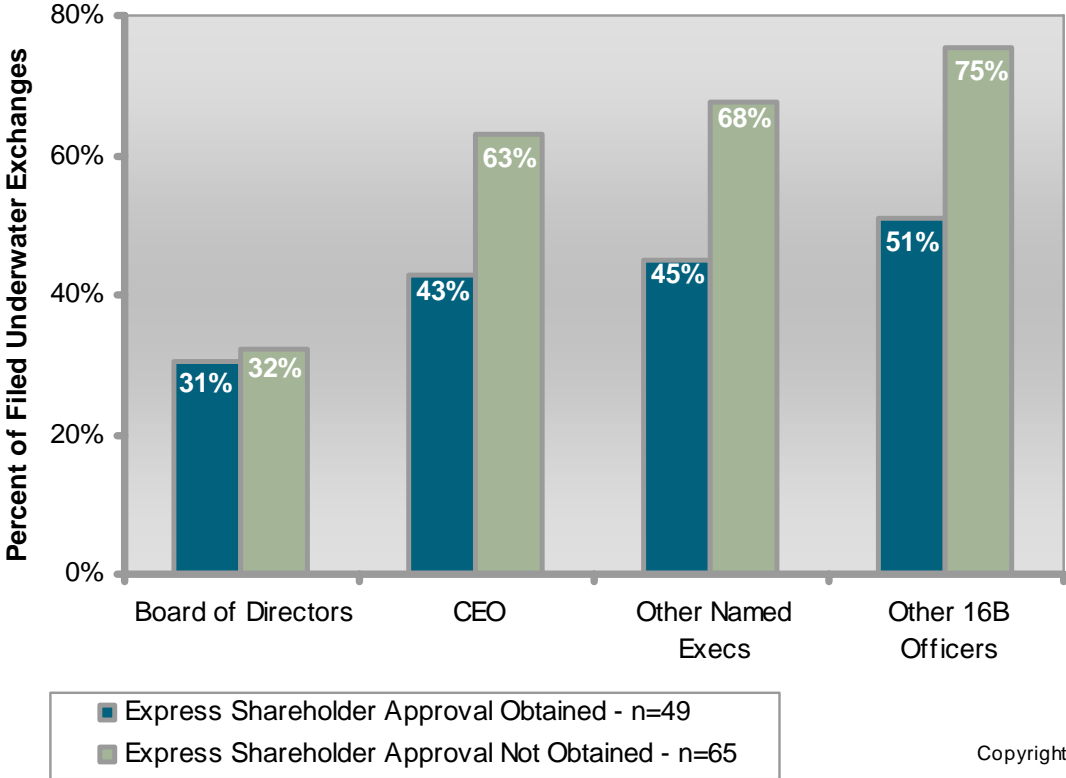
The trend is moving away from one-for-one exchanges

Ratio Statistics							
Approach	N	1:1 Only Prevalance	>1:1 Ratios				
			Prevalance	Lower Quartile	Average	Median	Upper Quartile
Options for Options	58	47%	53%	1.4	3.3	2.0	3.5
Options for Stock	39	0%	100%	3.5	8.9	4.8	7.0

Source: Radford Consulting

Option Holder Eligibility

Senior Leadership Eligibility

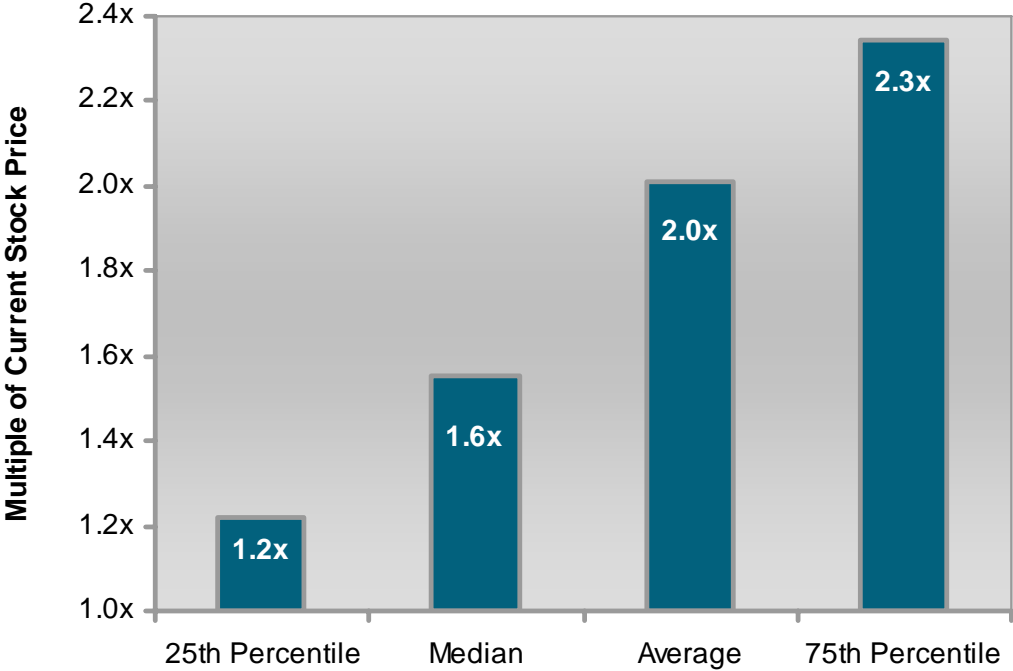


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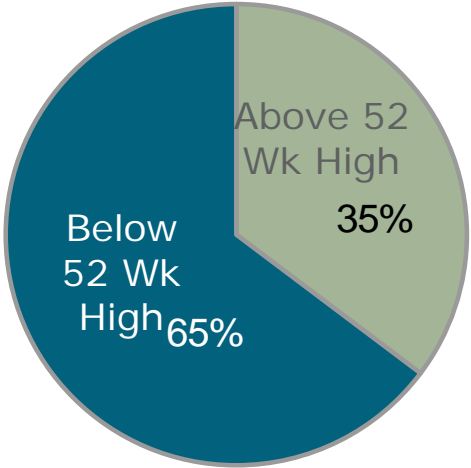
Option Award Eligibility

Price Floors For Option Award Eligibility



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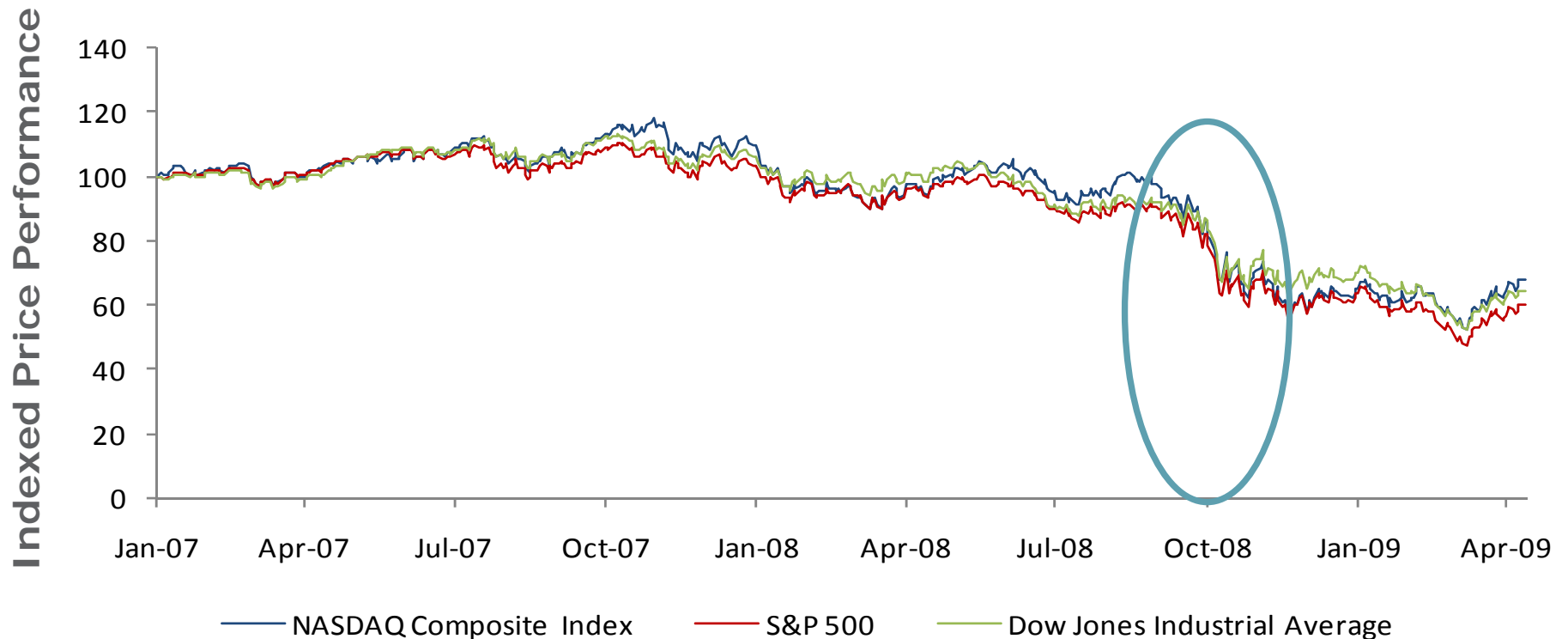
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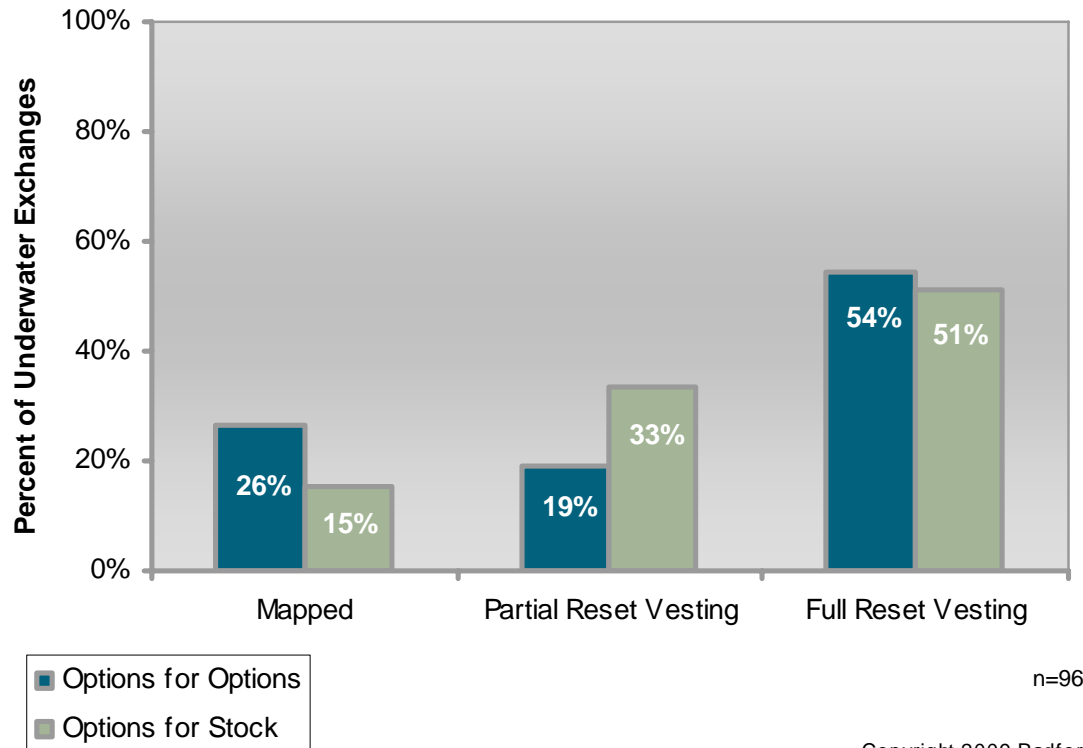
Option Award Eligibility (continued)

The decline in the markets in the fall of 2008 has implications for exchange timing under RiskMetrics' 52 week high guideline



New Award Vesting

Vesting Approach for New Awards

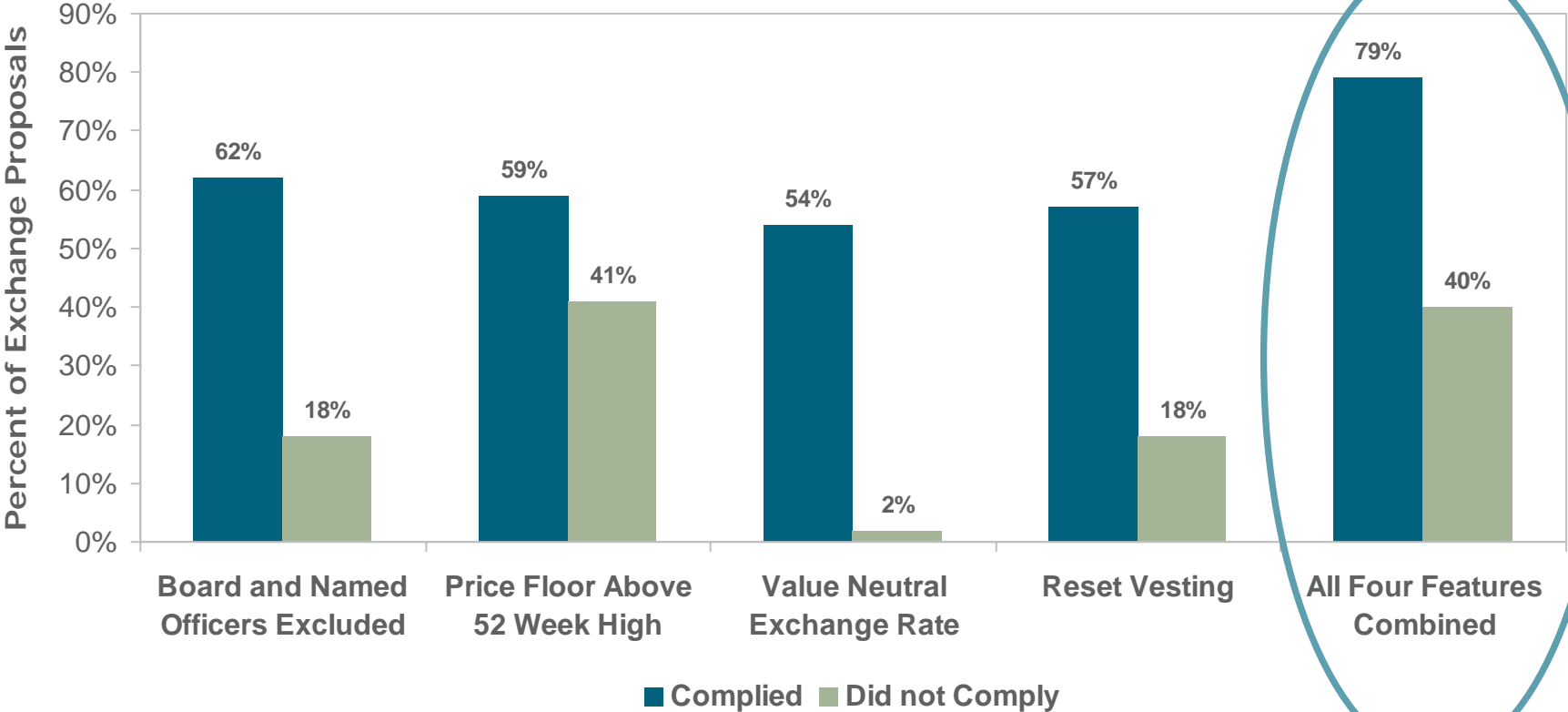


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Source: Radford Consulting

Institutional Shareholders Approved Nearly 80% of Balanced Proposals

Mutual Fund Approval Rates for Underwater Option Exchanges by Shareholder-Friendly Design Feature



Source: Radford Consulting using RiskMetrics' Voting Analytics Database

Underwater Exchange Execution Takes Time, Coordination of Many Players



Employee Stock Option Exchange Programs

Questions and Answers

Resources

- Radford Underwater Exchange Portal
<http://www.UnderwaterExchange.com>
- RiskMetrics Group
http://www.riskmetrics.com/policy/2009/policy_information
- Cravath, Swaine & Moore LLP
<http://cravath.com/Cravath.html>
- NASDAQ Listing Qualifications
 - Shareholder Approval – Equity Compensation FAQs
<http://www.nasdaq.com/about/LegalComplianceFAQs.stm#corpgov12>

