

Preparing Your Disclosure for Say on Pay

A Compensia Teleconference

Tuesday, November 9, 2010

1:00 – 2:00 p.m. (PST)

Disclosure Examples

1. Executive Summary

(a) Cisco Systems, Inc. (9/21/10)

Executive Summary

- *Compensation Governance.* The core of Cisco's executive compensation continues to be pay for performance, and the framework includes the compensation governance features discussed below:
 - As an early adoption of recently enacted legislation and in response to a shareholder proposal approved at last year's annual meeting, Cisco is providing its shareholders with the opportunity to cast an advisory vote on executive compensation as described in Proposal No. 2 above.
 - Cisco's executive officers have no employment or severance agreements, special benefits, supplemental executive retirement plans, perquisites, or tax equalization other than in the limited instances described below that are for business-related purposes or in connection with an executive officer on international assignment.
 - The CEO was compensated below his targets and the median of the peer group for three out of the last five years, and when he was compensated above those targets (fiscal 2008 and 2010), Cisco performed exceptionally well.
 - Cisco's informed and accessible Compensation Committee is comprised solely of independent directors that, as noted in the "Shareholder Communications with the Board of Directors" section on page 18 of this Proxy Statement, has established effective means for communicating with shareholders regarding their executive compensation ideas and concerns.
 - The Compensation Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("FWC"), is retained directly by the Committee and performs no other consulting or other services for Cisco.
 - The Compensation Committee's annual review and approval of Cisco's compensation strategy includes review of compensation-related risk management. In this regard, the Compensation Committee reviews Cisco's executive compensation program, including the annual variable cash incentive plan and long-term, equity-based incentive awards, and does not believe that the compensation program creates risks that are reasonably likely to have a material adverse effect on Cisco. As part of this review, the Compensation Committee evaluates the need to engage independent consultants for specific assignments and did engage FWC during fiscal 2010 to deliver a report and assist with the risk assessment of Cisco's executive compensation program. FWC advised that Cisco's executive compensation program provides an appropriate pay philosophy, peer group, and market positioning to support business objectives with meaningful risk mitigants. FWC also advised that Cisco's executive compensation program provides an effective balance in cash and equity mix, short- and long-term performance focus, corporate, business unit and individual performance focus, and financial and non-financial performance measurement and discretion.

Cisco's compensation philosophy and related governance features are complemented by several specific elements designed to align Cisco's executive compensation with long-term shareholder interests, including:

- a compensation recoupment or "clawback" policy that applies to Cisco's executive officers, as described further on page 39 below;
 - stock ownership guidelines for Cisco's non-employee directors and executive officers, as described further on pages 16 and 39, respectively;
 - a cap of 300% of target for executive officer bonus payouts under the annual variable cash incentive plan; and
 - prohibitions on executive officers engaging in any speculative transactions in Cisco securities, including engaging in short sales, engaging in transactions in put options, call options or other derivative securities, or engaging in any other forms of hedging transactions, such as collars or forward sale contracts or holding Cisco securities in a margin account or pledging Cisco securities as collateral for a loan, with limited exceptions.
- *Executive Compensation Philosophy.* Cisco's executive officers are compensated in a manner consistent with Cisco's strategy, competitive practice, sound compensation governance principles and shareholder interests and concerns. The core of Cisco's executive compensation philosophy continues to be to pay for performance, as discussed in greater detail below.
 - *Cisco's Fiscal 2010 Financial Performance and Executive Compensation.*

In fiscal 2010, Cisco's net sales, net income and earnings per share increased 10.9%, 26.6% and 26.7%, respectively, from fiscal 2009.

Set forth below are tables that display each named executive officer's variable cash incentive compensation, long-term equity incentive compensation, and total direct compensation (annual base salary, variable cash incentive and long-term equity incentive amounts) for fiscal 2010 as compared to fiscal 2009 and fiscal 2008. Fiscal 2008 is included as a point of reference because the Compensation Committee believes Cisco's fiscal 2010 executive compensation decisions reflected economic conditions more comparable to fiscal 2008 than fiscal 2009.

Consistent with Cisco's core philosophy to pay for performance, each named executive officer's variable compensation increased in fiscal 2010, particularly compared to fiscal 2009, for which each continuing named executive officer's variable compensation was down substantially from fiscal 2008. Looking at total direct compensation, the increase in 2010 is consistent with Cisco's increase in financial performance, relative to revenue and operating income targets for the fiscal year.

Cisco's variable cash incentive awards for the named executive officers are determined and paid under the Executive Incentive Plan ("EIP"). The financial performance goals under the EIP for fiscal 2010 were worldwide revenue and operating income growth, financial measures that are calculated in the manner described on page 44 below. The annual revenue target was \$36.2 billion and the actual result was \$39.6 billion. The annual operating income target was \$9.6 billion and the actual result was \$11.6 billion. The revenue and operating income performance goals under the EIP for fiscal 2010 exceeded the targets by 9.5% and 21.0%, respectively. Variable cash incentive awards for fiscal 2010 under the EIP for the named executive officers ranged from 160% to 205% of target, reflecting above-target economic performance for the fiscal year.

Finally, for fiscal 2010, Cisco granted 50% stock options and 50% restricted stock units to executive officers with time-based vesting and no performance conditions (with a stock unit being considered equivalent to 2.5 stock options). Based on uncertain economic conditions and forecasts on the date of grant, the Compensation Committee did not believe it could set meaningfully precise annual performance goals. The Compensation Committee believed that, under these circumstances, stock options provided more appropriate performance incentives than awards of rights to receive future grants of restricted stock units based on the achievement of financial performance goals ("PRSU rights"). The Compensation Committee further believed that for fiscal 2010, the combination of 50% stock options and 50% time-based restricted stock units offered a

total long-term equity incentive opportunity aligned with shareholder interests with the appropriate balance of risk, performance and retention.

Cisco's Three-Year Financial Performance

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>
Worldwide Revenue Under the EIP* (in billions)	\$39.5	\$36.1	\$39.6
Results—Relative to EIP Target	-0.5%	-15.4%	9.5%
Worldwide Operating Income Under the EIP* (in billions)	\$11.7	\$9.6	\$11.6
Results—Relative to EIP Target	1.7%	-18.2%	21.0%

* Cisco's worldwide revenue and operating income for purposes of the EIP were Cisco's GAAP revenue and operating income, respectively, each excluding the applicable items listed on page 44 below.

Variable Cash Incentive Awards

	<u>Fiscal 2008 Variable Cash Incentive Award</u>	<u>Fiscal 2009 Discretionary Cash Incentive Award</u>	<u>Fiscal 2010 Variable Cash Incentive Award</u>
John T. Chambers	\$3,002,802	\$2,031,000	\$4,600,000
Frank A. Calderoni	\$1,052,335	\$900,000	\$1,530,000
Wim Elfrink*	\$1,590,750	\$1,000,000	\$1,600,000
Randy Pond	\$1,138,270	\$900,000	\$1,600,000
Robert W. Lloyd	N/A	\$900,000	\$1,640,000

* Mr. Elfrink's cash incentive awards are paid in Euros. The conversion rate from Euros to U.S. dollars for each award is based on the exchange rate referenced by the Compensation Committee when the award was made.

Equity Awards

	<u>Fiscal 2008 Equity Award Grant Value</u>	<u>Fiscal 2009 Equity Award Grant Value</u>	<u>Fiscal 2010 Equity Award Grant Value</u>
John T. Chambers	\$12,593,420	\$3,111,750	\$13,878,638
Frank A. Calderoni	\$5,074,235	\$1,383,000	\$7,930,650
Wim Elfrink	\$7,975,812	\$2,074,500	\$9,913,313
Randy Pond	\$6,716,470	\$1,728,750	\$7,930,650
Robert W. Lloyd	N/A	\$6,946,515	\$7,930,650

The Compensation Committee considers these amounts to represent the compensation values attributable to each of the named executive officers for equity awards granted in the applicable fiscal year. For fiscal 2008 and 2009, awards of PRSU rights are included in these grant value amounts using the value of the number of restricted stock units actually granted based on performance in the applicable fiscal year, which was 58% of target for fiscal 2008 and zero for fiscal 2009, at the value per share or per stock option on the date of grant. PRSU rights were not awarded in fiscal 2010. The amounts for fiscal 2008 and 2009 differ from the amounts disclosed under "Stock Awards" and "Option Awards" in the Summary Compensation Table below, which reflect a different valuation method for PRSU rights. These amounts should not be considered a substitute for the amounts disclosed in the Summary Compensation Table.

*Total Direct Compensation
(Annual Base Salary, Variable Cash Incentive and Long-Term Equity Incentive Awards)*

	<u>Fiscal 2008 Total Direct Compensation</u>	<u>Fiscal 2009 Total Direct Compensation</u>	<u>Fiscal 2010 Total Direct Compensation</u>
John T. Chambers	\$15,971,222	\$5,517,750	\$18,853,638
Frank A. Calderoni	\$6,574,262	\$2,864,250	\$10,060,650
Wim Elfrink	\$10,426,167	\$3,891,158	\$12,274,793
Randy Pond	\$8,429,740	\$3,372,500	\$10,330,650
Robert W. Lloyd	N/A	\$8,362,765	\$10,210,650

As noted above, the increase in total direct compensation in fiscal 2010 is consistent with Cisco's increase in financial performance relative to revenue and operating income targets for fiscal 2010.

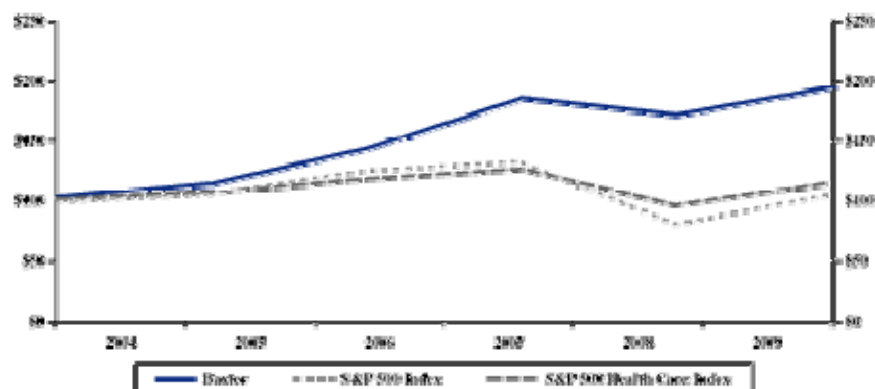
Compensation decisions and other details are discussed in the remainder of this CD&A.

(b) Baxter International Inc. (3/19/10)

Year in Review

Despite the challenging global economic and regulatory environment, Baxter delivered strong financial results in 2009. Baxter reported net income for 2009 of \$2.2 billion, or \$3.59 per diluted share, an increase of 9% and 14%, respectively, over 2008. Baxter also generated record operating cash flows of \$2.9 billion in 2009, with cash flow from operations improving by approximately \$400 million. Due to the strong cash flow generated from the company's operations in 2009, Baxter was able to invest more than \$900 million in research and development while returning value to shareholders with the repurchase of approximately \$1.2 billion of common stock and the payment of \$632 million in dividends, representing a 16% increase from the prior year. Baxter exceeded the guidance it issued for full year 2009 for adjusted sales growth and adjusted diluted earnings per share. This strong financial performance was a significant factor in the compensation decisions that were made with respect to the company's 2009 performance.

A comparison of the performance of Baxter's common stock against the performance of its peers provides another perspective on Baxter's overall performance over the last five years and is another factor that the Committee considered when making compensation decisions. The following graph compares the change in Baxter's cumulative total shareholder return (including reinvested dividends) on Baxter's common stock with the Standard & Poor's 500 Composite Index and the Standard and Poor's 500 Health Care Index over the past five years.



For his service as Baxter's Chief Executive Officer and Chairman of the Board in 2009, Mr. Parkinson received total compensation of \$14,361,305, primarily driven by strong company and individual performance in 2009 and 2008 (as equity awards were made in early 2009 based, in part, on 2008 performance). Mr. Parkinson's compensation reflects the role he plays in establishing Baxter's strategic agenda and long-range plan, meeting the challenges that arise in the day-to-day operations of a company as large and diverse as Baxter and leading the company in a challenging global economic and regulatory environment. Mr. Parkinson's 2009 compensation also reflects the Board's annual review of competitive market data. Although his compensation is determined using the same methodology as used for each of the other named executive officers, Mr. Parkinson's compensation is significantly higher than the compensation paid to any of the other named executive officers as his responsibilities and obligations at Baxter are significantly greater than those of any of the other named executive officers.

Each of the other named executive officers received total compensation for his or her 2009 performance as follows: Mr. Davis, \$3,342,327; Ms. Amundson, \$3,433,735; Mr. Arduini, \$3,029,627; Mr. Greisch, \$2,657,249; Ms. Lichtenstein, \$2,802,915; and Mr. McGillivray, \$2,201,673. The compensation paid to Ms. Amundson, Mr. Arduini and Mr. McGillivray reflects the relative performances of the segments of the business for which these officers were responsible during 2009 and 2008 (as equity awards were made in early 2009 based, in part, on 2008 performance). The compensation paid to Mr. Davis reflects the performance of the function within the organization for which he was responsible during 2009 and 2008. The compensation paid to Mr. Greisch and Ms. Lichtenstein, who resigned from their respective positions as Corporate Vice President and President, International and Corporate Vice President and General Counsel during 2009, reflects the relative performances of the functions of the business for which these officers were responsible during 2008 and 2009 up to the date of their respective resignations. This compensation also includes certain payments made to Mr. Greisch and Ms. Lichtenstein after their resignations pursuant to the agreements entered into between Baxter and such former officers as of the date of their resignations and as approved by the Compensation Committee. For additional discussion of these agreements, please see "Separation Agreements" below.

Consistent with past years, the most significant component of the total compensation paid to the named executive officers in 2009 was in the form of equity. The grant-date fair value of the equity awards granted to Mr. Parkinson in 2009 represented approximately 54% of his overall compensation. The grant-date fair value of the equity awards granted to the other named executive officers in 2009 (except for Mr. Greisch and Ms. Lichtenstein) represented approximately 49% of their overall compensation. The greater emphasis on equity awards in Mr. Parkinson's compensation is consistent with the Committee's view that with his greater responsibilities more of his compensation should be based on the company's future performance. These grants are described below.

(c) WebMD Health Corporation (9/17/10)

This section of our Proxy Statement contains information regarding our compensation programs and policies and, in particular, their application to a specific group of individuals that we refer to as our Named Executive Officers. Under applicable SEC rules, our Named Executive Officers for this Proxy Statement consist of our Chief Executive Officer, the two individuals who served as our Chief Financial Officer during 2009 and the three other executive officers of WebMD who received the most compensation for 2009. This section is organized as follows:

- **2009 Report of the Compensation Committee.** This section contains a report of the Compensation Committee of our Board of Directors regarding the "Compensation Discussion and Analysis" section described below. The material in the 2009 Report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that WebMD specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.
- **Compensation Committee Interlocks and Insider Participation.** This section contains information regarding certain types of relationships involving our Compensation Committee members.
- **Compensation Discussion and Analysis.** This section contains a description of the specific types of compensation we pay, a discussion of our compensation policies, information regarding how those policies

were applied to the compensation of our Named Executive Officers for 2009 and other information that we believe may be useful to investors regarding compensation of our Named Executive Officers and other employees.

- ***Executive Compensation Tables.*** This section provides information, in tabular formats specified in applicable SEC rules, regarding the amounts or value of various types of compensation paid to our Named Executive Officers and related information.
- ***Potential Payments and Other Benefits Upon Termination or Change in Control.*** This section provides information regarding amounts that could become payable to our Named Executive Officers following specified events.
- ***Employment Agreements with Named Executive Officers.*** This section contains summaries of the employment agreements between our Named Executive Officers and WebMD or its subsidiaries. We refer to these summaries in various other places in this Executive Compensation section.

The parts of this Executive Compensation section described above are intended to be read together and each provides information not included in the others. In addition, for background information regarding the Compensation Committee of our Board of Directors and its responsibilities, please see “Committees of the Board of Directors — Compensation Committee” above.

2. Compensation-Related Risk

(a) CACI International Inc. (10/6/10)

Risk Assessment

During fiscal year 2010, the Company’s Chief Risk Officer, who attended all meetings of the Committee during the fiscal year, performed an internal assessment of the Company’s executive compensation risk profile. The Committee also engaged Frederic W. Cook, the Committee’s independent consultant, to perform an independent risk assessment of the Company’s executive compensation programs with a focus on determining if the programs incented excessive risk-taking. The results of these analyses were findings that the executive compensation programs are appropriately structured to support a low risk profile.

As a part of these risk assessments, the Chief Risk Officer and Frederic W. Cook made the following findings for fiscal year 2010:

- The Board and the Compensation Committee exercise close oversight over the performance measures utilized by the Incentive Compensation Plan and the Long-Term Incentive Stock Plan, which in combination serve to balance short-term and long-term performance requirements, and enhance shareholder value;
- The performance objectives of the plans are linked such that achievement of annual incentive plan measures serves to enhance the performance of the Company while also supporting the goals established for the long-term incentive plan;
- The primary short-term and long-term incentive metric is the net income of the company, including the impact of bonus payments and all events that financially impact the Company;
- While only one primary objective metric is used in compensation programs, the use of individual performance objectives provides an adequate balance;

- Metrics not currently used in compensation plans are appropriately reviewed to determine if changes are required to incentive plans;
- The balance of total compensation is more heavily weighted to long-term incentives, and increasing the shareholder value over the long-term provides the maximum incentive value;
- While only one year is currently used for performance measurements in the Long-Term Incentive Stock Plan, vesting the stock over a four-year period ensures long-term focus and reduces the risk of an employee unduly benefiting from short-term decisions; the prior practice of allowing executives who retire at the age of 65 or over to vest in all stock upon retirement raised this risk, but this risk was reduced when this benefit was eliminated in 2008 for employees who were not 62 years or older as of July 1, 2008, a group that included the CEO;
- Stock holding requirements are above industry benchmarks, and promote long-term ownership of the Company; and
- The Company has a rigorous system of internal controls designed to prevent any individual employee from creating adverse material risk in pursuit of short or long-term compensation. For example, the Board must approve all capital outlays of \$10 million or more, as well as all acquisitions and divestitures of \$5 million or more.

(b) Harman International Industries, Inc. (10/13/10)

Reducing the Possibility for Excessive Risk-Taking

Our company's executive compensation program is designed to motivate and reward our executive officers for their performance during the fiscal year and over the long-term and for taking well thought out and appropriate business risks, such as investment in new product development, research and development, and furthering our emerging market strategy, toward achieving our long-term financial and strategic growth objectives. The following characteristics of our executive compensation program work to reduce the possibility of our executive officers, either individually or as a group, making excessively risky business decisions that could maximize short-term results at the expense of long-term value:

- *Balanced Mix of Pay Components:* The target compensation mix is not overly weighted toward annual incentive awards and represents a balance of cash and long-term equity based compensation vesting over three years.
- *Balanced Approach to Performance-Based Awards:*
 - Performance targets are tied to several financial metrics, including operational sales growth, free cash flow, and operating profit. Metrics are quantitative and measurable.
 - Performance-based awards are based on the achievement of strategic and leadership objectives in addition to financial metrics. Metrics are quantitative and measurable.
- *Performance Period and Vesting Schedules:* The performance period and vesting schedules for long-term incentives overlap and, therefore, reduce the motivation to maximize performance in any one period. RSUs vest three years from the grant date.
- *Stock Ownership Guidelines:* Requires our CEO to directly or indirectly own equity in our company of five times his salary and other executive officers to own equity of three times their salary, and to retain this equity throughout their tenure.

Award Adjustment Recovery Policies

We have yet to adopt any policies (sometimes referred to as "clawback" policies), regarding the adjustment or recovery of awards or payments if the relevant performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. We have not required any named executive officer to return any award or repay any payment received in any fiscal year.

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Compensation Risk Assessment

The Compensation Committee does not believe that any risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on our company. The Compensation Committee considered various factors that have the effect of mitigating risk and, with the assistance of ClearBridge, reviewed our compensation policies and practices for our employees, including the elements of our executive compensation programs, to determine whether any portion of such compensation encourages excessive risk taking. The Compensation Committee concluded that any such risks are mitigated by:

- the multiple elements of our compensation packages, including base salary, annual cash incentive programs and, for most of our employees, equity awards that vest over a number of years and are intended to motivate employees to take a long-term view of our business;
- the structure of our annual cash incentive program, which is based on (i) a number of different performance measures to avoid employees placing undue emphasis on any particular performance metric at the expense of other aspects of our business, and (ii) performance targets that we believe are somewhat of a stretch yet reasonable and should not require undue risk-taking to achieve;
- effective management processes for developing strategic and annual operating plans, and strong internal financial controls; and
- oversight of our programs by the Board and the Compensation Committee.

(c) Brown-Forman Corporation (6/25/10)

COMPENSATION RISK ASSESSMENT

To determine the level of risk arising from our compensation policies and practices, the Company conducted a thorough risk assessment and evaluation process during fiscal 2010 with oversight by the independent advisors to the Compensation Committee, the committee members, and our internal auditors. The risk assessment was based on a framework provided by the independent advisors to the Compensation Committee and examined the compensation programs applicable to all of our employees, not just our NEOs. We evaluated the following areas of potential risk and reviewed suggested practices intended to mitigate risk related to compensation. Based upon the affirmative responses to the questions set forth below, as well as other qualitative and quantitative results, the Company concluded that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Risk Category	Elements of Risk
Strategic Risk	Are performance metrics and measurement periods well-aligned with the Company's business strategy and objective for long-term value creation for stockholders?
	Is the Committee aware of the Company's conservative risk tolerance, and does it have the ability to identify behaviors or performance outcomes that are excessive or contrary to the Company's long-term strategy?
Cultural Risk	Does the Company have a strong set of corporate values that emphasize ethical behavior, actions that contribute to building long-term value (rather than short-term performance), teamwork and individual sacrifice for common good, the importance of non-financial and strategic performance, and investment in people and infrastructure?

Governance Risk	Is the Compensation Committee independent? Do members have an appropriate level of expertise?
	Does the Committee have access to and receive input from an independent and proactive compensation consultant?
Pay-Mix Risk	Does the Company have reasonable, market-competitive salaries?
	Does the Company have a balanced mix of annual and longer-term incentive opportunities?
	Does equity compensation make up an appropriate portion of total pay, sufficient to align the executive's economic interest with those of long-term shareholders?
Performance Measurement Risk	Do incentive opportunities relate primarily to the performance of the Company as a whole for senior-level executives?
	Do incentive programs reward a mix of different performance measures that consider all aspects of the Company's financial health?
	Does the Compensation Committee have a rigorous process for establishing goals and evaluating CEO performance?
Risk Management	Do executives in charge of risk management have direct access to the Compensation Committee for pay-risk assessments?
Other Compensation Risk	Do executives have reasonable severance arrangements, rather than severance packages that would offset or mitigate the consequences of poor performance or risky behavior?
	Do the Company's compensation programs hold management accountable for results after retirement through continued, rather than accelerated vesting of unvested awards upon retirement?

3. Compensation-Setting Process

(a) Hasbro, Inc. (4/7/10)

For the Named Executive Officers other than the Chief Executive Officer, as well as for the Company's other executive officers, the Company's Chief Executive Officer makes recommendations for each individual's compensation package to the Committee. In making these recommendations the Chief Executive Officer considers the individual's performance and past contributions to the Company, the potential future contribution of the individual to the Company and achievement of the Company's business and financial goals, including the potential for the individual to make even greater contributions to the Company in the future than he or she has in the past, the risk that the individual may be lured away by a competitor, input from the Company's Human Resources and Corporate Compensation Departments and market compensation data. The Committee then discusses these recommendations with the Chief Executive Officer, both with and without the presence of the Company's Senior Vice President of Human Resources, the Company's Director of Corporate Compensation and outside compensation consultants. The Committee further reviews and discusses these recommendations in executive sessions, and as part of these discussions the Committee discusses the proposed compensation and retention programs with representatives from Mercer.

For the Chief Executive Officer, the Committee directly determines the compensation and retention package, receiving input, recommendations and market data as it deems appropriate from the Company's Human Resources and Corporate Compensation Departments, the Committee's outside compensation consultant, and the Company's

compensation consultant. The Committee also received input from the Company's Senior Vice President of Human Resources in structuring the compensation for the Company's Chief Executive Officer. Other than the Company's Senior Vice President of Human Resources, the Committee does not receive a recommendation as to the Chief Executive Officer's compensation from any member of Company's management. In addition to being reviewed and approved by the Committee, the compensation package for the Company's Chief Executive Officer is reviewed and approved by the full Board in executive session. The Committee does not delegate, to management or any other parties, its duties to review and approve the Company's executive compensation programs, including the compensation programs for all of the Named Executive Officers.

4. Compensation Consultants

(a) Sara Lee Corporation (9/14/10)

Relationship with Executive Compensation Consultant

Sara Lee's Compensation and Employee Benefits Committee (the "Committee") has retained Frederic W. Cook & Co., Inc. ("FWCook") as its independent executive compensation consultant. FWCook reports directly to the Committee, and the Committee may replace FWCook or hire additional consultants at any time. Frederic Cook, principal of FWCook, attends meetings of the Committee, as requested, and communicates with the Chair of the Committee between meetings; however, the Committee makes all decisions regarding the compensation of Sara Lee's executive officers. None of Sara Lee's management participated in the Committee's decision to retain FWCook as the Committee's independent executive compensation consultant.

FWCook provides various executive compensation services to the Committee with respect to Sara Lee's executive officers and other key employees pursuant to a written consulting agreement with the Committee. The services FWCook provides under the agreement include advising the Committee on the principal aspects of Sara Lee's executive compensation program and evolving best practices, and providing market information and analysis regarding the competitiveness of Sara Lee's program design and Sara Lee's award values in relationship to its performance.

The Committee regularly reviews the services provided by its outside consultants and believes that FWCook is independent in providing executive compensation consulting services to the Committee. The scope of FWCook's business is providing executive compensation consulting services and it does not provide, directly or indirectly through affiliates, any non-executive compensation services, such as pension consulting or human resource outsourcing. In addition, in its consulting agreement with the Committee, FWCook agrees to advise the Chair of the Committee if any potential conflicts of interest arise that could cause FWCook's independence and loyalty to be questioned, and to not undertake any projects for Sara Lee management except at the request of the Committee Chair and as agent for the Committee.

(b) American Greetings Corporation (5/6/10)

From time to time, the Compensation Committee uses outside compensation consultants to work with the Compensation Committee and management. The Compensation Committee has engaged Mercer (US) Inc. ("Mercer"), a wholly owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"), to assist it in setting executive and non-employee director compensation levels, designing and implementing incentive plans for executives and non-employee directors, and providing industry data and peer group pay practices to assist management in making recommendations regarding the compensation of our executive officers and non-employee directors. The industry data and recommendations provided by Mercer were used as one of the resources in making compensation decisions during fiscal 2010. Mercer's fees for executive compensation consulting to the Compensation Committee in fiscal 2010 were \$185,795. The use of an independent consultant provides additional assurance that our executive compensation programs are reasonable and consistent with company objectives. Although management, particularly the Senior Vice President of Human Resources, works closely with Mercer, the consultant is ultimately accountable to the Compensation Committee on engagements relating to the compensation of our executive officers and our outside directors. During fiscal 2010, Mercer periodically participated in Compensation Committee meetings and advised the Compensation Committee with respect to compensation trends

and best practices, plan design, and the reasonableness of individual compensation awards. Additional information on the Compensation Committee's processes and procedures for consideration of executive compensation is included in the "Compensation Discussion and Analysis" section below, and for consideration of non-employee director compensation is included in the "Director Compensation" section below.

American Greetings and its subsidiaries also separately retain Mercer and other affiliates of MMC to provide services and products that are unrelated to the services provided to the Compensation Committee on matters relating to the compensation of our executive officers and non-employee directors (the "Unrelated Company Services"). In fiscal 2010, the Unrelated Company Services included such products and services as: insurance coverage, including officer and director insurance, workers compensation insurance and salary continuance insurance; general liability insurance; motor vehicle, marine transit, and corporate travel insurance; brokerage and advisory services with respect to health and life insurance products; advisory and administrative services with respect to employee pension plans; and general purpose compensation surveys. During fiscal 2010, we paid Mercer or other affiliates of MMC an aggregate of \$310,586 for these Unrelated Company Services, which amount does not include fees passed on by the affiliates of MMC to unrelated third parties for payment of insurance premiums on policies for which the MMC affiliate only provided brokerage or other advisory services. The decisions to engage Mercer or other affiliates of MMC for Unrelated Company Services in fiscal 2010 were made by employees of the company or its subsidiaries. The Compensation Committee did not review or approve the Unrelated Company Services provided to the company by Mercer or other affiliates of MMC, as those services were approved by management in the normal course of business.

Mercer has advised us that none of its principals or employees who provided advice to the Compensation Committee had any direct or indirect involvement in providing the Unrelated Company Services, or in the company's selection of, or negotiation of arrangements with, Mercer or other affiliates of MMC to provide such services. In addition, none of Mercer's principals or employees who provided advice to the Compensation Committee received any direct or indirect compensation as a result of Unrelated Company Services, other than to the extent that employees of Mercer benefit from the overall success of MMC and its affiliates generally. The Compensation Committee does not believe that Mercer's ability to provide it with objective advice was impaired by the Unrelated Company Services provided to the company and its affiliates.

In addition, American Greetings has practices and procedures for ensuring the Compensation Committee's compensation consultant is independent and for minimizing potential conflicts of interest including the following:

- The Compensation Committee has the authority to retain and dismiss Mercer at any time;
- Mercer reports directly to the Compensation Committee and has direct access to the Committee through the chairman;
- Each engagement of Mercer by the Compensation Committee is documented in an engagement letter that includes a description of the agreed upon services, fees and other matters considered appropriate; and
- Commencing in March 2010, the Compensation Committee implemented a policy requiring that management receive the Compensation Committee's prior approval to engage a compensation consultant or an affiliate thereof to provide non-executive compensation services to the extent such engagement, individually or in the aggregate, involves the payment of fees to such consultant or affiliate in excess of \$50,000.

5. Peer Groups

(a) Red Hat, Inc. (6/25/10)

Process Used to Determine Annual Compensation

Each year, the Compensation Committee reviews an annual study on competitive compensation levels for each Named Officer prepared by the Consultant based on a survey of industry peer companies (the "Compensation Peer Group"). The Compensation Peer Group is selected by the Compensation Committee, after considering the recommendation of the Consultant. In recommending the members of the Compensation Peer Group, the Consultant

identifies companies with similar Global Industrial Classification System industry codes and then uses other criteria for further selection, including net revenues, number of employees and market capitalization, in an effort to provide members of the group with similarity in terms of stage of development and size. The Compensation Committee reviews composition of the Compensation Peer Group annually with the Consultant.

The following table lists selected financial data (in millions) and other relevant information as of February 28, 2010 derived from public sources for each of the Compensation Peer Group companies used for determining Fiscal 2010 compensation:

<u>Company(1)</u>	<u>Most Recent Four Quarters as of February 28, 2010</u>			<u>Market Cap</u>
	<u>Revenues</u>	<u>Operating Income</u>	<u>Employees</u>	
Akamai Technologies	\$ 860	\$ 224	1,750	\$ 4,505
Autodesk	\$ 1,714	\$ 135	6,800	\$ 6,405
BMC Software	\$ 1,899	\$ 523	5,800	\$ 6,731
Cadence Design Systems	\$ 853	(\$ 92)	4,400	\$ 1,532
Citrix Systems	\$ 1,614	\$ 211	4,816	\$ 7,906
Compuware	\$ 916	\$ 170	5,006	\$ 1,703
Jack Henry & Assoc.	\$ 765	\$ 172	3,808	\$ 1,908
McAfee	\$ 1,927	\$ 235	6,100	\$ 6,282
Micros Systems	\$ 867	\$ 149	4,757	\$ 2,393
Novell	\$ 850	\$ 99	3,600	\$ 1,637
Progress Software	\$ 502	\$ 68	1,821	\$ 1,156
Real Networks	\$ 562	(\$ 53)	1,845	\$ 620
Sybase	\$ 1,171	\$ 291	3,819	\$ 3,619
Tibco Software	\$ 644	\$ 96	2,097	\$ 1,538
VeriSign	\$ 1,031	\$ 334	2,328	\$ 4,568
VMware	\$ 2,024	\$ 221	7,100	\$19,942
75 th percentile	\$ 1,639	\$ 227	5,205	\$ 6,313
Median	\$ 891	\$ 171	4,110	\$ 3,006
25 th percentile	\$ 829	\$ 98	2,270	\$ 1,612
Red Hat	\$ 748	\$ 100	3,200	\$ 5,293

(1) For Fiscal 2010, the Compensation Committee added VMware and Progress Software to the Compensation Peer Group in an effort to maintain an appropriate sample size and deleted Wind River Systems following its acquisition by Intel in July 2009.

6. Compensation Elements

(a) Culp, Inc. (8/20/10)

Compensation Elements

The following elements made up the fiscal 2010 compensation program for our executive officers, including all of the executive officers listed in the Summary Compensation Table on page 19 (whom we refer to as the “named executive officers”):

Element	Form of compensation	Purpose	Performance criteria
Base salary	Cash	Providing a competitive level of fixed compensation that attracts and retains skilled management	Not performance-based
Annual incentive bonus	Cash	Creating incentive for executive officers to direct their efforts toward achieving specified financial goals for the Company	Specific financial performance measures selected by the Compensation Committee
Long-term incentive awards	Stock options, restricted stock, and other equity-based awards	Creating a strong financial incentive for meeting or exceeding long-term financial goals, rewarding past performance, recognizing promotions and encouraging an equity stake in our Company	Common stock price and in certain cases return on capital (ROC)

Element	Form of compensation	Purpose	Performance criteria
Health and welfare plans	Eligibility to receive available health and other welfare benefits paid for, in whole or in part, by the Company, including broad-based medical, life insurance and disability plans and a severance plan	Providing a competitive, broad-based employee benefits structure	Not performance-based
Retirement plans	Eligibility to participate in, and receive Company contributions to, our 401(k) plan (available to all employees) and, for certain officers, a supplemental deferred compensation plan	Providing competitive retirement-planning benefits to attract and retain skilled management	Not performance-based
Split-dollar life insurance plan	Company-paid life insurance policy for the benefit of Mr. Culp, III, our Chairman	Providing an additional death benefit in a cost-effective manner	Not performance-based
Perquisites	Automobile allowance or lease, plus business club dues for Mr. Culp, III	Providing a competitive compensation package	Not performance-based
Severance protection plan	Eligibility to receive cash severance in connection with termination in anticipation of or within a period after a change of control	Providing a competitive compensation package and ensuring continuity of management in the event of any actual or threatened change in control of our Company	Not performance-based

7. Incentive Compensation

(a) Clearwire Corporation (4/30/10)

For 2009, we focused on five key metrics of organizational success to determine our overall discretionary bonus pool. The table below summarizes the metrics and weightings for Company performance in 2009, followed by an explanation of each metric.

Bonus Criteria	Minimum Target to Receive Payout (80% of Targeted Bonus)	FY09 Target (100% of Targeted Bonus)	Target for Maximum Payout (120% of Targeted Bonus)	FY09 Attainment	FY09 Weighting	FY09 % Attainment of Target	Bonus Payout Factor Through FY09
Domestic Revenue	\$ 190.24M	\$ 237.8M	\$ 285.4M	\$ 241.8M	25%	101.7%	100%
Domestic Cash Outlay	\$ 1,334.2M	\$ 1,667.8M	\$ 2,001.7M	\$ 1,661.2M	25%	99.6%	100%
Days on Air	948,716	1,185,895	1,423,074	1,198,217	20%	101.0%	100%
AZP for 2010 Markets	7,242	9,053	9,705	9,705	20%	107.2%	120%
Network Quality as Mbps at Busy Hour	*	*	*	*	10%	138.2%	120%
					100%		106%

* The specific target level for the network quality performance factor is a highly confidential metric, the disclosure of which would cause competitive harm to the Company. The Company believes the ability to meet or exceed this individual criteria was approximately as difficult as the achievement of the other bonus criteria set by the Company.

- 2009 “Domestic Revenue” is a measure of our success in selling our products and services.
- “Domestic Cash Outlay” represents a measure of how cost-effectively we are building our network, and the efficiency of our use of corporate funds to run our business.
- “Days on Air” is a measure of our total number of days of service we offer our customers as we expand the size of our network, deploy our services in our targeted markets, and at the same time ensure that our deployed sites stay on air.
- A metric tied to our progress for “2010 Sites Acquired, Zoned and Permitted (AZP)” was added in 2009 to ensure we have the network sites for 2010 approved in 2009 to lay the groundwork for successful deployment.
- A “Network Quality” metric was also added in 2009 to ensure our customers have the high speed experience they expect when using our service. The target for this metric is measured by the average throughput (in Mbps) that will be experienced by our customers during the top three busiest (peak) hours of the week.

For the 2009 fiscal year, based on the performance of the Company against the performance goals, management recommended that an annual discretionary performance bonus be awarded to each executive officer at an amount equal to 106% of the executive officers’ target bonuses. The Compensation Committee elected to award annual bonuses based on management’s recommendation and did not exercise discretion to increase or decrease the percentage of any executive officers annual bonus target earned.

(b) BMC Software, Inc. (6/17/10)

The following table illustrates how performance-based compensation elements, each of which is described in greater detail in the next section, link executive compensation for our executive officers, including the Named Executive Officers, to company performance and stockholder return over both short-term and long-term time horizons. It also describes how performance ranges affect payout ranges.

	Program	Performance Measures for Fiscal 2010	Timing	Performance Connection to Pay
Short-Term	Short-Term Incentive Plan (STIP)	40% Non-GAAP Earnings Per Share ("EPS") (1) 20% Cash Flow	Quarterly and annual measurement periods paid in two semi-annual payments.	<ul style="list-style-type: none"> - 100% payout for achievement of aggressive performance targets. - 200% is the maximum payout level for extraordinary achievement. - Threshold is the minimum performance level below which no payment is made. - Measures are directly aligned to the Board approved business plan.
	Discretionary Awards (2)	40% Business Unit measures: bookings and operating income Individual performance goals	Ad hoc during the fiscal year	<ul style="list-style-type: none"> - Awards provide a direct link to short-term delivery of qualitative business objectives.
Long-Term	Long-Term Incentive Plan (LTIP)	Relative total stockholder return (TSR) against peer software companies	Three years	<ul style="list-style-type: none"> - TSR at 50th percentile of peer group (or median performance) results in payout of 75% of target. - 65th percentile TSR performance results in 100% payout. - Maximum 150% payout is achieved when TSR is greater than or equal to the 80th percentile.
	Performance-Based RSUs (3)	Long-term earnings and TSR goals	Two and three year performance targets	<ul style="list-style-type: none"> - Performance-based RSUs are subject to forfeiture if minimum performance thresholds are not achieved or employment ceases. - Performance-based RSUs will vest to the extent Board-established goal is achieved.
	Stock Options (4)	Stock price appreciation	Monthly vesting over four years	<ul style="list-style-type: none"> - Reward value is driven by stock price performance above grant date fair market value.

(1) Non-GAAP EPS excludes amortization of intangible assets, share-based compensation expense and severance, exit costs and related charges, net of their tax effects, and certain discrete tax items as reported publicly in our earnings reports. Non-GAAP EPS is not a financial measure prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and should not be considered as a substitute for performance measures prepared in accordance with GAAP.

(2) We did not award any performance-based discretionary bonuses to our Named Executive Officers for fiscal 2010.

(3) As part of her new hire compensation package, Ms. Castro was awarded performance-based RSUs during fiscal 2010. Messrs. Beauchamp, Solcher, McMahon and Miller were awarded performance-based RSUs in prior fiscal years which vest based on our performance in fiscal 2010 and 2011.

(4) We did not award any stock options to our Named Executive Officers during fiscal 2010. For information on stock options held by each of our Named Executive Officers, see "Outstanding Equity Awards at Fiscal 2010 Year-End" below.

8. Compensation Recovery Policy

(a) PetSmart, Inc. (5/3/10)

In March 2009, management recommended and the Board of Directors approved a clawback policy applicable to our executive officers. The policy provides that in the event an executive officer violates the law or otherwise engages in fraud, intentional misconduct or gross negligence, including the failure to report another person's acts, that causes or partially causes: (i) materially inaccurate financial statements to be filed with the Securities and Exchange Commission, or (ii) inaccurate operating metrics being used to calculate the size or amount of an award, and the executive officer would have received or been paid a lesser award had the correct operating metrics been used, then the Board of Directors, or a committee thereof, to the extent permitted by applicable law, in their sole discretion may require the reduction, cancellation, forfeiture, or recoupment of a portion or all of any award granted to the executive officer. Awards include: cash incentive bonuses, performance awards and equity incentive awards, including stock options, stock appreciation rights, restricted stock and restricted stock units. The policy is applicable to awards granted to the executive officers after March 2009. In addition, PetSmart will have the right to effect recovery of any amounts realized by an executive officer from the sale of such awards.

9. Tax Implications

(a) Cost Plus, Inc. (5/17/10)

In designing our compensation programs, we generally take into consideration the accounting and tax effect that each element will or may have on us and the executive officers and other employees as a group. We aim to keep the expense related to our compensation programs as a whole within reasonable affordability levels.

Section 162(m) of the Internal Revenue Code limits the federal income tax deductibility of compensation paid to our Chief Executive Officer and to each of our four other most highly compensated executive officers. Under Section 162(m), Cost Plus may deduct such compensation with respect to any of these individuals only to the extent that during any fiscal year such compensation does not exceed \$1 million or meets certain other conditions (such as qualification of the compensation as “performance-based compensation” under Section 162(m)).

The cash compensation (base salary and cash incentive) paid to our Chief Executive Officer and our four other most highly compensated executive officers for fiscal 2009 was fully deductible for federal income tax purposes because it was less than \$1 million per officer. Our Management Incentive Plan, which provides executives the opportunity to receive cash incentive payments, is currently not considered “performance-based” under Section 162(m). Accordingly, if the total of base salary, cash incentive payments and other non-performance-based compensation paid to these executives should exceed \$1 million to an executive the amounts over that level would be non-deductible for federal income tax purposes.

We believe that each stock option granted to our Chief Executive Officer and each of our four other most highly compensated executive officers in fiscal 2009 should qualify as performance-based compensation under Section 162(m) and therefore should be fully deductible by us if they are exercised. The performance shares granted to these executives in fiscal 2008 were intended to qualify as performance-based compensation under Section 162(m) and should also have been fully deductible had they been earned.

In designing our compensation programs, we also take into consideration the impact of Section 409A of the Internal Revenue Code. Section 409A imposes additional significant taxes in the event that an executive officer, director or service provider receives “deferred compensation” that does not satisfy the requirements of Section 409A. Consequently, we terminated our nonqualified deferred compensation plan effective March 1, 2006 due to the complexities and restrictions of Section 409A. In addition, we structured our employment severance agreements and our equity awards in a manner intended either to avoid the application of Section 409A or to comply with its requirements.

Also of consideration is Section 280G and related Internal Revenue Code sections, which provide that executive officers, directors who hold significant shareholder interests and certain other service providers could be subject to significant additional taxes if they receive payments or benefits in connection with our change in control that exceeds certain limits, and that we or our successor could lose a deduction on the amounts subject to the additional tax. Although our employment agreement with our Chief Executive Officer provides a gross-up for tax amounts he might pay pursuant to Section 280G, we have not provided any other executive officer or director with a gross-up or other reimbursement amount for Section 280G-related taxes.

10. Tax Payments

(a) FedEx Corporation (8/16/10)

Additionally, as a result of our review, we reaffirmed several important executive compensation components that we believe are effectively designed and working well in alignment with the best interests of our shareowners. For example, we continue to support our highly successful restricted stock program, which for many years has permitted and encouraged FedEx executives to own and retain company stock. Under this program, FedEx pays the taxes resulting from a restricted stock award on behalf of the recipient to prevent the need for the officer to sell a portion of a stock award to pay the corresponding tax obligation. While SEC disclosure rules require that these payments be included with tax reimbursement payments and reported as “other compensation” in the Summary Compensation Table, we do not believe these payments are “tax gross-ups” in the traditional sense, since their value is fully reflected in the number of shares ultimately delivered to recipients.

When granting restricted stock, FedEx first determines the total target value of the award and then delivers that value in two components: restricted shares and cash payment of taxes due. Therefore, the total target value of the award is the same as it

would be if there were no tax payments. In particular, because the amount of the tax payment is included in the calculation of the target value of the restricted stock award, the officers receive fewer shares in each award than they would in the absence of the tax payment: fewer by an amount equal in value to the tax payment. Conversely, absent the tax payment, the number of shares received in each award would be larger by an amount equal in value to the forgone tax payment. Not only is the value to the officer (as well as the cost to the company) generally the same as it would be otherwise, this longstanding practice is simple to administer and has proved extremely successful in retaining executives and enabling them to retain their shares. During fiscal 2010, the Compensation Committee reviewed our restricted stock program and, for all of the above reasons, determined that it continues to be appropriate for FedEx.