

## Share-Based Payment Best Practice Series

## ESO Valuation Disclosure - Dow 30 for FY2010

Symbol	Company Name	HQ	Auditor	Expected Volatility	Contractual Term (y)	Expected Term (y)	Vesting Period (y)	ESO Fair Value (\$)	Exercise Multiple	Forfeiture Rate	Valuation Model	Granted (millions)	Interest Rate	Dividend Yield	Comments
AA	Alcoa Inc.	NY	PwC	51.00%	10	5.6	3	4.67	1.35	4.00%	Lattice SOEF	9.000	3.62%	1.10%	Exp Vol range 47-51%; Exer Multiple based on hist avg; Int Rate range 0.14-3.62%
AXP	American Express Company	NY	PwC	41.00%	10	6.2	4	14.11			BSM	3.205	2.80%	1.80%	Exp Vol based on hist and implied vola
BA	The Boeing Company	IL	Deloitte	31.50%	10	6.0	3	15.70			Black-Scholes	6.080	2.90%	3.00%	Exp Vol based on hist and implied vola; Exp Term SAB 110
BAC	Bank of America Corporation	NC	PwC	-	-	-	-	-	-	-	-	-	-	-	-
CAT	Caterpillar Inc.	IL	PwC	36.40%	10	7.0	3	22.31			Lattice SOEF	7.556	3.61%	2.30%	Exp Vol range 35.2-51.8%; Int Rate range 0.32-3.61%; Exp Term b/o hist data
CSCO	Cisco Systems, Inc.	CA	PwC	30.50%	10	5.1	4	6.50			Lattice SOEF	4.000	2.30%	0.00%	Skewness 0.2, Kurtosis 4.1; Exp Vol based on implied vola of 2 yr traded option
CVX	Chevron Corporation	CA	PwC	30.80%	10	6.1	3	16.28			Black-Scholes	15.454	2.90%	3.90%	Exp Vol based on hist vola; Exp Term based on hist exer and post-vest cancellation
DD	E.I. du Pont de Nemours and Co	DE	PwC	32.44%	7	5.3	3	6.44			Black-Scholes	6.378	2.60%	4.90%	Exp Vol based on hist daily vola; Exp Term is based on hist experience
DIS	The Walt Disney Company	CA	PwC	32.00%	10	-	4	9.43	1.40	2.50%	Lattice SOEF	12.000	3.50%	1.41%	Exp Vol based on hist and implied vola
GE	General Electric Company	CT	KPMG	35.00%	10	6.9	5	4.11			Black-Scholes	105.227	2.90%	3.90%	Exp Vol based on hist and implied vola; Dividend Yield based on 5-year hist avg
HD	The Home Depot, Inc.	GA	KPMG	26.40%	10	5.0	4	6.70			Black-Scholes	3.723	3.10%	2.90%	Market Condition Performance Price Target options also granted
HPQ	Hewlett-Packard Company	CA	E&Y	30.00%	8	5.1	4	13.33			Black-Scholes	11.939	2.06%	0.68%	Expected Vol based on implied (ESO), hist (TSR); Exp Term based on hist data
IBM	International Business Machines	NY	PwC	-	-	-	-	-	-	-	-	-	-	-	-
INTC	Intel Corporation	CA	E&Y	28.00%	7	4.9	4	4.82			Black-Scholes	20.200	2.50%	2.70%	Exp Vol based on implied vola; Exp Term based on simplified method
JNJ	Johnson & Johnson	NJ	PwC	17.40%	10	6.0	4	8.03			Black-Scholes	13.996	2.78%	3.30%	Exp Vol 4-yr daily hist vola, 5-week avg implied vola of 2-yr opts; Exp Term hist exp
JPM	JP Morgan Chase & Co.	NY	PwC	37.00%	10	6.4	5	12.27			Black-Scholes	-	3.89%	3.13%	Exp Vol based on implied vola; Exp Term hist exp; Exp Div based on hist yields
KFT	Kraft Foods Inc.	IL	PwC	19.86%	10	6.0	3	3.69			Black-Scholes	18.077	2.82%	4.14%	Exp Vol based on hist vola; Exp Term based on simplified method
KO	The Coca-Cola Company	GA	E&Y	20.00%	10	6.0	4	9.39			BSM	23.000	3.00%	2.90%	Exp Vol based on hist and implied vola; Exp Term based on hist exer behavior
MCD	McDonald's Corporation	IL	E&Y	22.10%	10	6.2	4	9.90			Closed-Form	4.500	2.80%	3.50%	Exp Vol based on hist vola; Exp Term based on historical trends
MMM	3M Company	MN	PwC	25.70%	10	6.0	3	16.50			Black-Scholes	5.788	2.80%	2.50%	Exp Vol avg of hist vola (1-yr, rolling, exp life) and implied vola
MRK	Merck & Co., Inc.	NJ	PwC	33.70%	10	6.8	3	7.99			Black-Scholes	7.508	2.80%	4.10%	Exp Vol based on hist and implied vola; Contractual Term range 7-10 yrs
MSFT	Microsoft Corporation	WA	Deloitte	-	-	-	-	-	-	-	-	-	-	-	ESPP and Performance Condition stock awards issued, no ESOs granted
PFE	Pfizer Inc.	NY	KPMG	26.85%	10	6.3	3	3.25			BSM	70.327	2.87%	4.00%	Exp Vol uses hist and implied vola; Exp Term uses hist exer and post-vest forf
PG	The Procter & Gamble Company	OH	Deloitte	18.00%	10	8.8	3	13.47			Lattice SOEF	26.581	3.70%	2.20%	Exp Vol range 15-20%; Int Rate range 0.3-4.0%; Exercise behavior based on hist
T	AT&T Inc.	TX	E&Y	15.75%	10	7.0	3	1.34			Black-Scholes	4.00	3.06%	6.61%	Exp Term based on historical exercise experience
TRV	The Travelers Companies, Inc.	NY	KPMG	28.40%	10	6.0	3	11.94			Black-Scholes	2.687	2.71%	2.58%	Exp Vol range 28.3-29.1%; Int Rate range 1.68-2.71%; Exp Div range \$1.32-1.44
UTX	United Technologies Corporation	CT	PwC	25.00%	10	7.9	3	17.86			Binomial Lattice	0.529	4.00%	2.70%	Exp Vol range 24-28%; Exp Term range 7.4-7.9 years; Int Rate range 0.1-4%
VZ	Verizon Communications Inc.	NY	E&Y	-	-	-	-	-	-	-	-	-	-	-	No ESOs since 2004; Restricted Stock Units and Performance Stock Units
WMT	Wal-Mart Stores, Inc.	AR	E&Y	17.10%	10	6.1	5	12.53			BSM	1.921	1.80%	2.30%	Exp Vol based on hist vola; Exp Term based on hist exercise and expiration activity
XOM	Exxon Mobil Corporation	TX	PwC	28.50%	-	2.5	-	-			Monte Carlo	12.393	0.90%	3.00%	Monte Carlo simulation, suboptimal exercise factor, hist and implied vola
<b>Average Calculations</b>				28.48%	9.7	6.0	3.6					15.8	2.87%	2.91%	
<b>Minimum</b>				15.75%	7.0	2.5	3.0						0.90%	0.00%	
<b>Maximum</b>				51.00%	10.0	8.8	5.0						4.00%	6.61%	

Source: Company 10-K Reports for FY2010  
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