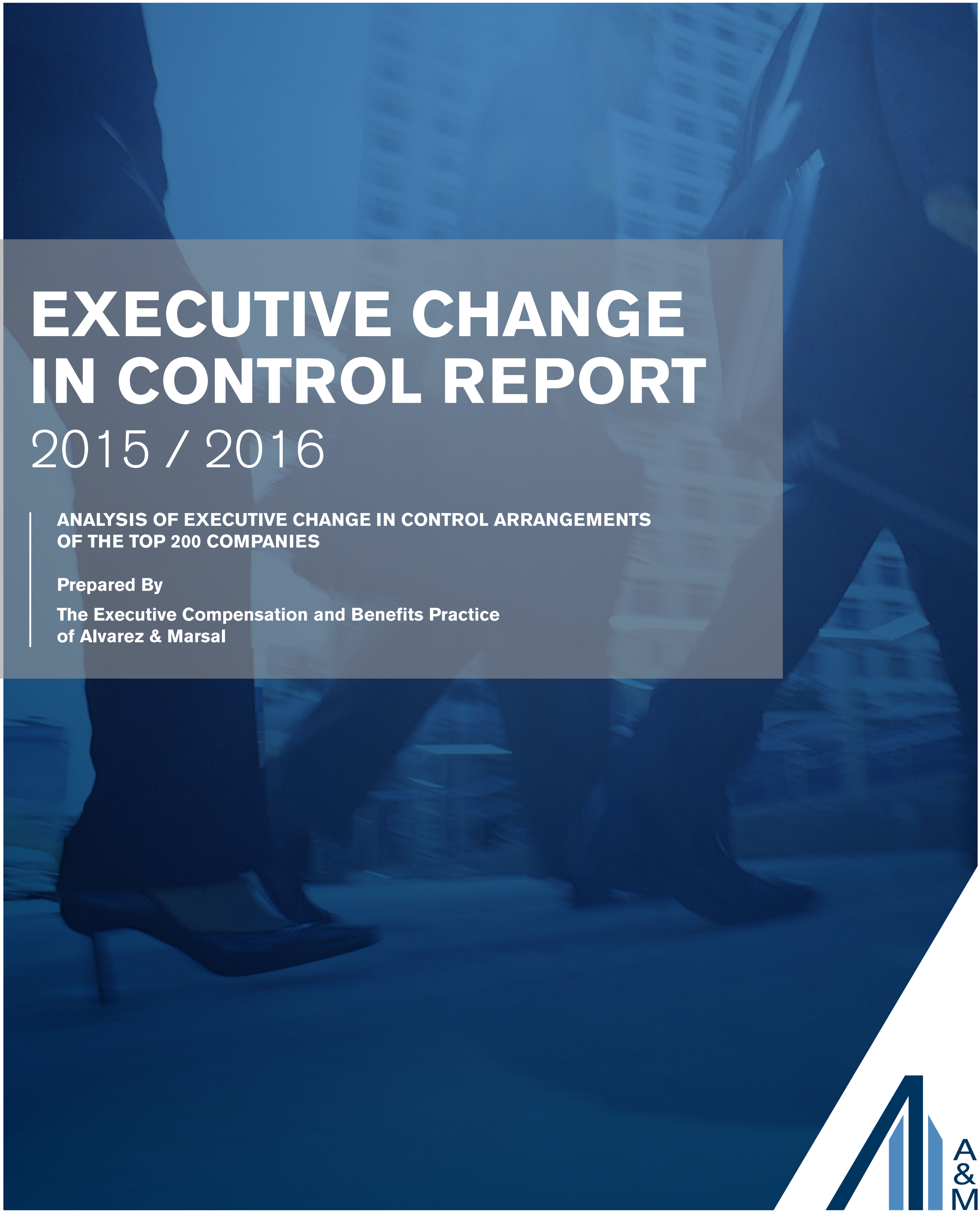

EXECUTIVE CHANGE IN CONTROL REPORT

2015 / 2016

ANALYSIS OF EXECUTIVE CHANGE IN CONTROL ARRANGEMENTS OF THE TOP 200 COMPANIES

Prepared By

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INTRODUCTION

Background

In the past, executive change in control arrangements had remained "under the radar" of shareholders, regulators and other interested parties until shortly before a change in control. However, this has dramatically shifted with the Dodd-Frank Act's Say-on-Pay advisory vote and enhanced proxy compensation and golden parachute disclosure rules. These rules were designed to promote greater transparency. They call for public companies to quantify and disclose the magnitude of any potential parachute payments to top executives, regardless of whether they are severance payments, acceleration of equity awards (such as stock options), fringe benefits and/or any "gross-up" payments for excise tax.

Armed with the information contained in these increased disclosures, political activists, shareholder advisory services and the media continue to level a direct, and increasingly forceful, assault on executive compensation. Recently, the SEC introduced several new rules aimed at combatting excessive compensation to officers, including enhanced disclosures around pay-for-performance and the CEO pay ratio as well as mandatory clawback provisions. Increased attention has also been placed on "golden parachutes" and the associated "gross-up" payments for excise taxes imposed as a result of Internal Revenue Code Section 280G.

At the same time, shareholder advisory firms have stated policies to vote against companies' Say-on-Pay resolutions and/or the re-election of members of the compensation committees if "problematic pay practices" are present. "Problematic pay practices" include providing severance benefits in excess of three times compensation, excessive perquisites and new excise tax gross-ups for golden parachute payments.

In this environment of heightened scrutiny, companies need to be prepared to stand behind their numbers. Boards and compensation committees do not want to be perceived as providing excessive change in control benefits relative to their peers or offering benefits that conflict with maximizing shareholder value.

2015/2016 Survey

By benchmarking existing plans against other companies, public company boards, their compensation committees and management will be able to validate existing change in control benefits or identify opportunities for change. Creating greater transparency around change in control arrangements can be a positive step for companies if they have the data needed to perform a comparative analysis.

To assist public companies in understanding current pay practices – and to analyze their transparency – Alvarez & Marsal's Executive Compensation and Benefits Practice is pleased to provide this edition of its study on change in control arrangements among the top 200 publicly traded companies in the United States. The study analyzes the 20 largest public companies in 10 different industries, based on market capitalization. The study was also performed in 2006, 2007, 2009, 2011 and 2013. This report represents the findings for 2015. Observations and comparisons are made between this study and our prior 2011 and 2013 studies, as appropriate.

To assist public companies in understanding current pay practices – and to analyze their transparency – Alvarez & Marsal's Executive Compensation and Benefits Practice is pleased to provide this edition of its study on change in control arrangements among the top 200 publicly traded companies in the United States.

EXECUTIVE SUMMARY

While change in control arrangements face increased scrutiny from regulators and shareholder activists, there continue to be additional strategic reasons for management and compensation committees to provide and benchmark executive parachute payments.

- It is important to recognize the original purpose of these arrangements: to ensure that executives evaluate every opportunity, including an acquisition, to maximize shareholder value, not just consider how such an event will affect their personal circumstances. By addressing change in control provisions in executive compensation packages, boards can be assured that executives will approach the intricacies of negotiation without the distraction of personal considerations.

- Compensation committees need to utilize parachute payment arrangements as a tool to attract qualified candidates and to reward top performers for the successful results of their strategies.

Shareholders have increased concerns regarding corporate governance. By benchmarking and evaluating executive change in control arrangements, boards and their compensation committees can demonstrate a sense of accountability to both shareholders and regulators. They can also show that they are not merely complying with the letter of the SEC regulations but that they are acting within the spirit of the guidance.

Key Findings

- The average value of change in control benefits provided to CEOs remained relatively flat at $30,263,623 in 2015, from $29,853,057 in 2013. The average value provided to Other NEOs increased to $12,308,581 in 2015 compared to $10,965,718 in 2013.

- Long-term incentives comprise a large portion of the change in control benefits to which CEOs and Other NEOs are entitled. Based on available information in the companies' proxy statements, approximately half of the long-term incentives are subject to time-based vesting and the other half are subject to performance-based vesting.

- On average, the total value of change in control benefits provided to CEOs and Other NEOs is only 0.22 percent of market capitalization.

- There has been a steady increase in the number of companies that have unvested equity awards with a double trigger (change of control and termination of employment) to 82 percent of companies in 2015, up from 63 percent in 2013 and 53 percent in 2011.

- Similar to 2013, 78 percent of CEOs and 77 percent of Other NEOs are entitled to receive a cash severance payment upon termination in connection with a change in control. However, upon a termination not in connection with a change in control, only 55 percent of CEOs and Other NEOs are entitled to a cash severance payment.

- The most common cash severance multiple for CEOs is between two and three times compensation (46 percent). The prevalence of a three times or higher multiple has fallen to 37 percent in 2015 from 42 percent in 2013.

- 17 percent of CEOs and 21 percent of Other NEOs are entitled to receive "gross-up" payments, meaning the company pays the executive the amount of any excise tax imposed, thereby making the executive "whole" on an after-tax basis. Compared to 2013, this is a reduction from 30 percent for CEOs and Other NEOs.

- 93 percent of companies that currently provide an excise tax gross-up or modified gross-up payment have indicated that they intend to phase out or completely eliminate excise tax gross-up payments in the future.

AVERAGE CHANGE IN CONTROL BENEFIT VALUES – GENERAL

As transparency is one of the main goals behind the SEC executive compensation disclosure rules, the SEC requires companies to quantify any parachute payments the CEO and Other NEOs would receive upon a hypothetical change in control at year end. The most prevalent types of parachute payments provided to executives include:

- Severance
- Annual Bonus
- Long-Term Incentive Awards

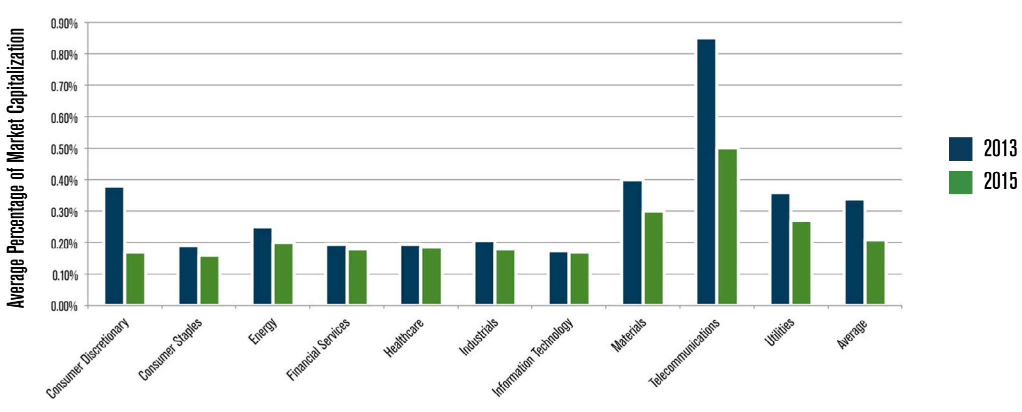
Other common parachute payments include health and welfare benefit continuation, legal fees, retirement benefits, outplacement services, gross-up payments, financial / tax planning services and life insurance.

We calculated the average value of typical parachute payments from information provided in the "Potential Payments upon Termination or Change in Control" section of the "Compensation Discussion and Analysis" section and other sections of the executive compensation disclosures in the companies' proxy statements. These averages were calculated separately for CEOs and Other NEOs. For each respective group, we calculated an industry average as well as an aggregate average for all industries.

The average values of the parachute payments shown in companies' SEC executive compensation disclosures follow on page 4 for CEOs and page 5 for Other NEOs.

Change in control benefits have historically been a point of contention between executives and investors. To gain an understanding of the magnitude of these benefits, we calculated the total value of change in control benefits provided to the CEO and the Other NEOs and compared the value to each company's market capitalization.

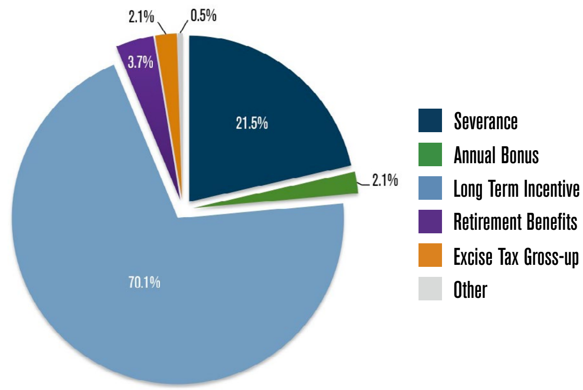
- On average, the total value of change in control benefits provided to CEOs and Other NEOs represents 0.22 percent of market capitalization. This is down from 0.31% in 2013.
- The results range from a low of 0.12 percent in the consumer staples industry to a high of 0.49 percent in the telecommunications industry.
- Overall, the results showed that the value of change in control benefits for the CEOs and Other NEOs was relatively immaterial compared to the market capitalizations of the companies. The chart below shows the ratio of the change in control benefits to market capitalization for each industry for both 2013 and 2015. The 2015 ratios decreased mainly due to the increase in market capitalization of the survey companies since 2013.



AVERAGE CHANGE IN CONTROL BENEFIT VALUES – CEO

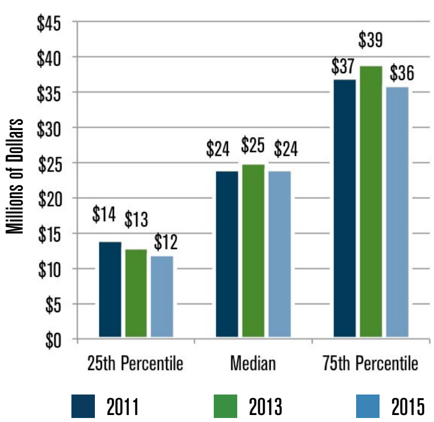
The average change in control benefit provided to CEOs is $30,263,623 in 2015 as compared to $29,853,057 in 2013 and $30,263,141 in 2011.

The chart below illustrates the average value of each type of benefit to which the CEOs are entitled in all 10 industries.



- Overall, the aggregate benefit level has remained relatively flat between 2011 and 2015. However, the long-term incentive values have steadily increased while other benefits such as severance and excise tax gross-ups have decreased. The value of long-term incentives is largely driven by fluctuations in the stock market whereas other changes may be more of a result of pressure from shareholder activist groups to lower these types of change in control benefits.
- The information technology industry has the largest average benefit of $40,919,625, whereas the telecommunications industry offers the lowest average benefit of $13,435,242.
- Between 2013 and 2015, the change in control benefits with the largest decrease in value were other benefits and retirement benefits. The only benefit with an increase in value was long-term incentive payments.
- The chart to the left displays the 25th percentile, median and 75th percentile values of all change in control benefits provided to CEOs in 2011, 2013 and 2015.
- The table below displays the 2015 averages for each type of parachute payment broken out by industry, including a company weighted average for all 10 industries. For comparison purposes, information related to 2011 and 2013 is also shown below.

RANGE OF CHANGE IN CONTROL BENEFITS

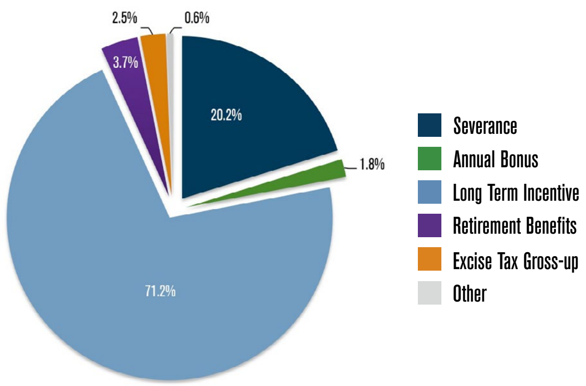


2015 CHANGE IN CONTROL BENEFIT VALUES FOR CEOs

	Severance	Annual Bonus	Long-Term Incentive	Retirement Benefits	Excise Tax Gross-Up	Other	2015 Average Total Benefit	2013 Average Total Benefit	2011 Average Total Benefit
Consumer Discretionary	$7,742,203	$2,200,347	$25,408,666	$552,944	$481,706	$178,719	$36,564,586	$43,863,022	$46,028,894
Consumer Staples	4,600,171	933,519	12,233,012	273,608	0	127,636	18,167,945	27,254,642	26,521,341
Energy	8,224,255	622,326	15,980,466	3,565,237	1,614,932	162,789	30,170,005	30,932,662	40,308,430
Financial Services	7,545,365	602,527	30,802,243	97,270	0	55,490	39,102,895	34,055,788	22,326,628
Healthcare	7,885,836	118,950	28,321,612	502,556	0	68,824	36,897,778	29,406,730	35,380,576
Industrials	6,563,627	1,006,722	21,125,975	1,309,253	955,111	175,955	31,136,643	27,245,226	33,180,435
Information Technology	2,542,202	257,998	38,102,206	0	0	17,219	40,919,625	25,751,376	23,794,874
Materials	8,206,968	329,471	15,560,581	2,264,031	958,921	53,544	27,373,526	40,446,272	36,695,022
Telecommunications	3,977,324	324,167	9,073,322	2,655	31,598	26,176	13,435,242	17,535,906	15,981,313
Utilities	7,588,594	108,750	15,151,042	2,485,374	2,421,052	508,393	28,263,205	21,423,089	22,413,898
2015 Weighted Average	**$6,497,139**	**$649,055**	**$21,220,852**	**$1,109,472**	**$649,580**	**$137,525**	**$30,263,623**	**N/A**	**N/A**
2013 Weighted Average	**$6,556,098**	**$704,087**	**$20,044,749**	**$1,548,273**	**$749,457**	**$250,393**	**N/A**	**$29,853,057**	**N/A**
2011 Weighted Average	**$7,920,410**	**$790,723**	**$17,960,450**	**$1,398,399**	**$1,968,182**	**$224,976**	**N/A**	**N/A**	**$30,263,141**

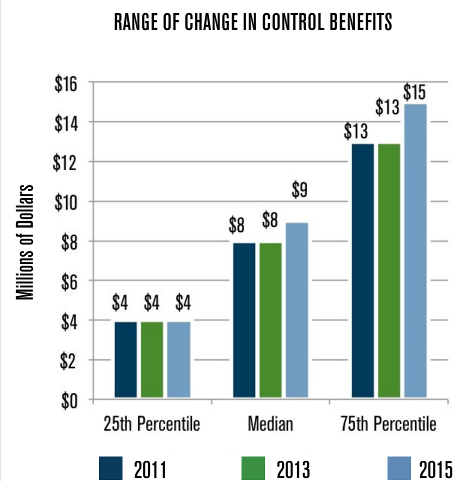
AVERAGE CHANGE IN CONTROL BENEFIT VALUES – OTHER NEOS

The chart below illustrates the average value for each type of benefit to which the Other NEOs are entitled in all 10 industries.



- On average, Other NEOs are entitled to change in control benefits of $12,308,581. This is an increase compared to $10,965,718 in 2013 and $10,822,114 in 2011.
- The information technology industry has the largest average benefit of $23,501,853, whereas the telecommunications industry offers the lowest average benefit of $4,149,947.
- Between 2013 and 2015, the value of excise tax gross-ups decreased moderately.
- The chart to the right displays the 25th percentile, median and 75th percentile values of all change in control benefits provided to Other NEOs in 2011, 2013 and 2015.
- The table below displays the 2015 averages for each type of parachute payment broken out by industry, including an executive weighted average for all 10 industries. For comparison purposes, information related to 2011 and 2013 is also shown below.

The average change in control benefit provided to Other NEOs is $12,308,581 in 2015 as compared to $10,965,718 in 2013 and $10,822,114 in 2011.



2015 CHANGE IN CONTROL BENEFIT VALUES FOR OTHER NEOs

	Severance	Annual Bonus	Long-Term Incentive	Retirement Benefits	Excise Tax Gross-Up	Other	2015 Average Total Benefit	2013 Average Total Benefit	2011 Average Total Benefit
Consumer Discretionary	$2,923,961	$636,844	$9,242,579	$2,615	$372,729	$38,275	$13,217,003	$22,940,101	$19,509,897
Consumer Staples	2,027,980	262,130	7,630,924	178,455	87,091	79,010	10,265,590	9,135,352	8,645,936
Energy	2,717,461	211,378	5,575,010	990,538	606,588	61,553	10,162,528	10,467,245	11,424,657
Financial Services	3,167,737	376,449	9,721,492	79,479	47,049	113,361	13,505,567	11,652,919	10,858,197
Healthcare	2,992,871	79,578	13,886,436	383,013	561,141	82,249	17,985,288	12,496,325	10,105,035
Industrials	2,231,304	270,785	7,468,139	836,957	138,726	87,322	11,033,232	10,221,533	10,942,357
Information Technology	1,163,801	173,077	22,093,381	53,709	0	17,885	23,501,853	11,556,095	10,312,436
Materials	3,257,086	105,788	4,566,452	1,258,033	479,525	42,907	9,709,791	8,247,012	12,589,754
Telecommunications	1,469,734	77,498	2,561,001	2,445	10,090	29,178	4,149,947	5,502,602	5,507,706
Utilities	2,814,320	60,864	4,519,188	823,886	736,285	154,162	9,108,705	7,160,371	8,289,903
2015 Weighted Average	**$2,481,962**	**$226,783**	**$8,768,909**	**$461,741**	**$305,004**	**$70,679**	**$12,308,581**	**N/A**	**N/A**
2013 Weighted Average	**$2,813,300**	**$262,450**	**$6,802,529**	**$611,693**	**$354,744**	**$121,002**	**N/A**	**$10,965,718**	**N/A**
2011 Weighted Average	**$2,825,947**	**$306,091**	**$6,142,638**	**$584,471**	**$861,446**	**$101,521**	**N/A**	**N/A**	**$10,822,114**

CHANGE IN CONTROL TRIGGERS FOR EQUITY AWARDS

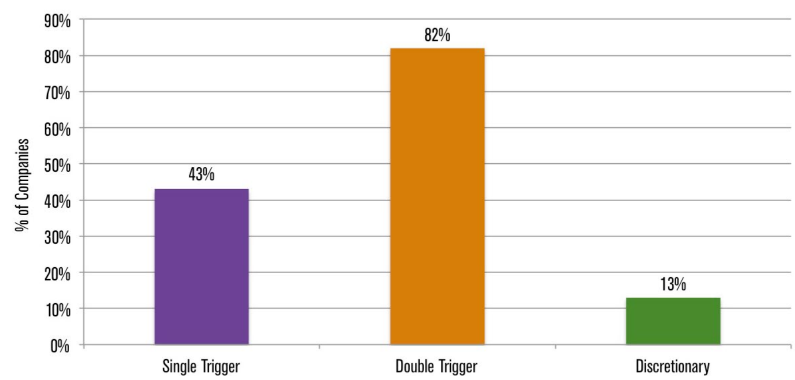
A double trigger (change in control and termination of employment must occur) is the most common trigger for change in control protection for equity awards (82 percent). 43 percent of companies still have at least some equity awards outstanding with a single trigger (only a change in control must occur).

There are generally three types of change in control payout triggers for equity awards:

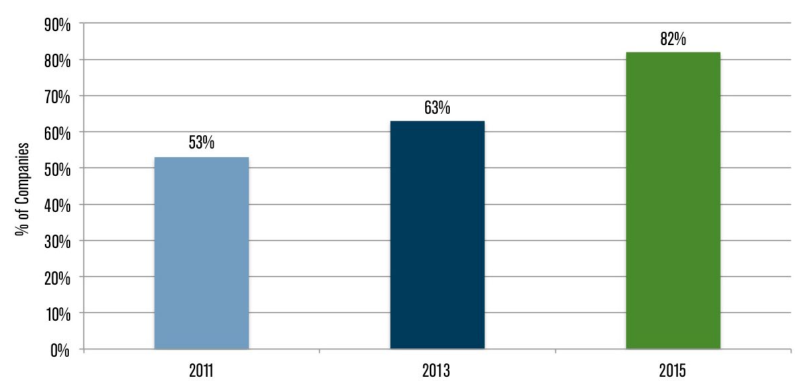
- **Single Trigger:** Only a change in control must occur.
- **Double Trigger:** A change in control plus the involuntary or constructive termination of an executive's employment without cause, or resignation for "good reason," must occur within a certain period after the change in control. "Good reason" is commonly defined as either a reduction in an executive's compensation or benefits, diminishment of duties or relocation.
- **Discretionary:** The board has the discretion to trigger the payout of an award after a change in control. Typically, this trigger occurs in the form of accelerated vesting of options and/or restricted stock in equity plans.

Sometimes companies allow for single trigger vesting if the acquiring company does not assume the equity awards, but require double trigger vesting if the awards are assumed by the acquirer. For purposes of this study, this treatment was included in the double trigger vesting category.

This chart shows the prevalence of change in control triggers for outstanding equity awards. The table at the bottom left of the page displays the same data by industry.



- Change in control protection in equity plans typically takes the form of accelerated vesting of awards. The most common trigger found in equity plans is double trigger. However, 43 percent of companies in 2015 still have at least some equity awards outstanding with a single trigger. 13 percent of companies also provide the board with discretion to accelerate the vesting of some outstanding equity awards.
- From 2011 to 2015, double trigger vesting has significantly increased for equity awards as shown in the chart below.

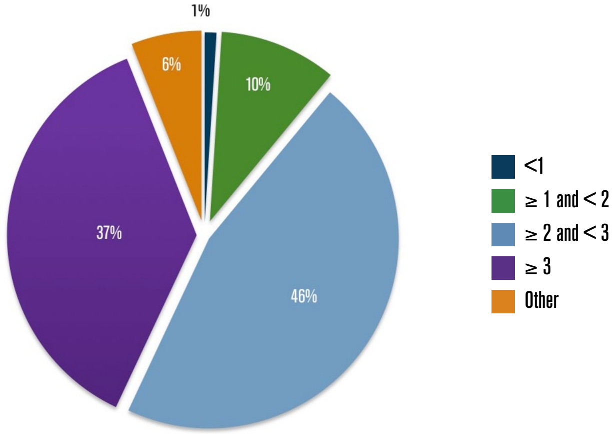


CHANGE IN CONTROL TRIGGERS BY INDUSTRY

	Single	Double	Discretionary
Consumer Discretionary	32%	84%	11%
Consumer Staples	60%	70%	10%
Energy	61%	61%	11%
Financial Services	47%	94%	12%
Healthcare	42%	89%	16%
Industrials	35%	80%	10%
Information Technology	17%	89%	17%
Materials	50%	85%	5%
Telecommunications	32%	74%	32%
Utilities	55%	90%	10%
2015 Average	**43%**	**82%**	**13%**

CASH SEVERANCE PAYMENTS – CEO

Most agreements or policies with change in control protection provide for a cash severance payment, expressed as a multiple of compensation. The multiple is generally different at various levels within an organization. The pie chart below identifies the most common severance multiples provided to CEOs upon a termination in connection with a change in control. (The pie chart on page 8 illustrates the severance multiples for the Other NEOs). The table at bottom right shows the severance multiples for CEOs by industry.



- 78 percent of CEOs are entitled to receive a cash severance payment upon termination in connection with a change in control, but its prevalence varies significantly by industry. 95 percent of companies in the utilities industry and 90 percent of companies in the healthcare and materials industries provide a cash severance benefit, yet only 50 percent of companies in the information technology industry do so.
- The most common cash severance payment multiple for CEOs is between two and three times compensation and the average multiple is 2.48 times. 46 percent of companies with cash severance payments provide a multiple between two and three while 37 percent provide a multiple of three times or greater compensation. The definition of compensation used to determine the severance amount varies between companies. (See page 9 for the most common definitions of compensation used in determining severance amounts.)
- Only one company has a severance multiple greater than three. The company uses a multiple of five, but the multiple applies to base salary only, and does not include a bonus component.
- The "Other" category includes severance payments that are not based on a multiple of compensation. Cash severance payments not based on a multiple of compensation are typically expressed as an absolute dollar amount, a continuation of compensation through the end of the contract term or a specific formula. (See page 4 for the value of this benefit for CEOs.)

78 percent of CEOs receive a cash severance payment upon termination in connection with a change in control. The most common cash severance payment is between two and three times compensation. The prevalence of this multiple has increased from 43 percent in 2013 to 46 percent in 2015 primarily due to a decrease in compensation multiples of three times or greater.

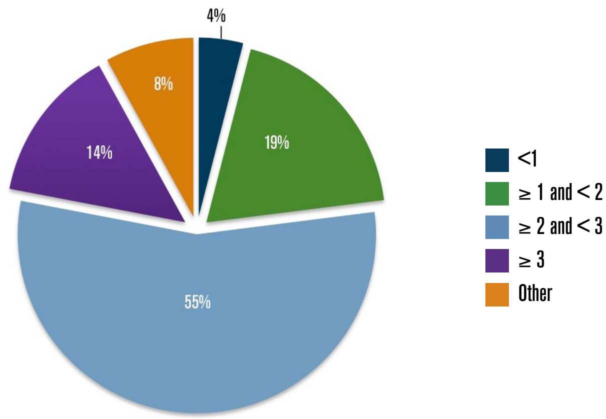
CASH SEVERANCE PAYOUT FOR CEOs BY INDUSTRY

	<1	≥ 1 and <2	≥ 2 and <3	≥ 3	Other
Consumer Discretionary	7%	13%	47%	27%	7%
Consumer Staples	0%	13%	67%	20%	0%
Energy	6%	0%	29%	59%	6%
Financial Services	0%	0%	64%	14%	21%
Healthcare	0%	6%	39%	39%	17%
Industrials	0%	0%	53%	40%	7%
Information Technology	0%	30%	70%	0%	0%
Materials	0%	0%	28%	72%	0%
Telecommunications	0%	40%	27%	33%	0%
Utilities	0%	0%	37%	63%	0%
2015 Average	**1%**	**10%**	**46%**	**37%**	**6%**
2013 Average	**1%**	**8%**	**43%**	**42%**	**6%**
2011 Average	**1%**	**8%**	**35%**	**51%**	**5%**

CASH SEVERANCE PAYMENT – OTHER NEOS

The most common cash severance payment is between two and three times compensation for Other NEOs (55 percent). This is a slight decrease from 60 percent in 2013, mainly due to the increase in the prevalence of compensation multiples less than two.

This pie chart illustrates the prevalence of severance multiples used to determine the cash severance amount paid to Other NEOs in the event of a termination in connection with a change in control. A table containing the severance multiples for Other NEOs by industry is at bottom left.



- 77 percent of Other NEOs are entitled to receive a cash severance payment in connection with a change in control. The prevalence of this benefit varies by industry, with all of the companies in the utilities and materials industries and only 55 percent of companies in the information technology services industry providing this benefit.
- The most common cash severance payment provided is between two and three times compensation and the average multiple is 2.13 times. 55 percent of companies with cash severance payments provide a severance benefit between two and three times compensation, while 19 percent provide between one and two times compensation. The definition of compensation used to determine the cash severance payment amount varies between companies. (See page 9 for the most common definitions of compensation used in determining cash severance payment amounts).
- A small portion of companies (eight percent) provide a cash severance payment to their Other NEOs that is not based on a multiple of compensation. These cash severance payments are typically expressed as an absolute dollar amount, a continuation of compensation through the end of the contract term or a specific formula. No company had a severance multiple for Other NEOs greater than three. (See page 5 for the quantified values of this benefit for Other NEOs.)

CASH SEVERANCE PAYOUT FOR OTHER NEOs BY INDUSTRY

	<1	≥ 1 and <2	≥ 2 and <3	≥ 3	Other
Consumer Discretionary	8%	31%	31%	15%	15%
Consumer Staples	0%	19%	75%	6%	0%
Energy	6%	6%	47%	35%	6%
Financial Services	0%	14%	57%	0%	29%
Healthcare	0%	26%	53%	11%	11%
Industrials	0%	20%	53%	20%	7%
Information Technology	9%	36%	45%	0%	9%
Materials	0%	5%	70%	25%	0%
Telecommunications	13%	38%	50%	0%	0%
Utilities	0%	0%	65%	30%	5%
2015 Average	**4%**	**19%**	**55%**	**14%**	**8%**
2013 Average	**1%**	**17%**	**60%**	**16%**	**6%**
2011 Average	**2%**	**15%**	**58%**	**20%**	**5%**

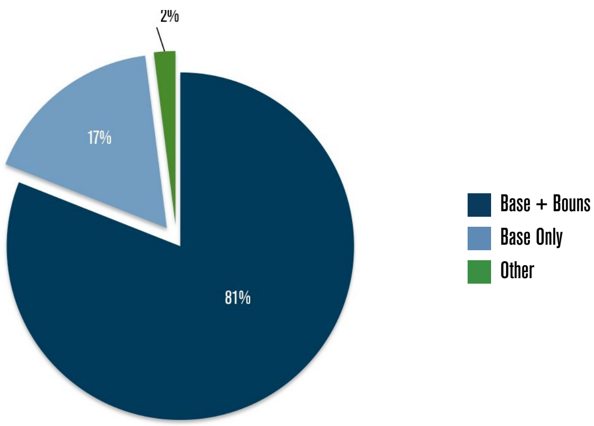
Non-Change in Control Severance

For 2015, we gathered data on the prevalence and value of non-change in control cash severance payments and compared that to cash severance payments received upon a change in control for CEOs and Other NEOs.

- 45 percent of CEOs and Other NEOs are not entitled to severance upon a termination not in connection with a change in control. Moreover, 22 percent of CEOs and 23 percent of Other NEOs are not entitled to any severance, under any circumstances (change in control or non-change in control).
- For CEOs and Other NEOs, the value of severance paid upon termination in connection with a change in control is on average 1.55 times and 1.53 times the value of severance paid upon a termination not in connection with a change in control, respectively.

COMPENSATION DEFINITION FOR CASH SEVERANCE PAYMENTS

The most common definition of compensation used to determine change in control cash severance payments is base salary plus annual bonus. The second most common definition of compensation used to determine cash severance payments is base salary only. Some companies include other forms of compensation in their definition such as W-2 income, the value of equity awards and/or the value of perquisites. The table at bottom right identifies the common definitions of compensation by industry.



- When annual bonus is included in the definition of compensation, the bonus is usually defined in the agreement or policy. The table below illustrates the different definitions of annual bonus utilized by companies and their prevalence.

Annual Bonus Definition	Prevalence
Target	56%
Higher of	24%
Average	20%
Most Recent Bonus	4%
Other/ Not Specified	4%

- Most companies utilize target bonus for purposes of calculating severance.
- Some companies define the annual bonus amount by reference to historical bonuses paid. Examples of this approach include:
  - » Highest bonus paid over a set period of time (i.e., most recent three years),
  - » Average bonus paid over a particular time period (i.e., preceding five year period), and
  - » Bonus paid for the most recent fiscal year end.
- Some companies' proxy statements did not specify the definition to be used in determining the annual bonus amount.

The definition of compensation for purposes of determining the cash severance amount is generally base salary and annual bonus (81 percent).

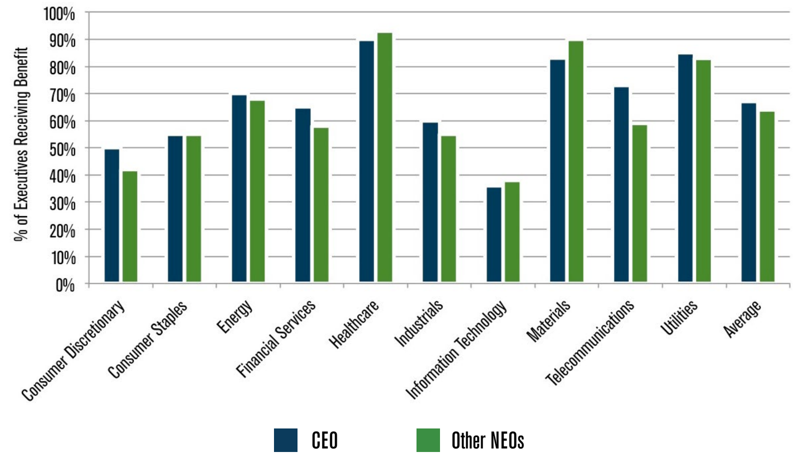
COMPENSATION DEFINITION BY INDUSTRY

	Base + Bonus	Base Only	Other
Consumer Discretionary	73%	27%	0%
Consumer Staples	75%	25%	0%
Energy	76%	18%	6%
Financial Services	64%	29%	7%
Healthcare	95%	5%	0%
Industrials	93%	7%	0%
Information Technology	73%	27%	0%
Materials	90%	5%	5%
Telecommunications	71%	29%	0%
Utilities	100%	0%	0%
2015 Average	**81%**	**17%**	**2%**
2013 Average	**85%**	**13%**	**2%**
2011 Average	**83%**	**14%**	**3%**

HEALTH AND WELFARE BENEFITS CONTINUATION

The most common period of health and welfare benefit continuation is three years or longer. However, a health and welfare benefit continuation period of two to three years is also very common.

CEOs and Other NEOs often receive continuation of health and welfare benefits upon termination of employment in connection with a change in control. The prevalence of this benefit varies by industry as summarized in the following chart.



- 67 percent of CEOs and 64 percent of Other NEOs receive an extension of health and welfare benefits upon termination of employment in connection with a change in control. Within the healthcare industry, 90 percent of CEOs and 91 percent of Other NEOs are entitled to this benefit. Companies in the information technology industry only provide this benefit to 35 percent of CEOs and 38 percent of Other NEOs. In the Healthcare, Information Technology and Materials industries, this benefit is provided to Other NEOs more often than CEOs.
- 34 percent of companies provide health and welfare benefit continuation of between two and three years to CEOs and Other NEOs. 36 percent of companies that offer health and welfare benefit continuation provide three years or longer. Only one company provided health and welfare benefits for an average continuation period greater than three years. However, most companies that provide health and welfare benefit continuation cease providing the benefit when the executive commences subsequent employment that provides similar benefits. The table at left shows the prevalence of health and welfare benefit continuation periods by industry.

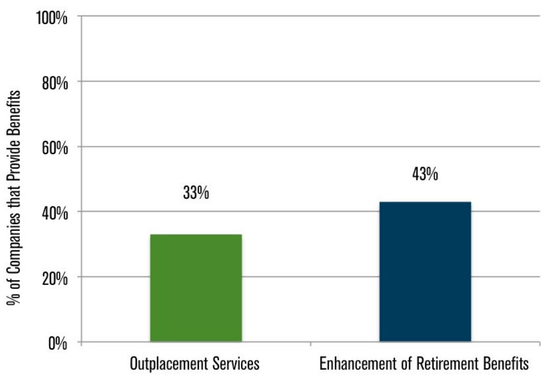
HEALTH AND WELFARE BENEFITS BY INDUSTRY

	< 1 year	≥ 1 and < 2 years	≥ 2 and < 3 years	≥ 3 years	Other
Consumer Discretionary	0%	21%	42%	37%	0%
Consumer Staples	9%	4%	70%	17%	0%
Energy	0%	7%	29%	64%	0%
Financial Services	8%	12%	42%	15%	23%
Healthcare	0%	30%	27%	32%	11%
Industrials	0%	13%	22%	57%	9%
Information Technology	0%	47%	20%	27%	7%
Materials	0%	36%	22%	42%	0%
Telecommunications	7%	36%	29%	29%	0%
Utilities	0%	9%	37%	43%	11%
2015 Average	**2%**	**22%**	**34%**	**36%**	**6%**
2013 Average	**2%**	**19%**	**34%**	**37%**	**8%**
2011 Average	**0%**	**19%**	**29%**	**46%**	**6%**

Other common types of benefits provided to executives upon a change in control include:

- Outplacement services; and
- Enhancement of retirement benefits.

If the company offered the benefit to any of its executives, it is included in the prevalence percentages in the chart below and in the industry table at bottom right.



Outplacement Services: Companies sometimes provide this benefit through an outplacement agency to help executives find suitable employment. Outplacement services are generally capped at a certain dollar amount or are only offered for a certain period of time after the executive's termination.

Enhancement of Retirement Benefits: This type of benefit can be provided in the form of an increase to a retirement account, additional age and years of service credit and/or accelerated vesting of a retirement benefit. For purposes of reporting enhanced retirement benefits, we did not include the mere paying out of a retirement benefit or the informal funding of a retirement benefit (i.e., through a Rabbi Trust) upon a change in control. Enhancement of retirement benefits can ordinarily be found in an agreement, policy or retirement/deferred compensation plan.

Other common change in control benefits include enhancement of retirement benefits (43 percent) and outplacement services (33 percent). Modest decreases were observed in the prevalence of these benefits between 2013 and 2015.

OTHER BENEFITS BY INDUSTRY

	Outplacement Services	Enhancement of Retirement Benefits
Consumer Discretionary	5%	20%
Consumer Staples	25%	70%
Energy	35%	65%
Financial Services	20%	25%
Healthcare	40%	30%
Industrials	25%	45%
Information Technology	10%	5%
Materials	60%	70%
Telecommunications	30%	5%
Utilities	80%	90%
2015 Average	**33%**	**43%**
2013 Average	**36%**	**46%**
2011 Average	**38%**	**52%**

EXCISE TAX PROTECTION – CEO

We observed a substantial decrease in the prevalence of gross-ups and modified gross-ups provided to CEOs.

The "Golden Parachute" rules impose a 20 percent excise tax on an executive if the executive receives a parachute payment greater than the "safe harbor" limit. (See page 15 for a more detailed explanation of the Golden Parachute rules.) Companies may address this excise tax issue in one of the following ways:

Gross-up: The company pays the executive the full amount of any excise tax imposed. The gross-up payment thereby makes the executive "whole" on an after-tax basis. The gross-up includes applicable federal, state and local taxes resulting from the payment of the excise tax.

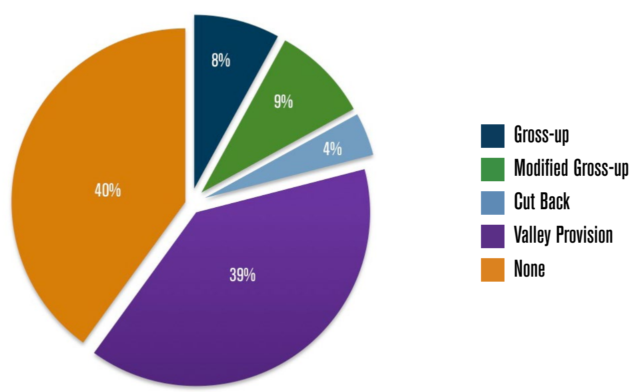
Modified Gross-up: The company will gross-up the executive if the payments exceed the "safe harbor" limit by a certain amount (e.g., $50,000) or percentage (e.g., 10 percent). Otherwise, payments are cut back to the "safe harbor" limit to avoid any excise tax.

Cut Back: The company cuts back parachute payments to the "safe harbor" limit to avoid any excise tax.

Valley Provision: The company cuts back parachute payments to the "safe harbor" limit if it is more financially advantageous to the executive. Otherwise, the company does not adjust the payments and the executive is responsible for paying the excise tax.

None: Some companies do not address the excise tax; therefore, executives are solely responsible for the excise tax.

The prevalence of these provisions for CEOs is illustrated in the pie chart below and is shown by industry in the table at bottom left. (The prevalence of these provisions for Other NEOs is illustrated on page 13).



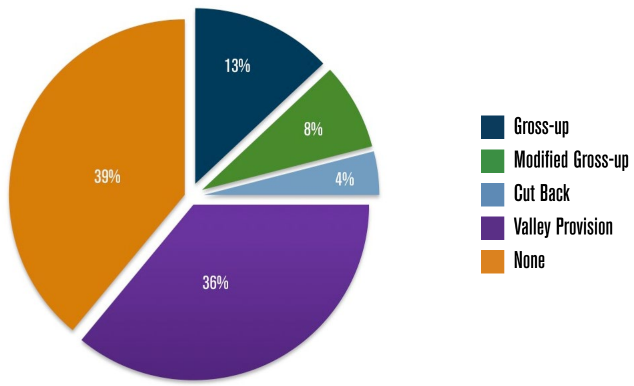
- 17 percent of companies provide either a gross-up or modified gross-up to their CEOs. The utilities industry provides either a gross-up or modified gross-up to its CEOs 40 percent of the time. The information technology industry, however, does not provide protection for any of their CEOs in the form of either a gross-up or modified gross-up.
- Between 2013 and 2015, there was a 43 percent decrease in gross-ups or modified gross-ups provided to CEOs and an almost equal increase (44 percent) in valley provision excise tax protection.
- See page 4 for the quantified values of this benefit for CEOs.

EXCISE TAX PROTECTION FOR CEOs BY INDUSTRY

	Gross-up	Modified Gross-up	Cut Back	Valley Provision	None
Consumer Discretionary	5%	10%	0%	45%	40%
Consumer Staples	0%	10%	20%	30%	40%
Energy	10%	5%	0%	45%	40%
Financial Services	5%	10%	0%	35%	50%
Healthcare	5%	15%	0%	40%	40%
Industrials	10%	5%	10%	20%	55%
Information Technology	0%	0%	0%	25%	75%
Materials	25%	10%	0%	45%	20%
Telecommunications	5%	0%	5%	60%	30%
Utilities	20%	20%	5%	40%	15%
2015 Average	**8%**	**9%**	**4%**	**39%**	**40%**
2013 Average	**17%**	**13%**	**5%**	**27%**	**38%**
2011 Average	**28%**	**21%**	**4%**	**11%**	**36%**

EXCISE TAX PROTECTION – OTHER NEOs

The prevalence of excise tax protection provisions for Other NEOs is illustrated in the pie chart below and is shown by industry in the table at bottom right.



Occasionally, a company offers different excise tax protection provisions for different executives. In these cases, the most generous provision provided by the company was included in the percentages below. Accordingly, other NEOs have a slightly higher prevalence of gross-ups and modified gross-ups compared to CEOs.

- Industries vary greatly on the excise tax protection provided to Other NEOs. The utilities and materials industries provide either a gross-up or modified gross-up to Other NEOs 40 percent of the time. At the other end of the spectrum, the information technology and telecommunications industries provide protection for Other NEOs in the form of either a gross-up or modified gross-up only five percent of the time.
- Between 2013 and 2015, there was a 30 percent decrease in gross-ups or modified gross-ups provided to Other NEOs and an almost equal increase (29 percent) in valley provision excise tax protection.
- Many of the largest companies analyzed do not provide gross-ups or modified gross-ups to any executives. Of the 20 largest companies in this report, only one provides a gross-up to any executive. A logical explanation of this may be that this subset of companies is so large that they recognize there is little chance of undergoing a change in control.
- See page 5 for the quantified values of this benefit for Other NEOs.

Gross-ups or modified gross-ups provided to Other NEOs has decreased significantly.

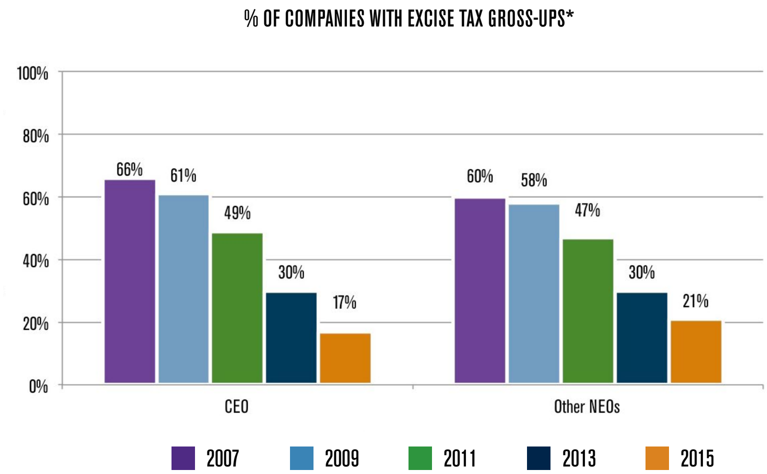
EXCISE TAX PROTECTION FOR OTHER NEOs BY INDUSTRY

	Gross-Up	Modified Gross-Up	Cut Back	Valley Provision	None
Consumer Discretionary	10%	10%	0%	30%	50%
Consumer Staples	5%	10%	20%	30%	35%
Energy	15%	5%	0%	40%	40%
Financial Services	5%	5%	0%	30%	60%
Healthcare	25%	10%	0%	40%	25%
Industrials	10%	5%	10%	20%	55%
Information Technology	5%	0%	0%	25%	70%
Materials	25%	15%	0%	45%	15%
Telecommunications	5%	0%	5%	60%	30%
Utilities	20%	20%	5%	40%	15%
2015 Average	**13%**	**8%**	**4%**	**36%**	**39%**
2013 Average	**16%**	**14%**	**5%**	**28%**	**37%**
2011 Average	**24%**	**23%**	**4%**	**12%**	**37%**

TRENDS IN EXCISE TAX PROTECTION

Almost all of the companies that currently provide gross-ups or modified gross-ups state that they will handle them differently in the future.

Many companies have disclosed that they will approach excise tax protection differently in the future (e.g., no excise tax gross-ups, use of valley provision) for new executives and/or new agreements. This is likely in response to pressure from shareholder advisory firms to eliminate the use of excise tax gross-ups. The decline in the prevalence of excise tax gross-up protection for CEOs and Other NEOs is illustrated in the chart below.



* Includes full and modified gross-ups

- Only 17 percent of companies have excise tax gross-up or modified gross-up protection for their CEOs compared with 30 percent in 2013 and 49 percent in 2011. There has been a similar decline for Other NEOs with just 21 percent of companies providing excise tax gross-up or modified gross-up protection in 2015 compared with 30 percent in 2013 and 47 percent in 2011.
- Since this report captures whether a company provides a gross-up to any of its Other NEOs, the results show a higher prevalence of gross-ups for Other NEOs than for CEOs. This is likely because one or two Other NEOs at a company may still have legacy gross-ups whereas the newer CEO does not. Some CEOs have also relinquished their gross-ups either voluntarily or in exchange for a different type of compensation, whereas the Other NEOs have maintained their legacy gross-up protections.
- Companies that have removed their excise tax gross-up provisions have generally moved to a valley provision or to no protection.
- Of companies that currently provide a gross-up or modified gross-up, 93 percent of such companies state that they will approach excise tax gross-ups differently in the future. Some of those companies state that they will not provide excise tax gross-ups to new executives or in amended employment agreements, while others plan to eliminate excise tax gross-ups for all executives as of some future date.

OVERVIEW OF GOLDEN PARACHUTE RULES – SECTION 280G

When a corporation is acquired by another company, both the corporation and key executives could become subject to significant adverse tax consequences under the Golden Parachute provisions of the Internal Revenue Code (the Code). Under these provisions, a payment to an executive exceeding the Golden Parachute "safe harbor" limit triggers large tax consequences to both the corporation and key executives. Depending on the circumstances and the number of executives affected, the cost to the company and the executives could be significant.

Under the Golden Parachute provisions of the Internal Revenue Code, a payment to an executive exceeding the "safe harbor" limit results in large tax consequences to both the corporation and key executives.

The "safe harbor" limit is equal to 299 percent of the executive's average gross compensation over the five most recent taxable years ending before the date of the change in control. The most typical situations in which the Golden Parachute penalties could be triggered include:

- A company that has significant equity-based compensation awards outstanding (e.g., stock options, restricted shares, performance shares, stock appreciation rights) and whose vesting accelerates upon a change in control;
- Severance payments triggered by a change in control, which typically pay two to three times annual salary and bonus; and
- Other change in control benefits such as enhanced pension benefits and continuation of welfare benefits.

When the executive receives payments exceeding the "safe harbor" limit, the Code imposes a 20 percent excise tax on the executive and no deduction is allowed to the corporation. In addition, a key executive may have a clause in his employment contract stating the corporation must "gross-up" the executive for any Golden Parachute excise tax. Consequently, the corporation would be liable for the excise tax penalty to the executive, the lost corporate deduction and all federal and state income taxes that the executive would be required to pay related to the excise tax. These tax consequences could occur even if the key executive remains employed with the company.

The following illustration shows how a parachute payment to an executive can potentially cost the corporation and/or the executive hundreds of thousands of dollars.

	SCENARIO 1 No Golden Parachute Penalty	SCENARIO 2 Golden Parachute Penalty	SCENARIO 3 Golden Parachute Penalty with Gross-Up
Total compensation paid on account of a change in control	$1,499,999	$1,500,000	$1,500,000
Average "Base Compensation" received in prior 5 years	500,000	500,000	500,000
Excess parachute payment	N/A (1)	$1,000,000	$1,000,000
Excise Tax penalty to executive (20%)		$200,000	$0
Initial lost tax deduction to corporation (40%)		$400,000	$400,000
Amount necessary to gross-up executive for tax penalty *		$0	$571,429
TOTAL COST TO CORPORATION		$400,000 (2)	$971,429 (3)

* Assumes executive is in a 45 percent marginal tax bracket, in addition to the 20 percent excise tax penalty.

1. In scenario 1, neither the executive nor the corporation is subject to excise tax penalties since payments do not exceed the golden parachute "safe harbor" limit.
2. In scenario 2, the payment of an additional $1 causes the executive to be liable for a $200,000 penalty and the corporation to lose $400,000 in tax benefits.
3. In scenario 3, the corporation provides a gross-up payment to the executive for the amount of the excise tax. As the gross-up is itself a parachute payment, it will cost the corporation an additional $571,429 to pay the $200,000 excise tax.

COMPANY LIST

CONSUMER DISCRETIONARY
Amazon.com Inc.
Carnival Corporation
Comcast Corporation
DIRECTV
Ford Motor Co.
General Motors Company *
Johnson Controls Inc. *
Lowe's Companies Inc.
McDonald's Corp.
Nike, Inc.
Starbucks Corporation
Target Corp.
The Home Depot, Inc.
The Priceline Group Inc.
The TJX Companies, Inc.
The Walt Disney Company
Time Warner Cable Inc.
Time Warner Inc.
Twenty-First Century Fox, Inc. *
V.F. Corporation *

CONSUMER STAPLES
Altria Group Inc.
Archer-Daniels-Midland Company
Colgate-Palmolive Co.
Costco Wholesale Corporation
CVS Health Corporation
General Mills, Inc.
Kellogg Company
Kimberly-Clark Corporation
Kraft Foods Group, Inc.
Mondelez International, Inc.
Pepsico, Inc.
Philip Morris International, Inc.
Reynolds American Inc.
Sysco Corporation
The Coca-Cola Company
The Estée Lauder Companies Inc.
The Kroger Co. *
The Procter & Gamble Company
Walgreens Boots Alliance, Inc.
Wal-Mart Stores Inc.

ENERGY
Anadarko Petroleum Corporation
Apache Corp.
Baker Hughes Incorporated
Chevron Corporation
ConocoPhillips
Devon Energy Corporation
EOG Resources, Inc.
Exxon Mobil Corporation
Halliburton Company
Hess Corporation *
Kinder Morgan, Inc.
Marathon Petroleum Corporation
National Oilwell Varco, Inc.
Occidental Petroleum Corporation
Phillips 66
Pioneer Natural Resources Co. *
Schlumberger Limited
Spectra Energy Corp.
Valero Energy Corporation
Williams Companies, Inc.

FINANCIAL SERVICES
ACE Limited
American Express Company
American International Group, Inc.
American Tower Corporation
Bank of America Corporation
Berkshire Hathaway Inc.
BlackRock, Inc.
Capital One Financial Corporation
Citigroup Inc.
JPMorgan Chase & Co.
MetLife, Inc.
Morgan Stanley
Prudential Financial, Inc. *
Simon Property Group Inc.
The Bank of New York Mellon Corporation
The Charles Schwab Corporation *
The Goldman Sachs Group, Inc.
The PNC Financial Services Group, Inc.
U.S. Bancorp
Wells Fargo & Company

HEALTHCARE
Abbott Laboratories
AbbVie Inc. *
Actavis plc *
Alexion Pharmaceuticals, Inc. *
Amgen Inc.
Baxter International Inc.
Biogen Inc.
Bristol-Myers Squibb Company
Celgene Corporation
Eli Lilly and Company
Express Scripts Holding Company
Gilead Sciences Inc.
Johnson & Johnson
McKesson Corporation
Merck & Co. Inc.
Pfizer Inc.
Regeneron Pharmaceuticals, Inc. *
Stryker Corporation
Thermo Fisher Scientific, Inc.
UnitedHealth Group Incorporated

INDUSTRIALS
3M Company
American Airlines Group Inc. *
Caterpillar Inc.
CSX Corp.
Danaher Corp.
Delta Air Lines, Inc. *
Emerson Electric Co.
FedEx Corporation
General Dynamics Corporation
General Electric Company
Honeywell International Inc.
Illinois Tool Works Inc.
Lockheed Martin Corporation
Norfolk Southern Corporation
Precision Castparts Corp.
Raytheon Company *
The Boeing Company
Union Pacific Corporation
United Parcel Service, Inc.
United Technologies Corporation

INFORMATION TECHNOLOGY
Accenture plc *
Apple Inc.
Automatic Data Processing, Inc.
Cisco Systems, Inc.
eBay Inc.
EMC Corporation
Facebook, Inc. *
Google Inc.
Hewlett-Packard Company
Intel Corporation
International Business Machines Corporation
MasterCard Incorporated
Micron Technology, Inc. *
Microsoft Corporation
Oracle Corporation
QUALCOMM Incorporated
Salesforce.com, Inc.
Texas Instruments Inc.
Visa Inc.
Yahoo! Inc.

MATERIALS
Air Products & Chemicals Inc.
Alcoa Inc.
Ball Corporation *
CF Industries Holdings, Inc.
E. I. du Pont de Nemours and Company
Eastman Chemical Co.
Ecolab Inc.
Freeport-McMoRan Inc.
International Paper Company
LyondellBasell Industries N.V.
Monsanto Company
Newmont Mining Corporation
Nucor Corporation
PPG Industries, Inc.
Praxair Inc.
Sealed Air Corporation *
Sigma-Aldrich Corporation
The Dow Chemical Company
The Mosaic Company
The Sherwin-Williams Company

TELECOMMUNICATIONS
8x8 Inc. *
AT&T, Inc.
Atlantic Tele-Network, Inc. *
CenturyLink, Inc.
Cogent Communications Holdings, Inc.
Consolidated Communications Holdings Inc. *
Frontier Communications Corporation
Globalstar Inc. *
Iridium Communications Inc. *
Level 3 Communications, Inc.
RingCentral, Inc. *
SBA Communications Corp.
Shenandoah Telecommunications Co. *
Sprint Corporation
Telephone & Data Systems Inc.
T-Mobile US, Inc. *
United States Cellular Corporation
Verizon Communications Inc.
Vonage Holdings Corporation *
Windstream Holdings, Inc.

UTILITIES
Ameren Corporation *
American Electric Power Co., Inc.
Consolidated Edison, Inc.
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation
Eversource Energy *
Exelon Corporation
FirstEnergy Corp.
NextEra Energy, Inc.
NiSource Inc. *
PG&E Corporation
PPL Corporation
Public Service Enterprise Group Inc.
Sempra Energy
Southern Company
Wisconsin Energy Corp.
Xcel Energy Inc.

INDUSTRY STATISTICS (IN MILLIONS)

	Revenue		Market Capitalization	
	Median	Average	Median	Average
Consumer Discretionary	$32,564	$50,705	$60,547	$75,186
Consumer Staples	40,121	71,753	61,732	86,487
Energy	20,376	62,069	33,461	68,524
Financial Services	33,261	46,234	68,698	106,620
Healthcare	19,788	36,726	76,881	95,327
Industrials	36,064	41,728	52,306	70,428
Information Technology	25,464	43,312	111,456	157,238
Materials	13,277	17,890	23,486	27,113
Telecommunications	2,710	18,691	3,048	24,445
Utilities	12,465	13,440	21,145	25,686
2015 Average	**$23,609**	**$40,255**	**$51,276**	**$73,705**
2013 Average	**$20,052**	**$36,677**	**$33,538**	**$52,792**
2011 Average	**$19,740**	**$33,233**	**$27,159**	**$45,580**

* New company for 2015 Survey. Due to the volatile economic environment over the past two years, 16 percent of companies included in the 2013 Survey were replaced in 2015.

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- Global Incentive Compensation Advisory Services

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- **Change in Control Planning:** We assist companies in designing and implementing competitive change in control protections, and gauge the potential tax implications of existing agreements to make recommendations for remedial redesigns.
- **Change in Control in Process:** When a change in control is underway, we assist with the calculation of the parachute payment and excise tax consequences. Further, we assist with planning opportunities to mitigate the excise tax and lost deduction.

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