

MEMORANDUM

September 10, 2009

To: File No. S7-13-09 (Proxy Disclosure and Solicitation Enhancements)

From: Zachary S. May
Office of Commissioner Luis A. Aguilar

Re: Meeting with Representatives of Marsh & McLennan; Mercer, Watson Wyatt;
Hewitt; and Towers Perrin

On Tuesday, September 1, 2009, Commissioner Luis A. Aguilar, and Zachary S. May, Counsel to the Commissioner, met with Erick R. Gustafson of Marsh & McLennan Companies Inc; Diane Doubleday of Mercer LLC; Steven Seelig of Watson Wyatt Worldwide, Inc.; Michael Powers of Hewitt Associates, LLC; Paula Todd of Towers, Perrin, Forster & Crosby, Inc.; and Todd Cranford of Patton Boggs (together, the "Representatives"). The participants discussed, among other things, the Commission's proposed rule amendments to require disclosure of potential conflicts of interests of compensation consultants. The Representatives described a form of disclosure regarding the role of compensation consultants engaged by a registrant, a copy of which is attached to this Memorandum.

Compensation Committee Disclosure: Role of the Compensation Consultant:

1. How We Selected the Consultant

As permitted by the Compensation Committee (the “Committee”) charter, the Committee has retained the consultant as its independent executive compensation consultant to assist in the Committee’s evaluation of CEO and executive officer compensation levels, severance arrangements and program design. The Committee undertook a rigorous interview process in determining the best compensation consultant to provide this assistance, and personally interviewed three potential candidates before it made its selection. Management recommended these candidates as the result of a competitive Request for Proposal that was sent to each of the major firms that provides compensation consulting services.

In making the decision to select the incumbent, the Committee was impressed with the depth of knowledge of the individual consultant of our specific industry, and by the ability of his firm to recommend solutions for matters of particular importance to the Company’s unique business circumstances. The Committee was committed to take a fresh look at the existing compensation structure for our executive cadre, and was particularly impressed by the consultant’s understanding of the challenges presented and his perspective on potential solutions we might consider. We gave high marks for the survey capabilities of the consultant’s firm and its ability to deliver current and relevant data we might consider in making our compensation design decisions. We were also influenced by the recommendations provided by other clients of the consultant, which noted the consultant was a recognized expert in our industry who had helped solve difficult compensation and business issues with creative and flexible recommendations.

The consultant and his firm has an excellent reputation in advising compensation committees on these matters and is widely quoted on the research the firm performs on compensation issues. Bench strength and the ability to advise on regulatory, tax, accounting and legislative matters also were factors in our decision.

During our interview process, we were made aware of the other consulting services the consultant’s firm provides to management. We believe that based on the rigorous processes and procedures the consultant’s firm has in place, there exist no conflicts of interest in the recommendations and advice the consultant provide to the Committee. These include:

- The consultant receives no bonus or commission based on the fees charged to the Company for other services;
- The consultant must adhere to a strict Code of Conduct that prohibits consideration of any other relationships his firm may have with the Company in rendering his advice and recommendations; and
- The protocols for the engagement (described below in How We Work With the Consultant) that dictate how and when the consultant may interact with management and the committee.

2. How We Work With the Consultant

The Committee, considering recommendations from management, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for Committee review.

The Compensation Committee has the sole authority to retain and terminate the independent executive compensation consultant. In considering the advice provided by an executive compensation consultant, and whether to retain or continue the retention of an executive compensation consultant, the Committee requires that the Company regularly inform the Committee of all work provided or to be provided by the consultant's firm in addition to the executive compensation services provided to the Committee, and the fees charged or to be charged for those services. The Committee reviews and approves all bills rendered by the compensation consulting firm to the Company for services provided to both the Company and the Compensation Committee. Annually, Committee grades the quality of the services provided by the consultant and has the right to terminate those services should performance levels fall below those deemed acceptable to the Committee.

Specifically, the consultant provides the Compensation Committee with market trend information, data and recommendations to enable the Compensation Committee to make informed decisions and to stay abreast of changing market practices. In addition, the consultant provided analysis on the alignment of pay and performance and assisted in the process of preparing this disclosure. While it is necessary for the consultant to interact with management to gather information and obtain recommendations, the Committee has adopted protocols governing if and when the consultant's advice and recommendations can be shared with management. Ultimately, the consultant provides his recommendations and advice to the Compensation Committee in an executive session where company management is not present, which is when critical pay decisions are made. This approach helps to assure the Compensation Committee receives unbiased and objective advice from the consultant so that it may make independent decisions about executive pay at the company.

3. Other Consultant Work With the Company

In addition to the services provided at the request of the Compensation Committee, management has retained a separate division of the consultant to perform process review and implementation assistance related to outsourcing the Company's stock plan administration system, and pays quarterly software usage fees related to a call center tracking system. In addition, management has retained a separate division of the consultant to provide actuarial services, including preparation of the FAS 87 disclosure for the Company's financial statement, and pension plan advisory services. The fees paid by the Company to the consultant's firm for non-Compensation Committee work constitutes less than 1% of firm revenues. The Committee believes that the provision of this work by the consultant does not impair the independence and objectivity of advice provided to the Committee on executive compensation matters.