Extra Space Storage Inc.
Form 10-Q
November 07, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended September 30, 2007
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to .

Commission File Number: 001-32269

EXTRA SPACE STORAGE INC.

(Exact name of registrant as specified in its charter)

Maryland	**20-1076777**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2795 East Cottonwood Parkway, Suite 400
Salt Lake City, Utah 84121
(Address of principal executive offices)

Registrant s telephone number, including area code: **(801) 562-5556**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares outstanding of the registrant s common stock, par value $0.01 per share, as of October 31, 2007 was 65,299,160.

EXTRA SPACE STORAGE INC.

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STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information set forth in this report contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as believes, expects, estimates, may, will, should, anticipates, or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management s examination of historical operating trends and estimate of future earnings, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management s expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks referenced in Part II. Item 1A. Risk Factors below and in Part I. Item 1A. Risk Factors included in our most recent Annual Report on Form 10-K. Such factors include, but are not limited to:

changes in general economic conditions and in the markets in which we operate;

the effect of competition from new self-storage facilities or other storage alternatives, which could cause rents and occupancy rates to decline;

potential liability for uninsured losses and environmental contamination;

difficulties in our ability to evaluate, finance and integrate acquired and developed properties into our existing operations and to lease up those properties, which could adversely affect our profitability;

the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing real estate investment trusts, which could increase our expenses and reduce our cash available for distribution;

difficulties in raising capital at reasonable rates, which could impede our ability to grow;

delays in the development and construction process, which could adversely affect our profitability; and economic uncertainty due to the impact of war or terrorism, which could adversely affect our business plan.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Extra Space Storage Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2007 (unaudited)	December 31, 2006
Assets:		
Real estate assets:		
Net operating real estate assets	$ 1,707,384	$ 1,382,055
Real estate under development	49,943	35,336
Net real estate assets	1,757,327	1,417,391
Investments in real estate ventures	89,876	88,115
Cash and cash equivalents	41,830	70,801
Short-term investments	49,200	
Restricted cash	36,642	44,282
Receivables from related parties and affiliated real estate joint ventures	9,447	15,880
Other assets, net	35,253	33,356
Total assets	$ 2,019,575	$ 1,669,825
Liabilities, Minority Interests and Stockholders Equity:		
Notes payable	$ 902,930	$ 828,584
Notes payable to trusts	119,590	119,590
Exchangeable senior notes	250,000	
Line of credit		
Accounts payable and accrued expenses	33,951	25,704
Other liabilities	18,416	17,234
Total liabilities	1,324,887	991,112
Commitments and contingencies		
Minority interest represented by Preferred Operating Partnership units, net of $100,000 note receivable (Note 15)	30,427	
Minority interest in Operating Partnership	36,807	34,841
Other minority interests	164	317
Stockholders equity:		
Preferred stock , $0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding		
Common Stock, $0.01 par value, 300,000,000 and 200,000,000 shares authorized at September 30,2007 and December 31, 2006, respectively, and 65,276,108 and 64,167,098 shares issued and outstanding at September 30, 2007 and December 31, 2006 respectively	653	642
Paid-in capital	825,130	822,181
Accumulated deficit	(198,493)	(179,268)
Total stockholders equity	627,290	643,555
Total liabilities, minority interests and stockholders equity	$ 2,019,575	$ 1,669,825

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share data)
(unaudited)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Revenues:				
Property rental	$ 55,209	$ 44,682	$ 149,832	$ 125,877
Management and franchise fees	5,169	5,357	15,520	15,697
Tenant insurance	3,027	716	7,858	2,608
Development fees	97	47	334	272
Other income	324	386	608	635
Total revenues	63,826	51,188	174,152	145,089
Expenses:				
Property operations	19,607	16,613	53,855	46,603
Tenant insurance	1,397	284	3,587	1,506
Unrecovered development and acquisition costs	184	(87)	593	255
General and administrative	9,326	8,598	27,534	26,590
Depreciation and amortization	10,598	9,253	28,517	27,586
Total expenses	41,112	34,661	114,086	102,540
Income before interest, Preferred Operating Partnership, minority interests and equity in earnings of real estate ventures	22,714	16,527	60,066	42,549
Interest expense	(16,079)	(13,429)	(44,912)	(38,198)
Interest income	1,821	175	6,937	805
Interest income on note receivable from Preferred Unit holder	1,280		1,280	
Equity in earnings of real estate ventures	1,304	1,340	3,693	3,566
Fair value adjustment of obligation associated with Preferred Operating Partnership units (Note 15)	1,054		1,054	
Minority interest - Operating Partnership	(869)	(306)	(1,768)	(585)
Minority interests - other	113		153	
Net income	11,338	4,307	26,503	8,137
Fixed distribution paid to Preferred Operating Partnership unit holder (Note 15)	(1,510)		(1,510)	
Net income available to common stockholders	$ 9,828	$ 4,307	$ 24,993	$ 8,137
Net income per common share				
Basic	$ 0.15	$ 0.08	$ 0.39	$ 0.16
Diluted	$ 0.15	$ 0.08	$ 0.38	$ 0.16
Weighted average number of shares				
Basic	64,901,249	52,501,864	64,461,353	51,929,336
Diluted	70,567,078	57,072,838	69,702,837	56,250,164
Cash dividends paid per common share	$ 0.23	$ 0.23	$ 0.68	$ 0.68

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Condensed Consolidated Statement of Stockholders Equity
(in thousands, except share data)
(unaudited)

	Common Stock				Paid-in		Accumulated		Total Stockholders
	Shares		Par Value		Capital		Deficit		Equity
Balances at December 31, 2006	64,167,098		642		822,181		(179,268)		643,555
Issuance of common stock upon the exercise of options	99,290		1		1,338				1,339
Restricted stock grants issued	119,329		1						1
Restricted stock grants cancelled	(2,607)								
Conversion of Contingent Conversion Shares to common stock	892,998		9						9
Compensation expense related to stock-based awards					1,611				1,611
Fixed distribution paid to Preferred Operating Partnership unit holder							(1,510)		(1,510)
Net income							26,503		26,503
Dividends paid on common stock at $0.6825 per share							(44,218)		(44,218)
Balances at September 30, 2007	65,276,108	$	653	$	825,130	$	(198,493)	$	627,290

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended September 30, 2007	2006
Cash flows from operating activities:		
Net income	$ 26,503	$ 8,137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,517	27,586
Amortization of deferred financing costs	2,457	2,111
Fair value adjustment of obligation associated with Preferred Operating Partnership units (Note 15)	(1,054)	
Stock compensation expense	1,611	1,377
Income allocated to minority interests	1,615	585
Distributions from operations of real estate ventures in excess of earnings	3,454	3,423
Changes in operating assets and liabilities:		
Receivables from related parties	4,835	16,619
Other assets	5,045	3,607
Accounts payable and accrued expenses	8,247	(6,485)
Other liabilities	(2,378)	3,756
Net cash provided by operating activities	78,852	60,716
Cash flows from investing activities:		
Acquisition of real estate assets	(144,347)	(127,826)
Development and construction of real estate assets	(31,495)	(26,301)
Proceeds from sale of real estate assets	1,999	728
Investments in real estate ventures	(4,769)	(5,104)
Net purchases of short-term investments	(49,200)	
Change in restricted cash	7,640	1,451
Principal payments received on notes receivable		123
Purchase of equipment and fixtures	(835)	(1,217)
Net cash used in investing activities	(221,007)	(158,146)
Cash flows from financing activities:		
Proceeds from exchangeable senior notes	250,000	
Proceeds from notes payable, notes payable to trusts and line of credit	50,102	129,126
Principal payments on notes payable and line of credit	(31,135)	(65,213)
Deferred financing costs	(7,740)	(899)
Loan to Preferred OP unit holder	(100,000)	
Redemption of Operating Partnership units held by minority interest	(775)	
Proceeds from issuance of common shares, net		194,901
Net proceeds from exercise of stock options	1,339	565
Dividends paid on common stock	(44,218)	(35,407)
Distributions to Operating Partnership units held by minority interest	(4,389)	(2,610)
Net cash provided by financing activities	113,184	220,463
Net increase (decrease) in cash and cash equivalents	(28,971)	123,033
Cash and cash equivalents, beginning of the period	70,801	28,653
Cash and cash equivalents, end of the period	$ 41,830	$ 151,686

	Nine months ended September 30, 2007	2006
Supplemental schedule of cash flow information		
Interest paid, net of amounts capitalized	$ 37,756	$ 35,379
Supplemental schedule of noncash investing and financing activities:		
Acquisitions:		
Real estate assets acquired	$ 190,185	$ 27,091
Notes payable acquired	(54,350)	(10,878)
Notes receivable		(10,298)
Preferred Operating Partnership units issued as consideration	(131,499)	
Investment in real estate ventures	(502)	(2,785)
Minority interest in Operating Partnership	(3,834)	(3,130)
Conversion of Operating Parntership Units held by minority interests for common stock		1,811

See accompanying notes to unaudited condensed consolidated financial statements.

Extra Space Storage Inc.

Notes to Condensed Consolidated Financial Statements (unaudited)

Amounts in thousands, except share data

1. ORGANIZATION

Extra Space Storage Inc. (the Company) is a fully-integrated, self-administered and self-managed real estate investment trust (REIT), formed as a Maryland corporation on April 30, 2004 to own, operate, manage, acquire and develop self-storage facilities located throughout the United States. The Company continues the business of Extra Space Storage LLC and its subsidiaries, which had engaged in the self-storage business since 1977. The Company s interest in its properties is held through its operating partnership, Extra Space Storage LP (the Operating Partnership), which was formed on May 5, 2004. The Company s primary assets are general partner and limited partner interests in the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To the extent the Company continues to qualify as a REIT, it will not be subject to tax, with certain limited exceptions, on the taxable income that is distributed to its stockholders.

The Company invests in self-storage facilities by acquiring or developing wholly-owned facilities or facilities held through joint ventures with third parties. At September 30, 2007, the Company had direct and indirect equity interests in 585 storage facilities located in 33 states and Washington, D.C.

The Company operates in two distinct segments: (1) property management, acquisition and development; and (2) rental operations. The Company s property management, acquisition and development activities include managing, acquiring, developing and selling self-storage facilities. The rental operations activities include rental operations of self-storage facilities. No single tenant accounts for more than 5% of rental income.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2007 are not necessarily indicative of results that may be expected for the year ending December 31, 2007. The Condensed Consolidated Balance Sheet as of December 31, 2006 has been derived from the Company s audited financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission (SEC).

Certain amounts in the 2006 financial statements and supporting note disclosures have been reclassified to conform to the current year presentation. Such reclassification did not impact previously reported net income or accumulated deficit.

Recently Issued Accounting Standards

Emerging Issues Task Force (EITF) Topic D-109, *Determining the Nature of a Host Contract Related to a Hybrid Financial Instrument Issued in the Form of a Share under FASB Statement No. 133* (Topic D-109), discussed at the March 15, 2007 EITF meeting, is effective at the beginning of the first fiscal quarter beginning after June 15, 2007 (even if that period is other than the first fiscal quarter of the registrant s fiscal year). Topic D-109 provides the SEC staff s view as to how one must evaluate whether a preferred stock host contract is a debt host or an equity host. It states that the determination of the nature of the host contract for a hybrid financial instrument (that is, whether the nature of the host contract is more akin to debt or to equity) issued in the form of a share should be based on a consideration of economic characteristics and risks. The SEC staff believes that the consideration of the economic characteristics and risks of the host contract should be based on all the stated and implied substantive terms and features of the hybrid financial instrument. This may represent a change from the way these instruments were analyzed in the past.

The Company elected to early adopt Topic D-109 which specifically relates to the AAAAA Rent-A-Space acquisition that was completed during the quarter ended June 30, 2007. See Note 15.

3. NET INCOME PER SHARE

Basic earnings per common share is computed by dividing net income by the weighted average common shares outstanding, less non-vested restricted stock. Diluted earnings per common share measures the performance of the Company over the reporting period while giving effect to all potential common shares that were dilutive and outstanding during the period. The denominator includes the number of additional common shares that would have been outstanding if the potential common shares that were dilutive had been issued and is calculated using either the treasury stock or if converted method. Potential common shares are securities (such as options, warrants, convertible debt, Contingent Conversion Shares (CCS), Contingent Conversion Units (CCU), exchangeable Series A Participating Redeemable Preferred Operating Partnership units (Preferred OP units) and convertible Operating Partnership units) (OP units) that do not have a current right to participate in earnings but could do so in the future by virtue of their option or conversion right. In computing the dilutive effect of convertible securities, net income or loss is adjusted to add back any changes in earnings in the period associated with the convertible security. The numerator also is adjusted for the effects of any other non-discretionary changes in income or loss that would result from the assumed conversion of those potential common shares. In computing diluted earnings per share, only potential common shares that are dilutive, those that reduce earnings per share, are included.

The Company has $250.0 million of exchangeable senior notes issued and outstanding that also can potentially have a dilutive effect on its earnin-right: 2pt; border-top: 1px solid #000000"> **Disability Performance** *Vesting* Unvested shares fully vest **Shares** *Exercise Period* Not Applicable **Restricted** *Vesting* Unvested shares fully vest **Shares** *Exercise Period* Not Applicable **SARs and** *Vesting* Unvested shares fully vest

Stock Options

Exercise Period Earlier of (i) 1 year following termination by reason of death, or (ii) the 10th anniversary of the grant date Earlier of (i) 1 year following termination if death occurs within 90 days of thereof, or (ii) the 10th anniversary of grant date following termination

The vesting and exercise periods for all restricted stock, SARs, stock options, and performance share awards upon retirement or a change in control, as applicable, are discussed under the section entitled LTI Plans on page 42.

Perquisites

In addition to participation in other employee benefit plans that are generally applicable to all employees, named executive officers are eligible for the following perquisites:

- Personal travel on the Company aircraft
- Use of a Company automobile
- Financial planning and tax preparation services
- Country club memberships
- Participation in the Key Man Supplemental Medical Plan which provides medical, dental and vision coverage to the participant while employed by the Company up to $150,000, and upon retirement up to $150,000. This is a closed plan that no longer accepts new participants. Currently, Messrs. Powers and Davies are the only named executive officers who participate in this plan.

Outstanding Equity Awards at Fiscal Year End

The following table provides information on all restricted stock, SAR, stock option, and performance share awards held by the named executive officers of the Company and the value of such holdings measured as of December 31, 2008. All outstanding equity awards are in shares of the Company s Class B Common Stock.

	Option Awards				Stock Awards			
Name	No. of Securities Underlying Unexercised Options (#) Exercisable	No. of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)(1)	Option Expiration Date	No. of Shares or Units of Stock that have not Vested (#)(2)	Market Value of Shares or Units that have not Vested ($)(3)	Equity Incentive Plan Awards: No. of Unearned Shares, Units, or other Rights that have not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or other Rights that have not Vested ($)(5)
T. H. Powers	100,000	0	30.74	06/06/11	28,514	$ 931,837	43,647	$ 1,426,384
	200,000	0	36.20	12/01/12				
	190,000	0	44.31	11/30/13				
	190,000	0	47.95	12/05/14				
	100,319	0	49.755	12/05/15				
	61,176	30,587	52.85	12/04/16				
	28,361	56,723	54.56	12/03/17				
	0	163,178	29.275	12/01/18				
D. G. Nord	26,400	0	49.755	12/05/15	7,538	246,342	11,499	375,787
	15,845	7,922	52.85	12/04/16				
	7,540	15,080	54.56	12/03/17				
	0	43,210	29.275	12/01/18				
R. W. Davies	29,000	0	27.81	12/03/11	581	18,987	2,098	68,563
	32,000	0	36.20	12/01/12				
	25,000	0	44.31	11/30/13				
	30,000	0	47.95	12/05/14				

	15,840	0	49.755	12/05/15				
	10,400	5,200	52.85	12/04/16				
	9,684	19,369	54.56	12/03/17				
	0	55,252	29.275	12/01/18				
S. H. Muse	35,000	0	44.31	11/30/13	6,351	207,550	10,019	327,421
	45,000	0	47.95	12/05/14				
	26,400	0	49.755	12/05/15				
	15,845	7,922	52.85	12/04/16				
	6,225	12,452	54.56	12/03/17				
	0	35,418	29.275	12/01/18				
G. N. Amato	25,000	0	44.31	11/30/13	4,931	161,145	7,262	237,322
	25,000	0	47.95	12/05/14				
	13,200	0	49.755	12/05/15				
	8,565	4,282	52.85	12/04/16				
	4,842	9,685	54.56	12/03/17				
	0	29,397	29.275	12/01/18				

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(1) Options to acquire shares of Class B Common Stock of the Company were granted at the fair market value of the Class B Common Stock on the date of grant as set forth under the Company s Option Plan. Options vest in one-third increments on each anniversary of the date of grant or immediately in the event of a change in control, as defined in the Option Plan. Options were granted on June 7, 2001, December 4, 2001, December 2, 2002, December 1, 2003 and December 6, 2004. SARs were granted on and after December 5, 2005 under the Company s 2005 Incentive Award Plan and entitle the recipient to receive once vested the value in shares of the Company s Class B Common Stock equal to the positive difference between the base price and the fair market value of a share of Class B Common Stock upon exercise. One-third of the SARs vest and become exercisable each year on the anniversary of the date of grant. SARs fully vest upon a change in control, or termination of employment by reason of death or disability. SARs were granted on December 5, 2005, December 4, 2006, December 3, 2007 and December 1, 2008.

(2) Represents restricted stock granted on the following dates, each of which vests in three equal installments on the anniversary of the grant date, with full vesting on a change in control, death or disability. Unvested shares are forfeited upon termination of employment.

Name	Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)
T. H. Powers	12/04/06	3,421
	12/03/07	7,388
	12/01/08	17,705
D. G. Nord	12/04/06	886
	12/03/07	1,964
	12/01/08	4,688
R. W. Davies	12/04/06	581
S. H. Muse	12/04/06	886
	12/03/07	1,622
	12/01/08	3,843
G. N. Amato	12/04/06	479
	12/03/07	1,262
	12/01/08	3,190

(3) The restricted share market value was determined based on the closing market price of the Company s Class B Common Stock on December 31, 2008, the last business day of 2008, of $32.68.

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(4) Represents performance shares granted on the following dates, for the stated performance periods, the actual payout of which is based upon the satisfaction of performance criteria including the Company s (i) relative performance against two performance measures: total return to shareholders and operating profit improvements (02/09/07 and 12/03/07 grants), and (ii) total return to shareholders as compared to the total return to shareholders for companies who comprise the Standard & Poor s Mid-Cap 400 Index (12/01/08 grant), more specifically described under the section entitled Long-Term Incentive Compensation (Equity) beginning on page 22.

Name	Award Grant Date	Performance Period	Number of Shares or Units of Stock That Have Not Vested (#)
T. H. Powers	02/09/07	01/01/07 - 12/31/09	12,343
	12/03/07	01/01/08 - 12/31/10	11,290
	12/01/08	01/01/09 - 12/31/11	20,014
D. G. Nord	02/09/07	01/01/07 - 12/31/09	3,197
	12/03/07	01/01/08 - 12/31/10	3,002
	12/01/08	01/01/09 - 12/31/11	5,300
R. W. Davies	02/09/07	01/01/07 - 12/31/09	2,098
S. H. Muse	02/09/07	01/01/07 - 12/31/09	3,197
	12/03/07	01/01/08 - 12/31/10	2,478
	12/01/08	01/01/09 - 12/31/11	4,344
G. N. Amato	02/09/07	01/01/07 - 12/31/09	1,728
	12/03/07	01/01/08 - 12/31/10	1,928
	12/01/08	01/01/09 - 12/31/11	3,606

(5) The market or payout value of the unearned shares is based upon the closing market price of the Company s Class B Common Stock on December 31, 2008, the last business day of 2008, of $32.68.

Option Exercises and Stock Vested During Fiscal Year 2008

The following table provides information on the number of shares acquired and the value realized by the named executive officers during fiscal year 2008 on the exercise of SARs and stock options, and on the vesting of restricted stock. All SAR and stock option exercises are in shares of the Company s Class B Common Stock.

	Option Awards		Stock Awards	
Name	No. of Shares Acquired on Exercise (#)	Value Realized Upon Exercise ($)(1)	No. of Shares Acquired on Vesting (#)	Value Realized Upon Vesting ($)(2)
T. H. Powers	0	$ 0	10,693	$ 311,115
D. G. Nord	0	0	10,773	408,657
R. W. Davies	15,000	94,140	1,146	33,029
S. H. Muse	0	0	2,638	76,689

G. N. Amato	0	0	1,580	46,012

(1) The value realized upon the exercise of SARs and stock options.

(2) The value realized upon the vesting of restricted stock is calculated based on the closing market price of the Company s Class B Common Stock on the following vesting dates: September 19, 2008 $41.05, December 4, 2008 $28.18, December 5, 2008 $29.48, and December 3, 2008 $29.57.

Retirement Plans

The following table provides information related to the potential benefits payable to each named executive officer under the Company s Basic Plan (tax qualified retirement plan) and each of its supplemental non-qualified retirement plans (SERP Benefit(s)), which are unfunded.

Pension Benefits in Fiscal Year 2008

Name	Plan Name	No. of Years Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During the Last Fiscal Year ($)
T. H. Powers	Basic Plan	10.25	$ 251,299	$ 0
	SERP Benefit	10.25	13,945,140	0
D. G. Nord	SERP Benefit	3.25	821,412	0
R. W. Davies	Basic Plan	34.17	1,107,824	0
	SERP Benefit	26.00	3,470,530	0
S. H. Muse	Basic Plan	15.25	183,942	0
	SERP Benefit	6.00	1,267,641	0
G. N. Amato	Basic Plan	20.67	486,685	0
	SERP Benefit	20.67	787,756	0

(1) For the Basic Plan and SERP Benefit, the present values of accrued benefits at December 31, 2008 are determined based on a 6.50% discount rate and Pension Protection Act 2009 Optional Combined tables (gender distinct). Participants are assumed to retire at age 62.

Narrative Disclosure to Pension Benefits Table

Messrs. Powers, Davies and Muse are eligible to earn pension benefits under the Basic Plan, Executive Plan and Restoration Plan. Mr. Nord is eligible to earn pension benefits under the Contribution Plan and the Executive Plan. Mr. Amato is eligible to earn pension benefits under the Basic Plan, SMRP and Restoration Plan.

The Basic Plan provides for participation by all regular full-time salaried employees who were employed by covered Company units on December 31, 2003. The annual benefits under the Basic Plan are calculated under two formulas: one in effect prior to January 1, 2004, and the other in effect on and after January 1, 2004. Benefits earned prior to 2004 are calculated as 1.50% of final compensation per year of Company service through December 31, 2003, which includes both basic compensation and short-term incentive awards, reduced by 1.50% of primary social security benefit per year of service through December 31, 2003. For service after 2003, benefits are calculated as .85% of final average compensation which includes both basic compensation and short-term incentive awards, plus .65% of final average compensation in excess of an average social security wage base for each year of service

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earned after 2003, up to 35 years, plus 1.10% of final average compensation in excess of 35 years. However, participants in the Basic Plan who were age 50 and had 10 or more years of service as of December 31, 2003 will have benefits earned after 2003 calculated under the formula as in effect before 2003 or after 2004, depending on which produces a higher benefit. Early retirement benefits are available to participants who have reached age 55 and accrued at least 10 years of service; early retirement benefits are calculated under the same formula as normal retirement benefits, but reduced by 0.6% for each month by which the participant s early retirement is after age 60 but before age 65 and 0.3% for each month by which the participant s early retirement precedes age 60. Lump sum payments cannot be elected under the Basic Plan. Benefits under the Restoration Plan are calculated in the same manner as benefits under the Basic Plan, but without regard to any limits on compensation or benefit accruals that may apply under the Basic Plan as required by the tax-qualified plan rules

The Executive Plan provides key management executives the opportunity to earn pension benefits supplementing those earned under the Basic Plan. Executive Plan benefits are calculated as 6% of final total compensation (basic compensation and short-term incentive awards as reflected in the Salary and Non-Equity Incentive Plan Compensation columns under the Summary Compensation Table on pages 28 and 29 hereof) per year of service under the Executive Plan up to a maximum of 60%, offset by benefits payable under the Basic Plan and Restoration Plan, or in the case of Mr. Nord the actuarial equivalent value of his account balance under the Contribution Plan attributable to a discretionary profit sharing contribution. Early retirement benefits are available to participants who elect to retire on or after age 55; early retirement benefits are calculated under the same formula as normal retirement benefits except that the early retirement benefit is based upon the participant s years of service up to the participant s actual early retirement date reduced by 0.3% for each month by which the participant s early retirement precedes age 62 and by an additional 0.2% for each month by which the participant s early retirement precedes age 60. Except as otherwise provided, for certain Executive Plan participants who have entered into Continuity Agreements with the Company (discussed below, in the Potential Post-Employment and Change in Control Payments section on page 38), no benefit is payable under the Executive Plan if a participant terminates employment prior to age 55 with less than 10 years of service under the Executive Plan (but such participant may be entitled to a benefit under the Restoration Plan). Executive Plan benefits are payable based on a 50% joint and survivor form of annuity distribution, except that benefits are paid out as a lump sum upon a change in control event, as defined in the Executive Plan, or in the case of a benefit valued under $10,000.

Benefits under the SMRP are calculated as 3% of the difference between the participant s average highest three years of compensation in the ten years prior to retirement (or if less the total number of years) over the participant s Social Security benefit, times the participant s years of service under the SMRP, plus the amount of benefit accrued under the Basic Plan and Restoration Plan through the date participation in the SMRP began (subject to a maximum of 60% of average highest three years compensation), less benefits under Basic Plan and Restoration Plan for all years of service or if applicable the actuarial equivalent value of his account balance under the Contribution Plan attributable to a discretionary profit sharing contributions. Early retirement benefits are available to participants who elect to retire on or after age 55; early retirement benefits are calculated under the same formula as normal retirement benefits except that the early retirement benefit is based upon the participant s years of service up to the participant s actual early retirement date reduced by 0.3% for each month by which the participant s early retirement precedes age 65 and by an additional 0.2% for each month by which the participant s early retirement precedes age 60. Except as otherwise provided, for certain SMRP participants who have entered into Continuity Agreements with the Company (discussed below, in the Potential Post-Employment and Change in Control Payments section on page 38), no benefit is payable under the SMRP if a participant terminates employment prior

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to age 55 with less than 5 years of service under the SMRP (but such a participant may be entitled to a benefit under Restoration Plan). SMRP benefits are payable based on a life annuity distribution except for benefits are paid out as a lump sum upon a change in control event, as defined in the SMRP. Married participants also will have a death benefit equal to 50% of their annuity payable to their spouse for the spouse s life, in the event that the participant dies.

Non-Qualified Deferred Compensation

The following table provides information related to the benefits payable to each named executive officer under the Company s Executive Deferred Compensation Plan (EDCP) discussed below.

Non-Qualified Deferred Compensation in Fiscal Year 2008

Name	Executive Contributions in 2008 ($)(1)	Registrant Contributions in 2008 ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at 12/31/08 ($)(4)
T. H. Powers	$ 627,750	$ 0	$ 0	$ 0	$ 0
D. G. Nord	$ 196,560	$ 0	$ 0	$ 0	$ 0
R. W. Davies	$ 0	$ 0	$ 0	$ 0	$ 0
S. H. Muse	$ 0	$ 0	$ 0	$ 0	$ 0
G. N. Amato	$ 0	$ 0	$ 0	$ 0	$ 0

(1) Only Messrs. Powers and Nord elected to defer their 2008 short-term incentive awards into the EDCP. Both elected to defer 50% of the amount that is shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 28. This amount was earned and deferred for services in 2008, but contributed to the EDCP in February 2009.

(2) Although the EDCP allows for a discretionary contribution by the Company, no such contribution was made for 2008.

(3) No amounts had been previously deferred into the EDCP and therefore no earnings accrued for 2008. Contributions for 2008 were made in 2009.

(4) As of 12/31/2008 no amounts had been deferred into the EDCP.

Narrative Disclosure to the Non-Qualified Deferred Compensation Table

In 2007, the Company adopted the EDCP as a means of allowing selected individuals to defer up to 50% of their annual short-term incentive compensation. Individuals are selected to participate in the EDCP by the Compensation Committee each year. Elections to defer into the EDCP must be made by December 31 of the year prior to the year in which the short-term incentive compensation is earned. As a result, elections to defer 2008 short-term incentive compensation were made by December 31, 2007. The Company, in its discretion, may also contribute to the EDCP for participants. Participants are 100% vested in all deferrals which they contribute to the EDCP. If the Company contributes to the EDCP, it may require such contributions to be subject to vesting, or other restrictions as it may determine at that time. Amounts deferred into the EDCP are invested at the discretion of the participant in such mutual funds as the Compensation Committee may select as being available under the EDCP. At

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the time of deferral, the participant also elects the date on which distribution of deferrals (any Company contributions) for that year and earnings thereon are to be distributed. Distributions can be made at anytime while the participant remains an employee (but no sooner than two years after the year for which the deferral is made), upon separation from service or upon a change in control. Distributions upon separation from service may be made in lump sum or installments over 5, 10 or 15 years, as elected by the participant at the time of deferral. In service distributions and distributions made upon a change in control are made in a lump sum. Participants may also access their accounts under the EDCP in the event of an unforeseen emergency.

Potential Post-Employment and Change in Control Payments

The table below is intended to reflect only estimated incremental post-termination payments payable to a named executive officer in the event of termination of employment due to death, disability, involuntary termination without cause, or a change in control. No incremental amounts are payable upon voluntary termination of employment or termination for cause, accordingly these scenarios are not contained in the table. The benefits payable to the named executive officers under the four termination scenarios are provided in accordance with the terms of the plans and agreements described in the narrative following this table. Accordingly, the amounts in the table DO NOT include:

any value that would be realized upon the exercise of vested SARs or stock options (estimates of these amounts are provided above under the tabular and narrative section entitled Outstanding Equity Awards at Fiscal Year End on page 32), and

the estimated value of vested and accrued pension benefits that would be received upon any termination of employment under the Company s pension plans except to the extent of additional service or compensation to which the individual may be entitled as a result of the arrangements described under Continuity Agreements in the narrative following this table (the estimated value of vested and accrued pension benefits are provided above in the section entitled Retirement Plans and in the table Pension Benefits in Fiscal Year 2008 on page 35).

The amounts presented in the following table are estimates only and do not necessarily reflect the actual value of the payments and other benefits that would be received by the named executive officers, which would be known only at the time employment actually terminates and if a change in control were actually to occur. The amounts set forth below reflect what each named executive officer would receive under the termination scenarios set forth above using the following assumptions:

Termination of employment or change in control, as applicable, occurred on December 31, 2008.

Exercised all unvested SARs and received all restricted stock and performance shares that became vested upon death, disability, or a change in control, the value of which was calculated using the closing market price of the Company s Class B Common Stock on December 31, 2008, of $32.68.

Declared by the Compensation Committee to have incurred a Total Disability (as defined under the Executive Plan or SMRP, as applicable) for purposes of calculating amounts due to the executive for termination based on disability.

There was no discretionary allowance for outplacement services under the Company s severance policy.

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Post-Employment and Change in Control Payment Table

Name	Severance ($)(1)	Equity Awards with Accelerated Vesting ($)(2)	Retirement Plan Benefits (Qualified and Non-Qualified) ($)(3)	Tax Gross Up and Welfare Benefits ($)	Total ($)
T. H. Powers					
Death		2,913,842			2,913,842
Disability		2,913,842	2,772,025		5,685,867
Involuntary Termination	722,699				722,699
Change in Control	7,830,301	2,913,842	3,926,196	5,689,660	20,359,999
D. G. Nord					
Death		769,259			769,259
Disability		769,259	6,737,730		7,506,989
Involuntary Termination	106,629				106,629
Change in Control	2,936,171	769,259	3,376,183	3,115,475	10,197,088
R. W. Davies					
Death		275,683			275,683
Disability		275,683	523,996		799,679
Involuntary Termination	551,578				551,578
Change in Control	1,834,979	275,683	724,259	1,347,066	4,181,987
S. H. Muse					
Death		655,569			655,569
Disability		655,569	4,679,258		5,334,827
Involuntary Termination	484,939				484,939
Change in Control	1,831,061	655,569	3,452,199	2,944,865	8,883,694
G. N. Amato					
Death		498,564			498,564
Disability		498,564	1,346,010		1,844,574
Involuntary Termination	504,174				504,174
Change in Control	1,707,126	498,564	2,983,029	2,562,897	7,751,616

(1) Severance amounts for (a) involuntary termination were calculated in accordance with the terms of the Company s severance policy, and (b) change in control were calculated in accordance with the terms of the named executive officer s Continuity Agreement, both of which are discussed below.

(2) Calculated in accordance with the terms of the named executive officer s long-term incentive award grants discussed below on page 42.

(3) Calculated as of December 31, 2008 based on a 6.50% discount rate and using the disability mortality table published in Internal Revenue Ruling 96-7. This table assumes a different life expectancy than the Pension

Protection Act 2009 Optional Combined tables used to calculate the present value of accumulated benefits under the Company s retirement plans. In the event of disability, the incremental retirement plan benefit was calculated by comparing the disability benefit to the vested accrued benefit under the qualified and non-qualified plans as of December 31, 2008.

Narrative to Post-Employment and Change in Control Payment Table

Severance Policy

The Company has a severance policy which covers the named executive officers, as well as other officers and individuals (Eligible Individual(s)). The severance policy provides that if an Eligible Individual s employment is terminated (other than for cause and not in connection with a change in control), the Eligible Individual is entitled to receive salary continuation equal to 4 weeks of base salary for each full year of service, subject to a minimum of 13 weeks and a maximum of 78 weeks. In addition, upon such termination of employment, the Eligible Individual is entitled to continued group life, medical and dental benefits for the salary continuation period and a discretionary allowance for outplacement services.

The severance policy also provides benefits to Eligible Individuals in the event of a change in control, or if the Eligible Individual terminates employment for good reason within three years of a change of control. In such scenario, the Eligible Individual would be entitled to receive the present value (discounted at 120% of the short term federal rate) of the severance amounts provided under the policy. The formula in the case of corporate officers is based upon 4 weeks of base salary continuation for each full year of service, subject to a minimum of 13 weeks and a maximum of 104 weeks, with the formula amount reduced by 67% and 33%, respectively, if termination occurs in the second and third year following the change of control event. In addition, upon such termination of employment, the Eligible Individual would be entitled to (a) a short-term incentive award of no less than the individual s STI Target for the year in which the change of control occurs, pro rated for the number of months to such termination, and (b) for the period the base salary would have been continued even though paid as a lump sum (i) various medical and health plans, and (ii) death and accidental death benefits. The reasons for which the Eligible Individual may terminate employment include: diminution in authority, reduction in compensation level, relocation, or adverse modification of benefits under short-term incentive compensation, benefit or similar plans.

However, if a named executive officer is entitled to receive change in control benefits under a Continuity Agreement (discussed below), such executive is not also eligible to receive severance benefits under the Company s severance policy. On the other hand, if the termination of a named executive officer is not in connection with a change in control, the named executive officer is entitled to receive the benefits under the Company s severance policy.

Continuity Agreements

The Company is a party to agreements with the named executive officers which provide severance benefits in the event of a termination of employment following certain change in control events (the Continuity Agreements). A change in control is generally defined as a change in the majority of the Company s Board of Directors during any 12 month period, the acquisition by a party directly or indirectly of 30% or more of the voting power of the Company, a sale of substantially all of the Company s assets, the acquisition by a party of more than 50% of either the voting power of the Company or the fair market value of the Company. If such event occurs, the terminated executive would receive the following benefits:

A lump sum amount equal to three times the sum of the executive s annual base salary and annual short-term incentive award (as calculated under the Continuity Agreements).

A pro-rated portion of the executive s annual STI Target for the year in which termination occurs.

Enhanced SERP Benefits. In particular, an executive who receives benefits under a Continuity Agreement will become entitled to SERP Benefits regardless of age and years of service. For the named executive officers other than Mr. Amato, their SERP Benefit will also be calculated based on the executive s full years of service, but if the executive s service is less than five years, the executive will be credited with at least five years of service. Mr. Amato s SERP Benefit will be calculated based on 8 1/3 years of service. Additionally, none of the executive s SERP Benefits will be reduced actuarially for early payment.

Outplacement services at a cost to the Company not exceeding 15% of the executive s annual base salary.

Medical, dental, vision and life insurance coverage under the Company s benefit plans for up to 36 months after termination.

All other accrued or vested benefits which the executive is entitled to under benefit plans in which the executive participates (offset by any corresponding benefits under the Continuity Agreements).

A gross-up payment from the Company to cover any excise taxes (and any income taxes on the gross-up amount) imposed on these severance payments and benefits as a result of their being paid in connection with a change in control. The Company will not provide a gross-up payment to cover any excise taxes if the total value of the gross-up payments and benefits is less than $50,000 higher than the greatest amount which could be paid without being subject to excise taxes (in which event such payments and benefits will be reduced by the amount of the excess).

No benefits are payable under the Continuity Agreements if a named executive officer is terminated for cause which includes (a) continued and willful failure to perform the executive s duties after receipt of a written demand to perform, (b) gross misconduct materially and demonstrably injurious to the Company and (c) conviction of, or plea of *nolo contendere* to, a felony, or if the named executive officer terminates other than employment for good reason which includes (a) material and adverse diminution in the executive s duties and responsibilities, (b) reduction in cash compensation or failure to annually increase base salary, (c) relocation of the executive s workplace to a location that is more than 35 miles from the executive s workplace as of the date immediately prior to the change in control, and (d) in the case of Messrs. Powers and Davies, any election by the executive to terminate employment during a thirty-day period following the first anniversary of the change in control (or, for Mr. Powers only, following his 65^{th} birthday).

Messrs. Powers and Davies are allowed to terminate their employment voluntarily during any thirty day period following the first anniversary of a change in control. This provision was designed to require the Company s highest level executives to stay on for at least a year (or, if earlier to age 65 in the case of Mr. Powers) following a change in control. At the time Messrs. Powers and Davies originally entered into their Continuity Agreements in 1999, the Company believed that a change in control would likely result in an immediate adverse diminution of these executive s duties or status, thus they would immediately have a constructive termination and would be able to receive severance benefits at such time. However, upon further review in 2005, the Company thought that the continued services of management might be desirous following a change in control in order to provide for a better transition. Accordingly, in 2005 the agreements were modified to provide that no diminution of duties would be deemed to have occurred solely due to the Company ceasing to be a public company or becoming a wholly owned subsidiary of another company, thereby eliminating an automatic constructive termination of the executives just by reason of a change in control. In addition, these executives were allowed the right to terminate their employment for any reason during the thirty day period following the first anniversary of a change in control, which preserved their

walk away rights and still provided any acquirer with a possible transition of services. Mr. Powers also has the right to terminate at sixty-five if earlier, as that was a provision his predecessor had under his Continuity Agreement and the Board wanted to ensure that Mr. Powers agreement was substantially similar to his predecessor s.

The Company has established a grantor trust to secure the benefits to be provided under the Continuity Agreements, the Executive Plan, SMRP and Restoration Plan, and other plans maintained by the Company for the benefit of members of the Company s senior management.

LTI Plans

The Company s LTI Plans provide for the accelerated vesting of all restricted stock, SARs, stock options (other than incentive stock options granted on or after January 1, 1987) and performance share awards in the event of a change of control as defined in the LTI Plans.

In the event of retirement, a named executive officer who meets the Rule of 70 is entitled to an extended vesting and exercise period for their unvested performance shares and SARs. In the case of stock options, a named executive officer who is deemed to have retired with the consent of the Company is also eligible for an extended vesting and exercise period. The following table sets forth the exercise periods for performance shares, SARs and stock options upon the termination of a named executive officer with and without extended vesting and exercisability:

Award Type	Exercise Period (Without Extended Vesting)	Exercise Period (With Retirement Extended Vesting)
Performance Shares(1)	Unvested performance shares forfeited.	Entitled to receive pro-rata portion of shares named executive officer would have received had he or she not retired.
SARs	Exercisable until the earlier of: (i) 90 days following date of termination of employment, or (ii) the tenth anniversary of the grant date.	Exercisable until the tenth anniversary of the grant date.
Stock Options	Exercisable until the earlier of: (i) the date of expiration stated in the grant, or (ii) the close of business 3 months after the date of termination of employment.	Grants made prior to 2004, exercisable until later of: (i) 3 years after date of retirement, or (ii) 12 months after death if death occurs within 3 years after the date of retirement. However, not later than exercise period stated in grant. Grants made in 2004 exercisable until the tenth anniversary of the grant date.

(1) Assumes satisfaction of performance criteria.

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SERP Benefit Plans

Certain provisions of the Executive Plan and SMRP do not take effect until the occurrence of certain change of control events. Among others, provisions in the Executive Plan and SMRP providing for the (i) suspension, reduction or termination of benefits in cases of gross misconduct by a participant (as determined in the sole discretion of the Compensation Committee); (ii) forfeiture of benefits if a retired participant engages in certain proscribed competitive activities; (iii) reduction in benefits upon the early retirement of a participant; and (iv) offset of amounts which a participant may then owe the Company against amounts then owing the participant under the Executive Plan and SMRP are automatically deleted upon the occurrence of a change of control event. In addition, neither a participant s years of service with the Company (as calculated for the purpose of determining eligibility for SERP Benefits), nor SERP Benefits accrued prior to the change of control event, may be reduced after the occurrence of a change of control event. If a participant s employment is terminated after a change of control, unless the participant elects to receive a distribution of SERP Benefits in installment payments, the participant will receive payment of SERP Benefits in one lump sum (utilizing actuarial assumptions established in the Executive Plan and SMRP) within 10 days after termination.

Compensation of Directors

The Nominating and Corporate Governance Committee annually reviews the status of the Company s Non-Management Director compensation in relation to other U.S. companies of comparable size and the Company s competitors. Such review considers all forms of compensation for the Company s Non-Management Directors. The Nominating and Corporate Governance Committee is supported in this review by Exequity, who provides compensation consultation and competitive benchmarking. Following the review, the Nominating and Corporate Governance Committee recommends any changes in Non-Management Director compensation to the Chairman of the Board, who places such proposal on the agenda for the Board s next meeting. After a full discussion, the Board approves or disapproves the Nominating and Corporate Governance Committee s recommendation.

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The following table provides information concerning the aggregate cash and other compensation paid to or accrued by the Company for Non-Management Directors for service rendered on the Company s Board of Directors during fiscal year 2008. Mr. Powers receives no compensation beyond that described above for his service as a Director.

Director Compensation Table for Fiscal Year 2008

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	All Other Compensation ($)(3)(4)(5)	Total ($)
E. Richard Brooks	$ 110,000	$ 23,600	$ 424,193	$ 557,793
George W. Edwards, Jr.	112,000	23,600	4,318	139,918
Anthony J. Guzzi	104,000	23,600	4,318	131,918
Joel S. Hoffman	108,000	23,600	4,318	135,918
Andrew McNally IV	112,000	23,600	4,318	139,918
Daniel J. Meyer	116,000	23,600	404,965	544,565
G. Jackson Ratcliffe	104,000	23,600	89,253	216,853
Richard J. Swift	106,000	23,600	4,318	133,918
Daniel S. Van Riper	108,000	23,600	318	131,918

(1) Includes the following amounts deferred and held under the Company s Deferred Plan for Directors: Mr. Brooks $55,000, Mr. Guzzi $104,000, Mr. Hoffman $21,600, Mr. Meyer $35,000, Mr. Swift $60,000, and Mr. Van Riper $60,000.

(2) Amounts in this column represent the expense recognized by the Company in the Company s Consolidated Statement of Income for 2008 under SFAS 123(R) for 750 shares of restricted stock granted in 2008. Pursuant to SEC rules the amount of compensation expense was calculated excluding forfeiture assumptions. The total grant date fair value of such awards was $35,400. The assumptions used to value these awards and determine the annual expense are disclosed in Note 18 to the Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K. Such shares were granted on May 5, 2008 and are forfeitable if the Director s service terminates for reasons other than death prior to the regularly scheduled Annual Meeting of Shareholders to be held on May 4, 2009. Such shares also vest and become nonforfeitable in full upon a Director s death or a change in control (as defined in the 2005 Incentive Award Plan). Except for stock units under the Company s Deferred Plan for Directors, none of the Non-Management Directors hold any other form of equity compensation.

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The following represents stock units (each stock unit consisting of one share each of Class A Common Stock and Class B Common Stock) held by each Non-Management Director under the Company s Deferred Plan for Directors:

	Aggregate No. of Stock Units Held at Year End (#)
E. Richard Brooks	9,049
George W. Edwards, Jr.	16,198
Anthony J. Guzzi	2,416
Joel S. Hoffman	20,112
Andrew McNally IV	33,261
Daniel J. Meyer	12,860
G. Jackson Ratcliffe	
Richard J. Swift	2,985
Daniel S. Van Riper	5,462

In 2008, Mr. Ratcliffe exercised 132,000 options that were granted to him when he was an employee of the Company for a realized value of $828,432.

(3) Includes the Company s payment of $318 for life and business travel accident insurance premiums for each Director.

(4) Includes a Company matching contribution to an eligible educational institution under The Harvey Hubbell Foundation Educational Matching Gifts Program in the following amounts: Mr. Brooks $4,000, Mr. Edwards $4,000, Mr. Guzzi $4,000, Mr. Hoffman $4,000, Mr. McNally $4,000, Mr. Meyer $3,000, Mr. Ratcliffe $4,000, and Mr. Swift $4,000.

(5) Includes the following lump sum distributions of accrued benefits under the Company s Retirement Plan for Directors, which plan closed effective December 31, 2007: Mr. Brooks $419,875, Mr. Meyer $401,647, and Mr. Ratcliffe $84,935.

Narrative to Director Compensation Table

Annual Compensation

Annual compensation for each Non-Management Director for 2008 consisted of the following:

A retainer of $60,000

An additional retainer of $10,000 for each Committee Chair

Board and Board Committee meeting fees of $2,000

A restricted share grant of 750 shares of Class B Common Stock after each annual meeting of shareholders which will vest at the next year s annual meeting of shareholders provided that the director is still serving as a director at the time of the meeting. The 2008 share grant was made on May 5, 2008, the date of the annual meeting of shareholders, to each Non-Management Director who was re-elected or first elected to the Board, subject to forfeiture if the Director s service terminates other than by reason of death prior to the date of the next regularly scheduled annual meeting of shareholders.

Deferred Plan for Directors

The Company and all current Directors (other than Messrs. Powers and Ratcliffe) have entered into an agreement to defer receipt of all or a portion of such fees pursuant to a deferred compensation agreement providing for payment of the fees in stock units (each stock unit consisting of one share each of the Company s Class A Common Stock and Class B Common Stock) or credited with interest at the prime rate as in effect at the Company s principal commercial bank on the date immediately following the quarterly directors meeting, subject to certain terms and conditions of the Company s Deferred Plan for Directors under which the fees are deferred. Messrs. Edwards and McNally no longer defer such fees, having exceeded the Company s stock ownership guidelines described below. In 2008, Directors were given a one-time election to receive all or part of their accounts under the Deferred Plan for Directors in 2009. Otherwise a Director s accounts are paid only after termination of his service with the Company. Dividend equivalents are paid on the stock units and are converted into additional stock units. Distributions are made in either a lump sum or in installment payments, at the Director s election.

Certain provisions of the Company s Deferred Plan for Directors do not take effect until the occurrence of certain change of control events, as defined in the plan. After the occurrence of a change of control event, the plan may not be amended without the prior written consent of an affected participant and no termination of the plan shall have the effect of reducing any benefits accrued under the plan prior to such termination. Further, in the event of a change of control, all amounts credited to a Director s account shall be paid in a lump sum, with amounts credited as stock units immediately converted into a right to receive cash. If the Board anticipates a change in control occurring, then the Company s Deferred Plan for Directors requires the Company to fund a grantor trust for the purpose of holding assets in respect of the Company s obligations to make payments, after a change of control. The Company has established a grantor trust to secure the benefits to be provided under the Company s Deferred Plan for Directors, but has yet to fund any such benefits into the trust.

Stock Ownership Guidelines for Directors

The Company has adopted stock ownership guidelines for all Directors. Under these guidelines, all Directors shall make a good faith effort to own, or acquire within five (5) years of first becoming subject to the stock ownership guidelines, shares of common stock of the Company (including share units under the Company s Deferred Compensation Plan for Directors, or any successor plan) having a market value, based upon the aggregate purchase price, of at least three (3) times the average base annual retainer paid to such Director in the following five (5) years. In addition, Directors who are first standing for election are encouraged to own 1,000 shares of any class, or a combination of classes of the Company s common stock prior to the filing of the proxy statement for the meeting at which the Director is scheduled to be elected. The stock ownership guidelines for directors are more fully described in the Company s Guidelines which can be found on its website at **www.hubbell.com**.

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RATIFICATION OF THE SELECTION OF AND RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

General

The selection of independent registered public accountants to examine the financial statements of the Company made available or transmitted to shareholders and filed with the SEC for the year 2009 is to be submitted to the meeting for ratification or rejection as a matter of good governance. PricewaterhouseCoopers LLP, 300 Atlantic Street, Stamford, Connecticut, has been selected by the Audit Committee of the Board of Directors of the Company to examine such financial statements.

PricewaterhouseCoopers LLP have been independent registered public accountants of the Company for many years. The Company has been advised that a representative of PricewaterhouseCoopers LLP will attend the Annual Meeting of Shareholders to respond to appropriate questions and will be afforded the opportunity to make a statement if the representative so desires.

The aggregate fees for professional services provided by PricewaterhouseCoopers LLP to the Company and its subsidiaries for the years ended December 31, 2008 and 2007, were as follows:

	2008	2007
Audit Fees	$ 2,175,600	$ 2,104,300
Audit-Related Fees	311,800	300,400
Tax Fees	239,400	127,800
All Other Fees	104,500	4,700
Total Fees	$ 2,831,300	$ 2,537,200

Audit Fees consist of fees for professional services rendered for the audits of (i) the Company s consolidated annual financial statements; and (ii) the effectiveness of internal control over financial reporting. Audit Fees also include review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements.

Audit-Related Fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company s consolidated financial statements and are not reported under Audit Fees. This category includes fees principally related to financial due diligence and audits of employee benefit plans in 2008 and 2007.

Tax Fees include domestic and international income tax planning assistance, expatriate individual tax return preparation work, and foreign entity compliance services.

All Other Fees consist of fees for products and services other than the services reported above. These services include fees related to the Company s debt offering and technical publications purchased from the independent registered public accountants.

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The Audit Committee considered whether the rendering of non-audit services by PricewaterhouseCoopers LLP to the Company is compatible with maintaining their independence and concluded that the non-audit services rendered would not compromise their independence.

The Company s Audit and Non-Audit Services Pre-Approval Policy (Services Policy) sets forth the policies and procedures by which the Audit Committee reviews and approves all services to be provided by PricewaterhouseCoopers LLP prior to retaining the firm. In developing these policies and procedures, the Audit Committee took into consideration the need to ensure the independence of PricewaterhouseCoopers LLP while recognizing that PricewaterhouseCoopers LLP may possess the expertise on certain matters that best positions it to provide the most effective and efficient services on certain matters unrelated to accounting and auditing. On balance, the Audit Committee will only pre-approve the services that it believes enhance the Company s ability to manage or control risk. The Audit Committee was also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services, and the total amount of fees for permissible non-audit services (excluding tax services). The Services Policy provides for the pre-approval by the Audit Committee of described services to be performed, such as audit, audit-related, tax and other permissible non-audit services. The term of any pre-approval is twelve months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. Any proposed services exceeding pre-approval or budgeted amounts also requires pre-approval by the Audit Committee. In the interim periods during which the Audit Committee is not scheduled to meet, the Chairman of the Audit Committee can authorize spending which exceeds pre-approved cost levels or budgeted amounts. As part of the process, the Audit Committee shall consider whether such services are consistent with SEC rules and regulations on auditor independence.

If the proposal to ratify the selection of PricewaterhouseCoopers LLP is not approved by the shareholders, or if prior to the 2010 Annual Meeting of Shareholders, PricewaterhouseCoopers LLP declines to act or otherwise becomes incapable of acting, or if its services are discontinued by the Audit Committee of the Board of Directors, then the Audit Committee of the Board of Directors will appoint other independent registered public accountants whose services for any period subsequent to the 2010 Annual Meeting of Shareholders will be subject to ratification by the shareholders at that meeting.

Audit Committee Report

The Audit Committee of the Board of Directors is comprised of independent Directors functioning in accordance with a written charter (the Charter) adopted and approved by the Board of Directors in May, 2000, which Charter is reviewed annually by the Audit Committee, and was last amended by the Board of Directors, effective December 7, 2004. As provided in the Charter, the Audit Committee assists the Company s Directors in fulfilling their responsibilities relating to corporate accounting, the quality and integrity of the Company s financial reports, and the Company s reporting practices. The functions of the Audit Committee are further described elsewhere in this Proxy Statement (see page 12).

In connection with the discharge of its responsibilities, the Audit Committee has taken a number of actions, including, but not limited to, the following:

the Audit Committee reviewed and discussed with management and the independent registered public accountants the Company s audited financial statements;

the Audit Committee discussed with the independent registered public accountants the matters required to be discussed by Statements on Auditing Standards Nos. 61 and 90 (Communication with Audit Committees); and

the Audit Committee received from the independent registered public accountants the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountants communications with the Audit Committee concerning independence, discussed their independence with them and satisfied itself as to the independence of the independent registered public accountants.

Based on the foregoing reviews and discussions, the Audit Committee recommended to the Company s Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the SEC.

Audit Committee

Daniel J. Meyer, Chairman
E. Richard Brooks
Anthony J. Guzzi
Joel S. Hoffman
Richard J. Swift
Daniel S. Van Riper

The affirmative vote of a majority of the votes cast by the holders of the outstanding shares of the Class A Common Stock and Class B Common Stock, all voting as a single class (provided that holders of shares representing a majority of the votes entitled to be cast actually cast votes) is required to ratify the selection of PricewaterhouseCoopers LLP as independent registered public accountants of the Company. Abstentions and broker non-votes will not affect the voting results although they will have the practical effect of reducing the likelihood that shares representing a majority of the votes entitled to be cast will in fact be cast.

The Board of Directors Unanimously Recommends that the Shareholders Vote FOR the Ratification of the Selection of PricewaterhouseCoopers LLP.

GENERAL

The expense of this solicitation is to be borne by the Company. The Company may also reimburse persons holding shares in their names or in the names of their nominees for their expenses in sending proxies and proxy material to their principals. The Company has retained D. F. King & Co., Inc. to assist in the solicitation of proxies, at an estimated cost of $10,000, plus reasonable expenses.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s executive officers (as defined), Directors and persons owning more than ten percent of a registered class of the Company s equity securities to file reports of ownership and changes in ownership of all equity and derivative securities of the

Company with the SEC and the NYSE. SEC regulations also require that a copy of all Section 16(a) forms filed be furnished to the Company by its officers, Directors and greater than ten-percent shareholders.

Based solely on a review of the copies of such forms and related amendments received by the Company and, where applicable, written representations from the Company s officers and Directors that no Form 5s were required to be filed, the Company believes that during and with respect to fiscal year 2008 all Section 16(a) filing requirements applicable to its officers, Directors and beneficial owners of more than ten percent of any class of its equity securities were met.

Review and Approval of Related Person Transactions

The Company reviews all relationships and transactions in which the Company and its Directors and executive officers or their immediate family members participate to determine whether such persons have a direct or indirect material interest. The Company s legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the Directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to the Company or a related person are disclosed in the Company s proxy statement. In addition, the Nominating and Corporate Governance Committee reviews and approves or ratifies any related person transaction that is required to be disclosed. See also the discussion under Director Independence above on page 9.

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SHAREHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING

Shareholder Proposals to be Considered for Inclusion in the Company s Proxy Materials. Shareholder proposals to be considered for inclusion in the Company s proxy materials related to the 2010 Annual Meeting of Shareholders pursuant to Rule 14a-8 (Rule 14a-8) under the Securities Exchange Act of 1934, as amended (the Exchange Act), must be received by the Company no later than November 19, 2009.

Shareholder Proposals Not Intended to be Included in the Proxy Materials Related to the 2010 Annual Meeting. The Company s By-Laws contain time limitations, procedures and requirements relating to director nominations or other shareholder proposals not intended to be included in the Company s proxy materials related to the 2010 Annual Meeting of Shareholders pursuant to Rule 14a-8. Such nominations or proposals (assuming the 2010 Annual Meeting of Shareholders is not held more than twenty days before or more than seventy days after May 4, 2010) must be received by the Company no earlier than February 3, 2010 and no later than February 23, 2010 or else management s proxies will retain the power to vote proxies received for the 2010 Annual Meeting of Shareholders in their discretion with respect to such proposals received later than February 23, 2010, assuming such a meeting date, and proposals where the proponent does not comply with Exchange Act Rule 14a-4(c)(2).

For additional information on the time limitations and requirements relating to director nominations or other shareholder proposals, see the sections entitled Director Nominations and Shareholder Nominations for Director beginning on page 13 of this Proxy Statement or the Company s By-Laws. The Company s By-Laws can be viewed on its website at **www.hubbell.com**.

By Order of the Board of Directors

Hubbell Incorporated

Orange, Connecticut
March 16, 2009

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PROXY

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
HUBBELL INCORPORATED
For Annual Meeting of Shareholders, May 4, 2009
(For Shares of Class A Common Stock)

The undersigned hereby appoints each of TIMOTHY H. POWERS and RICHARD W. DAVIES as proxies of the undersigned, with full power of substitution, to vote the shares of the undersigned in Hubbell Incorporated at the annual meeting of its shareholders and at any adjournment thereof upon the matters set forth in the notice of meeting and proxy statement for the 2009 annual meeting of shareholders and upon all other matters properly coming before said meeting or any adjournment thereof. **This proxy will be voted FOR the election of the directors and FOR Proposal 2, unless a contrary specification is made, in which case it will be voted in accordance with such specification.**

(Continued and to be signed on the other side.)

Address Change/Comments
(Mark the corresponding box on the reverse side)

BNY MELLON SHAREOWNER SERVICES
P.O. BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

5 **FOLD AND DETACH HERE**5
YOUR VOTE IS IMPORTANT!

You can vote in one of three ways:

1. Mark, sign and date your proxy card and return it promptly in the enclosed envelope.

or

2. Call TOLL FREE 1-866-540-5760 on a Touch Tone telephone and follow the instructions on the reverse side. There is NO CHARGE to you for this call.

or

3. Vote by Internet at our Internet Address: http://www.proxyvoting.com/hub

PLEASE VOTE TODAY

You can access, view and download this year s Annual Report and Proxy Statement at http://bnymellon.mobular.net/bnymellon/HUB.

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FOR SHARES OF CLASS A COMMON STOCK

Please mark your votes as indicated in this example x

The Board of Directors recommends that you vote FOR the election of all the nominees in Proposal 1 and FOR Proposal 2.

		FOR all nominees listed below (except as marked to the contrary below).	**WITHHOLD AUTHORITY** to vote for all nominees listed below.
PROPOSAL 1. ELECTION OF DIRECTORS:			
01 E. BROOKS	06 T. POWERS	o	o
02 G. EDWARDS	07 G. RATCLIFFE		
03 A. GUZZI	08 R. SWIFT		
04 J. HOFFMAN	09 D. VAN RIPER		
05 A. MCNALLY IV			

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, write that nominee s name in the space provided below.)

	FOR	**AGAINST**	**ABSTAIN**
Proposal 2. Ratification of the selection of PricewaterhouseCoopers LLP as independent registered public accountants for the year 2009.	o	o	o

Choose **MLink**SM for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect**® at www.bnymellon.com/shareowner/isd where step-by-step instructions will prompt you through enrollment.

Mark Here for Address Change or Comments o
SEE REVERSE

Signature **Signature** **Date**

NOTE: Please sign exactly as your name or names appear hereon. Persons signing in a representative capacity should indicate their capacity.

5 **FOLD AND DETACH HERE**5

WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

Hubbell Incorporated

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 4, 2009.

The Proxy Statement and Annual Report on Form 10-K are available at: **http://bnymellon.mobular.net/bnymellon/hub**

BY INTERNET

http://www.proxyvoting.com/hub

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

OR

BY TELEPHONE

1-866-540-5760

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

OR

BY MAIL

Mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

PX43376

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PROXY

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
HUBBELL INCORPORATED
For Annual Meeting of Shareholders, May 4, 2009
(For Shares of Class B Common Stock)

The undersigned hereby appoints each of TIMOTHY H. POWERS and RICHARD W. DAVIES as proxies of the undersigned, with full power of substitution, to vote the shares of the undersigned in Hubbell Incorporated at the annual meeting of its shareholders and at any adjournment thereof upon the matters set forth in the notice of meeting and proxy statement for the 2009 annual meeting of shareholders and upon all other matters properly coming before said meeting or any adjournment thereof. **This proxy will be voted FOR the election of the directors and FOR Proposal 2, unless a contrary specification is made, in which case it will be voted in accordance with such specification.**

(Continued and to be signed on the other side.)

	BNY MELLON SHAREOWNER SERVICES
Address Change/Comments	P.O. BOX 3550
	SOUTH HACKENSACK, NJ
(Mark the corresponding box on the reverse side)	07606-9250

5 **FOLD AND DETACH HERE** 5

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or

2. Call TOLL FREE 1-866-540-5760 on a Touch Tone telephone and follow the instructions on the reverse side. There is NO CHARGE to you for this call.

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PLEASE VOTE TODAY

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FOR SHARES OF CLASS B COMMON STOCK

Please mark your votes as indicated in this example x

The Board of Directors recommends that you vote FOR the election of all the nominees in Proposal 1 and FOR Proposal 2.

PROPOSAL 1. ELECTION OF DIRECTORS:	**FOR** all nominees listed below (except as marked to the contrary below).	**WITHHOLD AUTHORITY** to vote for all nominees listed below.
01 E. BROOKS 02 G. EDWARDS 03 A. GUZZI 04 J. HOFFMAN 05 A. MCNALLY IV 06 T. POWERS 07 G. RATCLIFFE 08 D. SWIFT 09 D. VAN RIPER	o	o

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, write that nominee s name in the space provided below.)

		FOR	**AGAINST**	**ABSTAIN**
Proposal 2.	Ratification of the selection of PricewaterhouseCoopers LLP as independent registered public accountants for the year 2009.	o	o	o

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Mark Here for Address Change or Comments **SEE REVERSE** o

Signature	**Signature**	**Date**

NOTE: Please sign exactly as your name or names appear hereon. Persons signing in a representative capacity should indicate their capacity.

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Hubbell Incorporated

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OR

BY MAIL

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