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Global Recession Hit US Salaries Hardest and Accelerated Equity Program Changes at Technology Companies, Says Aon Consulting's Radford

SAN JOSE, Calif. – October 13, 2009 – Technology companies in the United States have experienced greater salary freezes than other nations, according to Aon Consulting's Radford, a leading provider of compensation intelligence to the technology and life sciences industries. These U.S. organizations also have seen significant shifts in equity compensation, as underwater stock options and exchange programs soared, and companies continue to incorporate restricted stock into their programs in lieu of options.

According to findings by Radford, U.S., technology companies have been forced by the recession to use a multitude of tactics to control costs, including salary freezes (68 percent); layoffs (62 percent); mandatory time-off (30 percent); and suspending 401(k) matches (17 percent).

"Although the entire world has felt the impact of the recession, it has not had an equal impact to all. The U.S. does not have the same employment restrictions and rules that the rest of the world has, therefore it took a harder hit on the salary side to control costs," said John Radford, senior vice president, Radford. "Other economies, such as India and China, will continue to grow and invest in their own economies, since stagnation can only serve to set them back further after years of personal, social and business advancement."

Radford data also reveals that the "jobless recovery" continues worldwide, as 58 percent of companies globally indicate hiring levels will remain flat or decrease over the next 12 months, with cautious headcount growth.

Moreover, the need for U.S. technology companies to control cash during the last 12 months has led to material changes in equity strategies and plans, with more technology companies now relying on restricted stock or restricted stock units rather than stock options. Issuing restricted stock alone or in combination with options has become the majority practice at most employee levels in the technology market. Radford found in their recent research that 68 percent of companies were predominantly emphasizing restricted stock in their programs, up 12 percent from last year. In 2008, 59 percent of small and emerging technology companies were option-centric as compared to 47 percent this year, according to Radford's data.

"Historically, we have seen fast-growth companies emphasize stock options to conserve cash and align employees with value created for shareholders; a strong ownership culture has been a core feature of these entrepreneurial companies and cultures to drive innovation," said Linda E. Amuso, president, Radford. "But, we are seeing that small companies have also moved to restricted stock as a key part of their equity strategies in order to compete for talent, improve the retention of these plans, and to 'buy talent out' currently holding restricted shares. It also is a

News from Aon

Page 2 of 3

clear indicator that, across the industry, underwater options are pervasive and equity compensation has required a re-examination.”

As for cash incentive plans and the probability of payout in 2010 (based on 2009 performance), 35 percent of U.S. technology organizations expect payouts below target for 2009, with six percent not expecting any payout at all due to the challenging environment this year.

“As the market continues to pick up and hiring returns, companies will be under pressure to issue merit increases in addition to providing 100 percent funding in their incentive plans in 2010, as a way to reengage employees and to reestablish the variable pay nature of these plans, while still controlling fixed costs and salaries,” said Amuso.

Data cited in this press release comes from various Radford surveys, research conducted by the Radford Analytic Services team, as well as Radford's Quarterly Summary of Industry Trends and the International Semi-Annual Summary of Industry Trends reports. This data was featured in Radford's "Mid-Year Technology Compensation Update" webcast for clients. Information on each of these is listed below.

About the Studies

The *Quarterly Summary of Industry Trends* report is a quarterly report available to survey participants. The Q3 technology edition included 540 participating companies.

The *International Semi-Annual Summary of Industry Trends* report is published twice a year and is available to survey participants. The October edition included 327 participating companies.

About the Webcast

With more than 1,000 registrants, the September “Mid-Year Technology Compensation Update” webcast explored the latest trends in compensation, with data from the most updated Radford Benchmark and Executive Surveys; *Quarterly Summary of Industry Trends* report; and *International Semi-Annual Summary of Industry Trends* report; with a special focus on the specific equity plan changes that have been implemented over the last 12 months; and a global compensation update. The webcast featured President Linda E. Amuso and Senior Vice President John Radford.

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About Radford

For more than 30 years, Radford has provided compensation market intelligence to the technology and life sciences industries. Global survey databases, which include 3.5 million incumbents, offer current, reliable data to 2,000+ clients. Leveraging Radford survey data, our thought-leading global Radford Consulting team creates tailored solutions for the toughest global business and compensation challenges facing companies at all stages of development. In addition to our consulting team, we also offer equity valuation assistance via Radford Valuation Services, and leading-edge market analyses and survey services with [Radford Analytic Services](#). Radford's suite of surveys for 2010 include the [Global Technology](#), [Life Sciences](#), and [Sales Surveys](#), as well as the [US Benefits Survey](#).

About Aon Consulting

Aon Consulting is among the top global human capital consulting firms, with 2008 revenues of \$1.358 billion and more than 6,300 professionals in 229 offices worldwide. Aon Consulting works with organizations to improve business performance and shape the workplace of the future through employee benefits, talent management and rewards strategies and solutions. Aon Consulting was named the best employee benefit consulting firm by the readers of Business Insurance magazine in 2006, 2007 and 2008. For more information on Aon, please visit www.aon.mediaroom.com.

News from Aon

Page 3 of 3

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