

UPDATE ON THE SEC'S NEW PROXY DISCLOSURE ENHANCEMENTS

HOLME ROBERTS & OWEN LLP

February 18, 2010

Examples – Compensation Risk Assessment

Air Products and Chemicals, Inc. – Proxy Statement (Dec. 10, 2009)

[Located in CD&A – Filed Before New Rules:]

During 2009, the Committee, with Fariant, conducted an in-depth risk assessment of the Company's compensation program. The Committee concluded that the program is balanced and does not motivate imprudent risk taking. The Company does not use highly leveraged short-term incentives that drive high risk investments at the expense of long-term Company value. The Company's annual incentive compensation is based on balanced performance metrics that promote disciplined progress towards longer-term goals, and are capped at sustainable levels. The Company's compensation programs reward consistent, long-term performance by heavily weighting compensation to long-term incentives that reward sustainable stock, financial, and operating performance, especially when combined with our executive share ownership and holding requirements.

Analog Devices, Inc. – Preliminary Proxy Statement (Feb. 3, 2010)

Risk Considerations in our Compensation Program

Our Compensation Committee has discussed the concept of risk as it relates to our compensation program and the Committee does not believe our compensation program encourages excessive or inappropriate risk taking for the following reasons:

- We structure our pay to consist of both fixed and variable compensation. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of ADI's stock price performance so that executives do not feel pressured to focus exclusively on stock price performance to the detriment of other important business metrics. The variable (cash bonus and equity) portions of compensation are designed to reward both short- and long-term corporate performance. For short-term performance, our cash bonus is awarded based on quarterly operating profit before taxes (OPBT) targets. For long-term performance, our stock option awards generally vest over five years and are only valuable if our stock price increases over time. Our restricted stock units generally cliff vest in three years. We feel that these variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce superior short- and long-term corporate results, while the fixed element is also sufficiently high that the executives are not encouraged to take unnecessary or excessive risks in doing so.
- Because OPBT is the performance measure for determining incentive payments, we believe our executives are encouraged to take a balanced approach that focuses on corporate profitability, rather than other measures such as revenue targets, which may incentivize management to drive sales levels without regard to cost structure. If we are not profitable at a reasonable level, there are no payouts under the bonus program.

- Our OPBT targets are applicable to our executives and employees alike, regardless of business unit. We believe this encourages consistent behavior across the organization, rather than establishing different performance metrics depending on a person's position in the company or their business unit. So, for example, a person in our most profitable business line is not encouraged to take more risk than someone in a less profitable business line.
- We cap our cash bonus at 3x the OPBT target, which we believe also mitigates excessive risk taking. Even if the company dramatically exceeds its OPBT target, bonus payouts are limited. Conversely, we have a floor on the OPBT target so that profitability at a certain level (as approved by the Compensation Committee) does not permit bonus payouts.
- We have strict internal controls over the measurement and calculation of OPBT, designed to keep it from being susceptible to manipulation by any employee, including our executives. For example, in calculating operating profits we do not recognize product revenue until our distributors sell those products to their customers. As a result, our product revenue fully reflects end customer purchases and is not impacted by distributor inventory levels. In addition, all of our employees are required to take training on our Code of Conduct, which covers among other things, accuracy of books and records.
- We believe that our focus on OPBT (through our cash bonus program) and stock price performance (through our equity compensation program) provides a check on excessive risk taking. That is, even if our executives could inappropriately increase OPBT by excessive expense reductions or by abandoning less profitable revenue sources, this would be detrimental to the Company in the long run and could ultimately harm our stock price and the value of their equity awards. Likewise, if our executives were to add revenue sources at low margins in order to generate a higher growth company multiple and increased stock prices, it could decrease OPBT and the value of their cash bonus payments.
- We have stock ownership guidelines, which we believe provide a considerable incentive for management to consider ADI's long-term interests because a portion of their personal investment portfolio consists of ADI stock. In addition, we prohibit all hedging transactions involving our stock so our executives cannot insulate themselves from the effects of poor ADI stock price performance.
- Our bonus program has been structured around OPBT for many years and we have seen no evidence that it encourages unnecessary or excessive risk taking.

Cabot Corporation – Proxy Statement (Jan. 28, 2010)

[Located in CD&A:]

Risk Assessment

We believe our approach to goal setting, setting of targets with payouts at multiple levels of performance, and evaluation of performance results assist in mitigating excessive risk-taking that could harm our value or reward poor judgment by our executives. Several features of our programs reflect sound risk management practices. We believe we have allocated our compensation among base salary and short and long-term compensation target opportunities in such a way as to not encourage excessive risk-taking. Further, with respect to our incentive compensation programs, although the corporate performance metrics that determine payouts for certain business segment leaders are based in part on the achievement

of business segment metrics, the metrics that determine payouts for our executive officers are company-wide metrics only. This is based on our belief that applying Company-wide metrics encourages decision-making that is in the best long-term interests of Cabot and our shareholders as a whole. The mix of equity award instruments used under our long-term incentive program that includes full value awards also mitigates risk. Finally, the multi-year vesting of our equity awards and our share ownership guidelines properly account for the time horizon of risk.

Eli Lilly & Co. – Preliminary Proxy Statement (Feb. 8, 2010)

Risk assessment. With the help of its compensation consultant, in 2009 the committee reviewed the company's compensation policies and practices for all employees, including executive officers, and determined that our compensation programs will not have a material adverse effect on the company. The committee also reviewed our compensation programs for certain design features which have been identified by experts as having the potential to encourage excessive risk-taking, including:

- too much focus on equity
- compensation mix overly weighted toward annual incentives
- highly leveraged payout curves and uncapped payouts
- unreasonable goals or thresholds
- and steep payout cliffs at certain performance levels that may encourage short-term business decisions to meet payout thresholds.

The committee noted several design features of Lilly cash and equity incentive programs for all employees that reduce the likelihood of excessive risk-taking:

- The program design provides a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics (revenue, earnings, and total shareholder return).
- Maximum payout levels for bonuses and PAs are capped at 200 percent of target.
- All regular U.S. employees participate in the same bonus plan.
- Bonus and equity programs have minimum payout levels for nonexecutive officers.
- The company currently does not grant stock options.
- The compensation committee has downward discretion over incentive program payouts.
- The executive compensation recovery policy allows the company to “claw back” payments made using materially inaccurate financial results.
- Executive officers are subject to share ownership and retention guidelines.
- Compliance and ethical behaviors are integral factors considered in all performance assessments.

The committee determined that, for all employees, the company's compensation programs do not encourage excessive risk and instead encourage behaviors that support sustainable value creation. Nonetheless, as a result of the review, the committee is implementing certain changes to the bonus and equity incentive plan designs for 2010 to further reduce incentives to incur excessive risk as follows:

- Key risks to the business strategy are reviewed by the board as part of the company's annual long-range planning process. These risks will be an input into an annual review by the compensation committee to assess the potential for compensation programs to encourage excessive risk-taking (or excessively risk-averse behaviors).
- The annual bonus plan has been modified to allow for greater differentiation based on individual performance and smoother payout curves.

- A linear payout formula for the PA is replacing the nine discrete earnings-per-share (EPS) ranges, eliminating payout “cliffs” between ranges. Additionally, the threshold payout level will be increased from zero to 50 percent of target and maximum payout level will be lowered from 200 percent to 150 percent of target for all participants.
- The committee expanded the executive compensation recovery policy (described in more detail on page 39).

Fortune Brands – Preliminary Proxy Statement (Feb. 5, 2010)

[Disclosure located: after Potential Payments Upon Termination and C in C; linked in TOC]

Compensation Risks

We believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks.

The Compensation Committee, with assistance of its independent compensation consultant, extensively reviewed the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking and concluded:

- significant weighting towards long-term incentive compensation discourages short-term risk taking;
- goals are appropriately set to avoid targets that, if not achieved, result in a large percentage loss of compensation;
- rolling three-year performance targets discourage short-term risk taking;
- incentive awards are capped by the Compensation Committee;
- equity ownership guidelines discourage excessive risk taking; and
- as a consumer products business, the Company does not face the same level of risks associated with compensation for employees at financial services (traders and instruments with a high degree of risk) or technology companies (rapidly changing markets).

Furthermore, as described in our Compensation Discussion and Analysis, compensation decisions include subjective considerations, which restrain the influence of formulae or objective factors on excessive risk taking.