MERIDIAN
COMPENSATION PARTNERS, LLC

KEY FINDINGS
2014 STUDY OF

Executive Change-in-Control Arrangements

About Meridian Compensation Partners, LLC

Meridian Compensation Partners, LLC is one of the largest independent executive compensation and corporate governance consulting firms in North America.

Meridian consultants advise Boards of Directors and senior management on the full range of executive compensation issues that confront them. Whether the subject is compensation philosophy, pay for performance, incentive plan designs, shareholder initiatives, severance protections, mergers and acquisitions or Board governance, we have the resources, experience and expertise to help. We guide Compensation Committees as they make difficult but informed decisions on executive pay. Our decades of experience provide context for our clients to make sound business judgments, and provide a deep understanding of Compensation Committees' responsibilities.

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Report Scope and Study Group Characteristics

Meridian Compensation Partners' 2014 Study on Executive Change-in-Control Arrangements (the "Study") provides current information and data on change-in-control ("CIC") severance practices of 160 major U.S. listed public companies (the "Study Group"). We also provide trends comparisons to our 2011 study that analyzed CIC severance practices in 2010.

Study Group Characteristics

Each of the 160 companies in the Study Group was a component company of the Standard & Poor's 500® Index[1] ("S&P 500®") as of December 31, 2013. In addition, the Study Group includes companies from each of the major industrial sectors covered by the S&P 500®. Overall, the Study Group represents a fair industrial cross-section of the Index. We believe the results of the Study are representative of CIC severance practices across the entire S&P 500®.

The composition of the 2014 Study Group is very similar to the 2011 Study Group. Of the 160 companies included in the 2011 Study Group, 134 of these companies are part of the 2014 Study Group. ***Throughout this Study, we reference data according to the fiscal year covered by the proxy statement, not according to the year in which the proxy statement was filed with the SEC.***

Displayed below are revenue and market capitalization statistics for the 2014 Study Group.

	FY 2013 Revenues ($ Millions)		Market Capitalization December 31, 2013 ($ Millions)	
	Study Group	S&P 500®	Study Group	S&P 500®
25th Percentile	$5,684	$4,284	$10,725	$9,410
Median	$12,188	$8,713	$18,961	$16,447
75th Percentile	$24,246	$18,746	$40,026	$34,033

Report Scope

This Study reports on the prevalence of executive CIC severance agreements that cover named executive officers ("NEOs"). In addition, the Study reports on the prevalence of the following types of executive severance benefits payable to NEOs in connection with a CIC:

- Cash severance benefits,
- Payment of current year bonus,
- Vesting and settlement of long-term incentive awards,
- Continuation of health care benefits,
- Provision of additional benefits, and
- Tax gross-up payments.

[1] The S&P 500® index is a registered trademark of Standard & Poor's Financial Services, LLC, a part of McGraw-Hill Financial, Inc.

General Trends and Key Findings

General Trends

CIC arrangements have been subject to intense scrutiny for over 20 years. The level of scrutiny intensified with the enhanced disclosure of CIC arrangements brought about by multiple amendments to the proxy disclosure rules. These rules require extensive and detailed disclosure of payments and benefits provided to NEOs in connection with a CIC (as well as certain employment termination scenarios). Since the adoption of these new disclosure rules, activist shareholders, proxy advisory firms, corporate governance experts and media pundits have pressed companies to change key elements of their CIC arrangements. In 2011, these constituents gained additional influence through the start of shareholder advisory votes on both executive pay packages and CIC arrangements in the context of mergers and other corporate transactions.

This external pressure has caused many large public companies since our 2011 Study to:

- **Reduce cash severance multiples below the CEO level,**
- **Eliminate single-trigger vesting of equity awards in favor of double-trigger vesting, and**
- **Eliminate excise tax gross-ups in favor of "best net" provisions.**

These trends are likely to continue. As the foregoing changes to CIC arrangements become increasingly viewed as "best" or "market" practice, more public companies will implement these changes.

Key Findings

Summarized below are the Study's key findings:

CIC Arrangements Providing for Cash Severance (and Other Specified Benefits)

- **A widespread practice among Study Group companies is to provide CIC-related cash severance to their NEOs.** In 2013 (and in 2010), approximately 75% of Study Group companies maintained CIC arrangements that provide for the payment of cash severance benefits. Unless otherwise indicated, statistics presented in this portion of Key Findings are based on that population of the Study Group.

- **Nearly all these companies condition the payment of cash severance upon the occurrence of a "double-trigger" event**. In 2013 (and in 2010), well over 90% of companies paid cash severance benefits upon the occurrence of a double-trigger event.

- **All companies define double-trigger as a qualifying termination of employment that occurs within a specified period following a CIC (i.e., "protection period")**.

  — 100% of companies define a qualifying termination of employment to mean a termination of employment without "cause" or for "good reason."

  — 75% of companies define protection period as the 24-month period following a CIC.

  — Nearly 100% of companies define CIC to include: (i) acquisitions of a specified percentage (e.g., 20% - 30%) of company stock; (ii) significant change in board composition; and (iii) certain major corporate transactions. A less prevalent but still majority practice (78% of companies) is for the definition of CIC to include shareholder approval of a company's dissolution or liquidation.

  The foregoing statistics show little change from 2010.

- **All companies determine cash severance based on a multiple of an NEO's "compensation."** In 2013, 97% of companies define compensation as the sum of an NEO's base salary and "annual bonus," showing a slight increase from 2010. Target bonus is the most dominant definition of annual bonus (43% of companies).

- **Cash severance multiples are trending down except for CEOs**.

  — For CEOs, the 3× cash severance multiple remained relatively constant at 69% of companies, in 2013.

  — For CFOs, roughly the **same** percentage of companies provided a 3× as a 2× cash severance multiple (both at 41% of companies) with the prevalence of both multiples showing a slight decline from 2010.

  — For other NEOs, the 2× cash severance multiple increased in prevalence to become the most dominant practice (approximately 44% of companies) at the expense of the 3× cash severance multiple.

- **Generally, CIC arrangements providing cash severance also provide between one and five additional CIC-related benefits (not considering benefits related to long-term incentive awards)**. Like cash severance, these additional CIC benefits are typically paid upon the occurrence of a double-trigger event. The prevalence of these additional CIC benefits is discussed below.

  — **Current "stub" year bonus**: 79% of companies provide for the payment of a "stub year" bonus of which 83% pay the bonus on a pro rata basis, typically based on target.

  — **Enhanced executive retirement benefits**: 41% of companies enhance supplemental executive retirement plan (SERP) benefits in connection with a CIC. The dominant practice is to provide three years of age/service credits and/or three years of contribution credits, as applicable.

  — **Perquisites/personal benefits**: 56% of companies provide at least one perquisite or personal benefit, up from 50% in 2010. Of the companies providing perquisites, 91% provide outplacement services, up from 84% in 2010.

  — **Tax gross-up payments**: The prevalence of full and modified tax gross-up provisions declined sharply over the last three years in favor of "best net" provisions:

    - For CEOs, 35% of companies' CIC arrangements include full or modified tax gross-ups, down substantially from 60% in 2010.

    - For other NEOs, 29% of companies' CIC arrangements include full or modified tax gross-ups, down from 57% in 2010.

    - For all NEOs, approximately 47% of companies' CIC arrangements include "best net" provisions, up from 19% in 2010.

  We project that in the near term, less than 10% of companies' CIC arrangements will include full or modified tax gross-ups provisions.

Vesting and Payout of Long-Term Incentive Awards

- **Like CIC-related cash severance, the vesting and payout of long-term incentive awards remains a common practice among Study Group companies.** In 2013 (and in 2010), approximately 95% of Study Group companies vest and settle at least one type of long-term incentive award in connection with a CIC.

- **For time-based equity awards, single-trigger vesting has declined sharply in prevalence in favor of double-trigger vesting**. Long a majority practice, single-trigger vesting (i.e., vest solely upon a CIC) of time-based equity awards is now a minority practice and will likely continue to decline in prevalence.

Award Type	Solely Upon a CIC		Upon a Qualifying Termination of Employment Following a CIC		Upon a CIC Due to a Failure to Assume/Replace		Other	
	2010	2013	2010	2013	2010	2013	2010	2013
Stock Options	50%	33%	32%	40%	11%	21%	7%	6%
RS/RSUs	50%	33%	36%	39%	9%	20%	5%	8%

- **For performance-based equity and cash awards, single-trigger vesting has also declined sharply in prevalence in favor of double-trigger vesting**. Like time-based equity awards, performance shares saw a significant decline in single-trigger vesting, which is now a minority practice. It is notable that in 2013 the prevalence of vesting triggers for performance shares and time-based equity awards is nearly identical. Performance cash awards also saw a decline in single-trigger vesting, but it remains the most prevalent vesting mechanism.

Award Type	Solely Upon a CIC		Upon a Qualifying Termination of Employment Following a CIC		Upon a CIC Due to a Failure to Assume/Replace		Other	
	2010	2013	2010	2013	2010	2013	2010	2013
Performance Shares	55%	35%	31%	41%	9%	16%	5%	8%
Performance Cash	62%	50%	31%	23%	3%	19%	4%	8%

Upon a triggering event, the majority practice is to vest performance shares at target (57% of companies) and the dominant but declining practice is to vest performance cash at target (43% of companies). In both cases, the majority and increasing practice is to pay the vested award in full rather than pro rata.

Key Administrative Provisions

- **Subjecting the payment of CIC cash severance benefits upon the execution of a release agreement is a majority practice**. In 2013, 55% of companies conditioned the payment of cash severance benefits (and other CIC benefits paid under the same arrangement) upon the timely execution of a release agreement.

- **Including restrictive covenants in CIC agreements is a majority practice**. Approximately 70% of companies in 2013 included one or more restrictive covenants in their CIC arrangements. The most prevalent restrictive covenants are non-solicitation of employees, non-disclosure and non-compete.

Meridian Profile

Meridian Compensation Partners, LLC is an independent executive compensation consulting firm providing trusted counsel to boards and Management at hundreds of large companies. We consult on executive and board compensation and their design, amounts and governance. Our many consultants throughout the U.S. and in Canada have decades of experience in pay solutions that are responsive to shareholders, reflect good governance principles and align pay with performance. Our partners average 25 years of executive compensation experience and collectively serve over 450 clients, primarily at the board level. As a result, our depth of resources, content expertise and boardroom experience are unparalleled.

Our breadth of services includes:

- Pay philosophy and business strategy alignment
- Total compensation program evaluation and benchmarking
- Short-term incentive plan design
- Long-term incentive plan design
- Performance measure selection and stress testing
- Employment contracts
- Retirement and deferred compensation
- Risk evaluation
- Informed business judgments on executive pay
- Pay-for-performance analyses
- Governance best practices
- Institutional shareholder and ISS voting guidelines/issues
- Senior management and board evaluations
- Change-in-control and/or severance protections
- Committee charter reviews
- Peer group development
- Peer company performance and design comparisons
- Benefits and perquisites design and prevalence
- Annual meeting preparation
- Senior executive hiring
- Succession planning
- Outside director pay comparisons
- Clawback and anti-hedging design
- Retention programs and strategies
- Tally sheets

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