

Unum Group
Form DEF 14A
April 07, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Unum Group

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(2) Aggregate number of securities to which the transaction applies:

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Notice of Annual Meeting

and

Proxy Statement

Annual Meeting of Shareholders

Thursday, May 20, 2010

1200 Colonial Life Boulevard, Columbia, South Carolina

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April 7, 2010

Unum Group Shareholders:

On behalf of the Board of Directors and all of the employees of Unum Group, it is my pleasure to invite you to our 2010 Annual Meeting of Shareholders on Thursday, May 20, 2010. This year's meeting will be held at 10:00 a.m. Eastern Time at the corporate offices of our Colonial Life subsidiary located at 1200 Colonial Life Boulevard in Columbia, South Carolina.

The purpose of the meeting is to elect four directors for terms expiring in 2013 and to ratify Ernst & Young LLP as the company's independent registered public accounting firm for 2010. We will also consider any other business that may properly come before the meeting.

The Board of Directors recommends that you vote in favor of Items 1 and 2, which are described in the attached Proxy Statement. For more information on attending the Annual Meeting, voting eligibility and how to cast a ballot on these measures, please review the sections titled "About this Proxy Statement" that begins on page 9 and "About the Annual Meeting" that begins on page 107.

We are again furnishing proxy materials to shareholders over the Internet, which allows us to lower our costs and reduce the environmental impact. On April 7, 2010, we began mailing to certain shareholders a Notice of Internet Availability of Proxy Materials. The notice contains instructions on accessing our 2010 Proxy Statement and Annual Report over the Internet, and voting online. For those shareholders who have requested or are required by law to receive the Proxy Statement and Annual Report by mail, we have begun mailing paper copies of these proxy materials.

Thank you for your support of Unum. We look forward to seeing you at our Annual Meeting.

Sincerely,

Thomas R. Watjen

President and Chief Executive Officer

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April 7, 2010

Notice of 2010 Annual Meeting of Shareholders

Time and Date 10:00 a.m. Eastern Time on Thursday, May 20, 2010

Place Colonial Life & Accident Insurance Company
1200 Colonial Life Boulevard
Columbia, SC 29230

Webcast An audio webcast of the Annual Meeting will be available on our website at www.unum.com in the Investors area beginning at 10:00 a.m. Eastern Time on May 20, 2010. The webcast will be archived on the website through June 4, 2010. Information on the website, other than the Proxy Statement and form of proxy, is not a part of our proxy soliciting material.

Items of Business To elect four members of the Board of Directors, each for a term of three years;

To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2010; and

To transact other business that may properly come before the meeting.

Record Date You can vote if you were a shareholder of record on March 22, 2010.

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Proxy Voting

Every shareholder's vote is important. Please complete, sign, date and return your proxy form, or submit your vote and proxy by Internet or telephone.

Annual Report to Shareholders

The Annual Report to Shareholders, including our audited financial statements for the fiscal year ending December 31, 2009, and the proxy card enclosed with this Proxy Statement, are being mailed or provided electronically on or about April 7, 2010, to shareholders of record.

Susan N. Roth

Vice President, Transactions, SEC and Corporate Secretary

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2010 Proxy Statement

About this Proxy Statement

About this Proxy Statement

You are receiving these materials in connection with the solicitation of proxies on behalf of the Board of Directors of Unum Group to be voted at the Annual Meeting of Shareholders on Thursday, May 20, 2010, or any adjournment or postponement of the Annual Meeting. The materials are being provided by Internet, by e-mail, or by mail if you have requested this method or it is required. This Proxy Statement and form of proxy are first being made available to shareholders on or about April 7, 2010.

The Annual Meeting will take place at 10 a.m. Eastern Time on May 20, 2010, at the corporate offices of our subsidiary Colonial Life & Accident Insurance Company at 1200 Colonial Life Boulevard, Columbia, South Carolina, 29230.

What is included in these materials?

These materials include our Proxy Statement for the Annual Meeting and our 2009 Annual Report to Shareholders, which includes audited consolidated financial statements. If you received a printed version of these materials by mail you also received a proxy card or voting instruction card for the meeting.

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full printed set?

This year we are pleased to again be using the Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials instead of a printed set of materials. Instructions on how to access these materials over the Internet or to request a printed copy can be found on the notice, which will also serve as an admission ticket for the Annual Meeting.

How can I get electronic access to the proxy materials?

Instructions on how to access electronic materials are included in the Notice of Internet Availability of Proxy Materials and in the proxy card or voting instruction card. These provide information on how to:

View our proxy materials for the Annual Meeting over the Internet; and

Request that future proxy materials be sent to you electronically by e-mail.

Our proxy materials are available on our website at www.unum.com in the Investors area under Proxy Materials. Choosing to access your future proxy materials electronically is not only environmentally responsible, but will also reduce the cost of printing and distributing these documents. If you choose to access future proxy materials electronically, you will receive an e-mail with instructions detailing where those materials are available and how to vote by proxy. Your decision to receive proxy materials by e-mail will remain in effect until you change it.

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About this Proxy Statement

2010 Proxy Statement

How can I communicate with Unum, or obtain copies of corporate documents and SEC filings?

Shareholders may communicate with us or obtain copies of corporate documents, committee charters and SEC filings by writing to the Office of the Corporate Secretary as described below. In addition, SEC filings, corporate governance information and other documents are available on our website at www.unum.com in the Investors area.

How can I contact the Office of the Corporate Secretary?

Shareholders may contact the Office of the Corporate Secretary by writing to the following address or by calling toll-free 800-718-8824.

Office of the Corporate Secretary

Unum Group

1 Fountain Square

Chattanooga, Tennessee 37402

Where are Unum's principal offices located?

Our principal executive offices are located at 1 Fountain Square, Chattanooga, Tennessee, 37402. Our main telephone number is 423-294-1011.

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2010 Proxy Statement

Items to Be Acted On at the Meeting

Items to Be Acted On at the Meeting

Election of Directors

(Item 1 on the Proxy Card)

Our Board of Directors currently has 12 members. At each Annual Meeting, the term of one-third of our directors expires.

The Board of Directors recommends the election of E. Michael Caulfield, Ronald E. Goldsberry, Kevin T. Kabat and Michael J. Passarella, each to hold office for a term of three years expiring at the Annual Meeting of Shareholders to be held in 2013, and until his successor is elected and qualified or until his resignation or retirement. Each nominee is currently serving as a member of our Board of Directors. Information concerning these candidates is provided under the section titled "Nominees for Directors with Terms Expiring in 2010" beginning on page 14.

We expect each nominee for election as a director to be able to serve if elected. If any nominee becomes unable to serve, the persons we have designated as proxy holders will vote for a substitute nominee the Board of Directors recommends, if any.

For any director to be elected, he must receive a majority of the votes cast at the Annual Meeting.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS.

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Items to Be Acted On at the Meeting

2010 Proxy Statement

Ratification of Selection of Independent Registered Public Accounting Firm

(Item 2 on the Proxy Card)

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the independent registered public accounting firm (independent auditors) to audit our financial statements for the current fiscal year and is recommending their selection be ratified by the shareholders.

Ratification of the appointment of Ernst & Young LLP as our registered independent public accounting firm requires the affirmative vote of at least a majority of the votes entitled to be cast by shareholders represented and entitled to vote at the Annual Meeting.

Although ratification is not legally required, it is the Board's desire to bring the appointment of Ernst & Young LLP before our shareholders. In the event this appointment is not ratified, the Audit Committee will reconsider the decision of selecting Ernst & Young LLP.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2010.

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2010 Proxy Statement

About the Board of Directors

About the Board of Directors

How often does the Board meet?

During 2009 our Board of Directors met 12 times. Each incumbent director attended at least 75 percent of the total of full Board and Committee meetings held during the period for which each was a director and/or served on a committee. In addition to executive sessions of the standing committees, the independent directors met five times in executive session during 2009. Jon S. Fossel, the Chairman of the Board and lead independent director, presides over the executive sessions of the independent directors.

As stated in our Corporate Governance Guidelines, all directors are expected to make every effort to attend the Annual Meeting and meetings of the Board and committees of which they are members. Ten members of our Board attended the Annual Meeting in 2009.

What are the qualifications of Unum's directors?

Our directors must possess judgment, ethics, and integrity, as well as the knowledge and experience to provide oversight for the company in creating value for our shareholders. Accountability, diversity, independence and commitment are also important. We consider diversity to include diversity of viewpoints, gender, ethnicity, age, professional experience and other demographics. Knowledge in finance and accounting, executive management, the insurance industry or financial services industry are considered core competencies needed on the Board, along with marketing, technology, strategic planning and public policy. In evaluating candidates for the Board, the entirety of each candidate's credentials in the context of these standards is considered. With respect to continuing directors, the individual's contributions to the Board are also important.

Certain individual qualifications and skills of our directors that contribute to the Board's effectiveness as a whole are also discussed in the paragraphs below describing our directors.

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About the Board of Directors

2010 Proxy Statement

Nominees for Directors with Terms Expiring in 2010

E. Michael Caulfield

Mr. Caulfield, 63, served as President of Mercer Human Resource Consulting from September 2005 until September 2006, prior to which he had served as Chief Operating Officer from July 2005. He retired as Executive Vice President of Prudential Insurance Company in 2000. Mr. Caulfield held a number of executive positions with Prudential Insurance Company from 1989 until his retirement, including Executive Vice President of Financial Management, Chief Executive Officer of Prudential Investments, and President of both Prudential Preferred Financial Services and Prudential Property and Casualty Company. Prior to joining Prudential, he was a partner in Greenwich Associates, and held various executive positions at Mellon National Corp. He previously served as a director of our company from August 2004 to July 2005. He rejoined our company as a director on January 1, 2007.

Mr. Caulfield has experience in finance, investments, and executive management in both the insurance and broader financial services industry. He also qualifies as an audit committee financial expert as defined in SEC regulations.

Ronald E. Goldsberry

Dr. Goldsberry, 67, is an independent contractor working with Deloitte Consulting. He served as Chairman of OnStation Corporation (formerly known as Carstation.com) from November 1999 until August 2006, and as Chief Executive Officer of OnStation from January to May 2002 and from November 1999 to March 2001. He served as Global Vice President and General Manager of Global Ford Customer Service Operations at Ford Motor Company from January 1997 to November 1999. Prior to that time, Dr. Goldsberry served as General Manager of the Customer Service Division of Ford Motor Company from February 1994 to December 1996 and General Sales and Marketing Manager for the Parts and Service Division from October 1991 to February 1994. He has been a director since 1999, and was a director of our predecessor company UNUM Corporation from 1993 until its merger with Provident Companies in 1999.

Dr. Goldsberry has broad business experience which includes marketing, sales, customer service and international operations. He also brings experience from his service on the board and audit committee of another publicly traded company.

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2010 Proxy Statement

About the Board of Directors

Kevin T. Kabat

Mr. Kabat, 53, is the President, Chief Executive Officer and Chairman of the Board of Directors of Fifth Third Bancorp, where he has served in such positions since June 2006, April 2007 and June 2008, respectively. Previously, Mr. Kabat was Executive Vice President of Fifth Third Bancorp from December 2003 and President and Chief Executive Officer of Fifth Third Bank (Michigan) from April 2001. Prior to joining the Fifth Third Bancorp organization, Mr. Kabat served in a number of management and executive positions with Old Kent Financial Corporation from 1982 to 2001, including as its Vice Chairman and President, and as an organizational consultant with Merchants National Bank in Indianapolis from 1980 to 1982. Mr. Kabat was elected as a director of our company in June 2008.

Mr. Kabat brings extensive financial and operating experience as a chief executive officer of a major regional bank, and in other executive positions in the financial services industry.

Michael J. Passarella

Mr. Passarella, 68, was an audit partner of PricewaterhouseCoopers LLP from 1975 until his retirement in 2002. He served as the managing partner of that firm's securities industry practice from 1983 to 1998 and was the capital markets industry global audit leader from 1998 to 2001. Mr. Passarella served as a director and Chairman of the Audit Committee of Archipelago Holdings, Inc., from August 2004 until its merger in March 2006 with the New York Stock Exchange, Inc. He also served as a director with NYFIX, Inc., from October 2007, including as Chairman of its Audit Committee from April 2008, until its merger with a subsidiary of NYSE Technologies, Inc., in November 2009. He has been a director of our company since 2006.

Mr. Passarella brings significant experience as an audit partner of PricewaterhouseCoopers LLP and its predecessor firms. He has also served on the boards and chaired the audit committees of two other publicly traded companies. He also qualifies as an audit committee financial expert as defined in SEC regulations.

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About the Board of Directors

2010 Proxy Statement

Continuing Directors with Terms Expiring in 2011 and 2012

Jon S. Fossel

Mr. Fossel, 68, became Chairman of the Board of Directors of our company effective October 1, 2006. Mr. Fossel retired as Chairman and Chief Executive Officer of the OppenheimerFunds in 1996. He continues to serve as a trustee of 40 of the Denver-based OppenheimerFunds mutual funds. From November 2004 until April 2009, Mr. Fossel served as a director of Northwestern Corporation d/b/a Northwestern Energy, an electricity and natural gas provider. He has been a director of our company since 2002, and his term expires in 2011.

Mr. Fossel brings extensive business expertise to the Board, including executive management experience with mutual funds. He continues to serve as a trustee to several mutual funds and has also served on the board and audit committee of another publicly traded company.

Pamela H. Godwin

Ms. Godwin, 61, has been President of Change Partners, Inc., a consulting firm specializing in organizational change and growth initiatives, since 2001. From 1999 to 2001, she was President and Chief Operating Officer of the personal lines agency division of GMAC Insurance. Previously, she was Senior Vice President of customer management for the credit card division of Advanta Corporation and President and Chief Operating Officer of Academy Insurance Group, a unit of Provident Corporation. From 1974 to 1988, she held a number of executive positions within Colonial Penn Group, Inc., including Senior Vice President of property/casualty claims. She has been a director of our company since 2004, and her term expires in 2012.

Ms. Godwin brings executive management experience from the insurance industry. Additionally, she has risk-assessment skills from her work as a chartered property/casualty underwriter and experience managing high-risk lines of insurance.

Thomas Kinser

Mr. Kinser, 66, was President, Chief Executive Officer and a Director of BlueCross BlueShield of Tennessee from 1994 to 2003. From 1991 to 1994, he was Executive Vice President and Chief Operating Officer of BlueCross BlueShield Association in Chicago. Previously, from 1976 to 1991, he held a number of executive positions with BlueCross BlueShield of Georgia, including President and Chief Executive Officer. He has been a director of our company since 2004, and his term expires in 2012.

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Mr. Kinser brings extensive executive management and board experience from the health insurance business. Additionally, he has a keen understanding of the complex regulatory environment in which we operate.

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About the Board of Directors

Gloria C. Larson

Ms. Larson, 59, has been the President of Bentley University since July 2007. She previously served as Co-Chairperson of the Government Practices Group of the law firm Foley Hoag LLP and Coordinator for the Administrative Practices Group after joining the firm in 1996. Prior to joining Foley Hoag, she was Secretary of Economic Affairs for the Commonwealth of Massachusetts from 1993 to 1996 and Secretary of Consumer Affairs and Business Regulation from 1991 to 1993. Before joining the Commonwealth of Massachusetts, she was Deputy Director of Consumer Protection for the Federal Trade Commission and an attorney in private practice. Ms. Larson previously served as a director of RSA Security, Inc. (2001 to 2006) and KeySpan Corporation (2003 to 2007). She has been a director of our company since 2004, and her term expires in 2011.

Ms. Larson has executive management experience as president of a major university. In addition, she brings regulatory insight from both service as a regulator and her experience advising clients in the course of her practice of law. She also has previous service on both public and private companies' boards of directors.

A.S. (Pat) MacMillan, Jr.

Mr. MacMillan, 66, has served as the Chief Executive Officer of Triaxia Partners, Inc. (formerly known as Team Resources, Inc.) since 1980. Triaxia's practice areas include organizational strategy and design, as well as team and leadership development. Specific services include management consulting, management training and organizational audits. He is also a trustee of The Maclellan Foundation, Inc., and a director of MetoKote Corporation. Mr. MacMillan previously served as a director of Guitar Center, Inc. from 2005 to 2007. He has been a director of our company since 1995, and his term expires in 2012.

Mr. MacMillan brings management and organizational insight from his consulting practice. He has also served on the boards of public and private companies.

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About the Board of Directors

2010 Proxy Statement

Edward J. Muhl

Mr. Muhl, 65, served as the National Leader of the Insurance Regulatory Advisory Practice of PricewaterhouseCoopers from 2001 until his retirement in June 2005. He was Senior Managing Director of Navigant Consulting, Inc. from 1998 to 2000, which he joined as Executive Vice President in 1997. Mr. Muhl previously served as the Superintendent of Insurance of the State of New York from 1995 to 1997 and as the Insurance Commissioner of the State of Maryland from 1982 to 1988, and was President of the National Association of Insurance Commissioners. He is also a director of Farm Family Insurance Company, and previously served as a director of Syncora Holdings, Ltd. from 2008 to 2009. He has been a director of our company since 2005, and his term expires in 2012.

Mr. Muhl has 42 years of experience in the insurance industry, including service as a regulator. He has previously served as a director of a publicly traded company and currently serves as a director of a non-publicly traded insurance company.

William J. Ryan

Mr. Ryan, 66, was Chairman of the Board of Directors of TD Banknorth Inc., a banking and financial services company, from March 2005 until November 2009. He previously served as President, Chief Executive Officer and a Director of TD Banknorth Inc. until March 2007. He was Chairman, President, Chief Executive Officer and a Director of Banknorth Group Inc. until March 2005, when it was merged into TD Banknorth Inc. He was President and Chief Executive Officer of People's Heritage Savings Bank from 1989 until its merger with Banknorth in 2000. Prior to 1989, he held a number of leadership positions with Bank of New England North, most recently as President and Chief Executive Officer. He is currently a director of TD Banknorth (now known as TD Bank US Holding Company) and Wellpoint, Inc. He has been a director of our company since 2004, and his term expires in 2011.

Mr. Ryan has experience as a board chairman and chief executive officer of companies in the banking and financial services industry. He currently serves as a director and chair of the compensation committee at another publicly traded company.

Thomas R. Watjen

Mr. Watjen, 55, has been our President and Chief Executive Officer since March 2003. He served as Vice Chairman and Chief Operating Officer from May 2002 until March 2003. He became Executive Vice President, Finance in June 1999. Before joining Unum, Mr. Watjen served as a Managing Director of the insurance practice of the investment banking firm Morgan Stanley & Co. He has been a director of our company since 2002, and his term expires in 2011.

Mr. Watjen has executive management experience as chief executive officer of our company as well as his prior positions within the financial services industry.

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2010 Proxy Statement

About the Board of Directors

Board Leadership Structure

What is the Board's leadership structure?

Currently, the positions of Chairman of the Board and Chief Executive Officer are separate. Our Chairman is an independent director, and the Board believes that the separation of the Chairman and CEO positions allows the CEO to devote the significant time and focus necessary to manage our business given the difficult economic and regulatory environment. Under our Corporate Governance Guidelines, the Board reserves the right to combine the offices of Chairman of the Board and CEO when appropriate.

Committee Memberships and Descriptions

What are the standing Board committees?

The Board of Directors has five standing committees: Audit, Finance, Governance, Human Capital and Regulatory Compliance. In addition to the duties contained in their respective charters, each committee may be assigned additional tasks by the Board from time to time, and each is charged with reporting its activities to the Board. Each standing committee has a charter, all of which may be accessed on our website at www.unum.com in the Investors area under Corporate Governance. Copies also are available free of charge by submitting a request to the Office of the Corporate Secretary as described on page 10.

Some matters may be discussed by more than one committee. The charters of each committee allow for this to occur, and any overlap of responsibilities is managed through communication between the various committee chairs.

Which Board members serve on what committees?

The table below shows a list of current Board members and the respective committees each serves on. A C means the director is a committee chairperson.

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About the Board of Directors

2010 Proxy Statement

Name	BOARD MEMBERS AND COMMITTEES				Human Capital	Regulatory Compliance
	Term Expires	Audit	Finance	Governance		
E. Michael Caulfield	2010	X	C			
Jon S. Fossel	2011					
Pamela H. Godwin	2012			X	X	
Ronald E. Goldsberry	2010		X	X		
Kevin T. Kabat	2010		X			X
Thomas Kinser	2012	X			X	
Gloria C. Larson	2011	X				C
A.S. (Pat) MacMillan, Jr.	2012				C	X
Edward J. Muhl	2012				X	X
Michael J. Passarella	2010	C	X			
William J. Ryan	2011		X	C		
Thomas R. Watjen	2011					

Audit Committee

The primary purpose of the Audit Committee is to oversee the company's financial reporting process on behalf of the Board of Directors. Under its charter, the Committee's overall responsibilities include selecting the independent registered public accounting firm, and monitoring and oversight of:

Integrity of our financial statements;

Effectiveness of our internal controls over financial reporting;

Legal and regulatory compliance;

Performance of our internal audit function and independent auditors;

Policies and procedures relating to our Code of Business Conduct and Ethics; and

Enterprise risk management, including financial risks, operational risks and any other risks not allocated to another Board committee. Members as of December 31, 2009, were: Michael J. Passarella (Chair), E. Michael Caulfield, Thomas Kinser and Gloria C. Larson.

The Audit Committee met 10 times during 2009. All members of the Audit Committee are independent according to the requirements of the New York Stock Exchange (NYSE), and as required by SEC rules and regulations, and otherwise satisfy the independence requirements of our Corporate Governance Guidelines. The Board has determined that two members of the Audit Committee, Michael J.

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2010 Proxy Statement

About the Board of Directors

Passarella and E. Michael Caulfield, are audit committee financial experts as defined by SEC regulations. Both Mr. Passarella and Mr. Caulfield also have accounting or related financial management expertise within the meaning of the listing standards of the NYSE. All members of the Audit Committee have been determined by the Board to be financially literate as required by the NYSE.

Finance Committee

The Finance Committee assists the Board in overseeing risk associated with the company's investments and related financial matters. Under its charter, the Finance Committee's overall responsibilities are to:

Monitor, evaluate and recommend present and future capital and financing plans and capital requirements and opportunities relative to our business;

Develop, adopt, revise, and oversee implementation of and compliance with investment strategies, guidelines and policies;

Review, advise and provide reports to the Board of Directors with respect to our financial resources and investments;

Authorize borrowing by the company;

Review material such as proposed mergers, acquisitions, divestitures, restructurings, and joint ventures, and report to the Board on implications to our financial and capital plans; and

Review, assess and report on the impact of various finance activities on our debt ratings.

Members as of December 31, 2009, were: E. Michael Caulfield (Chair), Ronald E. Goldsberry, Kevin T. Kabat, Michael J. Passarella and William J. Ryan.

The Finance Committee met six times during 2009. All Committee members satisfy the independence requirements of our Corporate Governance Guidelines.

Governance Committee

The Governance Committee has primary responsibility for developing, implementing and overseeing the company's corporate governance policies. Under its charter, the Committee's primary responsibilities are to:

Oversee compliance with our Corporate Governance Guidelines;

[51.53 %] \$ 1,000.00 [5.00 %] [5.00 %] [-14.50 %] [-14.25 %]

Table of Hypothetical Cash Settlement Values

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Assumes the Closing Price *Does* Equal or Fall Below the Contingent Protection Price On or Before the Calculation Date

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Initial Level	Hypothetical Final Level	Investment in the Notes			Direct Investment in the Reference Asset		Percentage Change in Value of Reference Asset		3-Month Total Return
		Cash Settlement Value	Total Coupon Payments (in % Terms)	3-Month Total Return	3-Month Total Return	3-Month Total Return			
[60.27]	[120.08]	] \$ 1,000.00	[5.00 %]	[5.00 %]	[%]	[99.24 %]	[99.49 %]	
[60.27]	[96.06]	] \$ 1,000.00	[5.00 %]	[5.00 %]	[%]	[59.39 %]	[59.64 %]	
[60.27]	[80.05]	] \$ 1,000.00	[5.00 %]	[5.00 %]	[%]	[32.83 %]	[33.08 %]	
[60.27]	[69.61]	] \$ 1,000.00	[5.00 %]	[5.00 %]	[%]	[15.50 %]	[15.75 %]	
[60.27]	[63.28]	] \$ 1,000.00	[5.00 %]	[5.00 %]	[%]	[5.00 %]	[5.25 %]	
[60.27]	[60.27]	] \$ 1,000.00	[5.00 %]	[5.00 %]	[%]	[0.00 %]	[0.25 %]	
[60.27]	[57.26]	] \$ 950.06	[5.00 %]	[5.00 %]	[%]	[-5.00 %]	[-4.75 %]	
[60.27]	[51.53]	] \$ 854.99	[5.00 %]	[5.00 %]	[%]	[-14.50 %]	[-14.25 %]	
[60.27]	[43.80]	] \$ 726.75	[5.00 %]	[-22.33 %]	[%]	[-27.33 %]	[-27.08 %]	
[60.27]	[32.85]	] \$ 545.06	[5.00 %]	[-40.49 %]	[%]	[-45.49 %]	[-45.24 %]	
[60.27]	[21.35]	] \$ 354.29	[5.00 %]	[-59.57 %]	[%]	[-64.57 %]	[-64.32 %]	
[60.27]	[12.81]	] \$ 212.57	[5.00 %]	[-73.74 %]	[%]	[-78.74 %]	[-78.49 %]	
[60.27]	[6.41]] \$ 106.29	[5.00 %]	[-84.37 %]	[%]	[-89.37 %]	[-89.12 %]		
[60.27]	[1.60]] \$ 26.57	[5.00 %]	[-92.34 %]	[%]	[-97.34 %]	[-97.09 %]		
[60.27]	[0.02]] \$ 0.27	[5.00 %]	[-94.97 %]	[%]	[-99.97 %]	[-99.72 %]		

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The following table sets forth on a per share basis the high and low Closing Prices, as well as end-of-quarter closing prices, for the Reference Asset during the periods indicated below. We obtained the information in the tables below from Bloomberg Financial Markets, without independent verification.

Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close
March 30, 2004	39.36	30.74	36.54
June 30, 2004	39.19	24.72	34.49
September 30, 2004	39.32	32.36	37.00
December 31, 2004	53.22	31.59	50.46
March 31, 2005	63.01	44.50	50.14
June 30, 2005	51.45	33.66	33.98
September 30, 2005	45.53	33.70	41.96
December 31, 2005	51.29	33.28	47.75
March 31, 2006	64.16	47.73	60.39
June 30, 2006	77.40	56.00	60.39
July 1, 2006 to August 18, 2006	70.01	56.29	60.27

This summary supplements the section entitled "Certain U.S. Federal Income Tax Considerations" in the prospectus supplement and supersedes it to the extent inconsistent therewith, but is subject to the limitations and qualifications set forth therein. In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel to us, the following discussion, when read together with the section entitled, "Certain U.S. Federal Income Tax Considerations" in the prospectus supplement, summarizes certain of the material U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of each of the Notes.

There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes. Under one approach, each Note should be treated for U.S. federal income tax purposes as a put option written by you (the "Put Option") that permits us to (1) sell the Reference Asset to you on the maturity date for an amount equal to the Deposit (as defined below), or (2) cash settle the Put Option (i.e., require you to pay us on the Maturity Date the difference between the Deposit and the value of the Reference Asset at such time), and a deposit with us of cash in an amount equal to the Principal Amount you invested (the "Deposit") to secure your potential obligation under the Put Option. See "Certain U.S. Federal Income Tax Considerations" in the prospectus supplement. We intend to treat the Notes consistent with this approach and pursuant to the terms of the Notes, you agree to treat the Notes under this approach for all U.S. federal income tax purposes. Assuming the issue price of the Note is par, the description below of the Reference Asset includes a chart that indicates the portion of each interest payment that represents the yield on the Deposit and the Put Premium. You may contact [Bill Bamber at (212) 272-6635] for the issue price of the Notes.

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We also intend to treat the Deposits as short-term obligations for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations Tax Treatment of the Deposit on Notes with a Term of One Year or Less in the prospectus supplement for certain U.S. federal income tax considerations applicable to short-term obligations. Accrual method and other U.S. Holders that are required to report original issue discount (or acquisition discount) on short-term obligations, and cash method U.S. Holders that elect to include original issue discount (or acquisition discount) on the Notes in income, should treat the portion of the interest payments in respect of the Deposit as non-taxable payments of accrued original issue discount (or acquisition discount) to the extent of the accrual, then as a return of principal that will reduce the U.S. Holder's basis in its Note (but not below zero), and thereafter as gain.

Because there are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes, other characterizations and treatments are possible and the timing and character of income in respect of the Notes might differ from the treatment described above.

Reference Asset	Term to Maturity	Coupon Rate, per Annum	Yield on the Deposit, per Annum	Put Premium, per Annum
United States Steel Corporation	3-month	[20.00%] per annum	[___]%	[___]%