AIR PRODUCTS & CHEMICALS INC /DE/
Form DEF 14A
December 10, 2009

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934 (AMENDMENT NO.   )

Filed by the Registrant x

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))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Section 240.14a-12

AIR PRODUCTS AND CHEMICALS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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December 10, 2009

Dear Shareholder:

On behalf of your Board of Directors, I am pleased to invite you to attend the 2010 Annual Meeting of Shareholders of Air Products and Chemicals, Inc. to be held at 2:00 p.m., Thursday, January 28, 2010, at the Company s Corporate Headquarters in Allentown, Pennsylvania.

This year we are again hosting the Annual Meeting at our Headquarters as part of our continuing effort to minimize costs. Admission procedures are explained in the Proxy Statement. We have made arrangements to keep parking and navigating on our corporate campus easy for you, and I hope you will be able to join us. If you cannot attend the meeting, please know that, along with the over 18,000 employees of Air Products, the Board of Directors welcomes your questions and encourages you to contact our Investor Relations office or visit our website to learn more about your Company.

On December 10, 2009, we sent to our shareholders either a notice containing instructions on how to access our 2009 Proxy Statement and Annual Report on Form 10-K on the Internet or paper copies of the Proxy Statement and Annual Report. These materials contain instructions on how to vote your shares. Even if you do not plan to attend the meeting, we hope you will vote.

We look forward to seeing you at the meeting. Directions appear on the last page of these materials.

Cordially,

John E. McGlade

Chairman of the Board

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Notice of Annual Meeting of Shareholders

Air Products and Chemicals, Inc.

TIME	2:00 p.m., Thursday, January 28, 2010
PLACE	The Auditorium of the Company s Corporate Headquarters at 7201 Hamilton Boulevard in Allentown, Pennsylvania. Free parking will be available. Admission procedures are explained on page 5. Directions appear on the last page of this Proxy Statement.
ITEMS OF BUSINESS	1. To elect the four nominees proposed by the Board of Directors as directors for a three-year term. 2. To ratify the appointment of KPMG LLP as the Company s independent registered public accountants for the fiscal year ending September 30, 2010. 3. To approve the Long-Term Incentive Plan, including to increase the number of shares authorized for use under the Plan. 4. To attend to such other business as may properly come before the meeting or any postponement or adjournment of the meeting.
RECORD DATE	Shareholders of record at the close of business on November 30, 2009 are entitled to receive this notice and to vote at the meeting.
WAYS TO SUBMIT YOUR VOTE	Instructions on how to vote your shares online are contained in the Notice of Availability of Proxy Materials or on your proxy card. If you received paper copies of your proxy materials by mail, you may also fill in, sign, date, and mail a proxy card or vote using a toll-free telephone number. We encourage you to vote online or by telephone if these options are available to you.
IMPORTANT	Whether you plan to attend the meeting or not, please submit your proxy as soon as possible in order to avoid additional soliciting expense to the Company. The proxy is revocable and will not affect your right to vote in person if you attend the meeting.

By order of the Board of Directors,

Mary T. Afflerbach

Corporate Secretary and Chief Governance Officer

December 10, 2009

Important Notice Regarding Internet Availability of Proxy Materials for the

Air Products and Chemicals, Inc. January 28, 2010 Shareholders Meeting

The Proxy Statement and Annual Report on Form 10-K for the fiscal year ended September 30, 2009 are available at www.materials.proxyvote.com/009158.

PROXY STATEMENT

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AIR PRODUCTS AND CHEMICALS, INC.

PROXY STATEMENT

We have sent you this Notice of Annual Meeting and Proxy Statement because the Board of Directors of Air Products and Chemicals, Inc. (the Company or Air Products) is soliciting your proxy to vote at the Company s Annual Meeting of Shareholders on January 28, 2010 (the Annual Meeting). This Proxy Statement contains information about the items being voted on at the Annual Meeting and information about the Company.

QUESTIONS AND ANSWERS ON THE ANNUAL MEETING

How many shares can vote at the 2010 Annual Meeting?

As of the Record Date, which was November 30, 2009, 212,038,935 shares of Company common stock were issued and outstanding, which are the only shares entitled to vote at the Annual Meeting. Every owner of Company stock is entitled to one vote for each share owned.

Who counts the votes?

Representatives of Broadridge Financial Solutions, Inc. will tabulate the votes and act as the independent inspectors of election.

What is a proxy?

A proxy is your legal appointment of another person to vote the stock that you own in accordance with your instructions. The person you appoint to vote your shares is also called a proxy. You can find an electronic proxy card at www.proxyvote.com that you can use to vote your shares online. If you received these proxy materials by mail, you can also vote by mail or telephone using the proxy card enclosed with these materials.

On the proxy card, you will find the names of the persons designated by the Company to act as proxies to vote your shares at the Annual Meeting. When you submit a proxy, the people named on the proxy card as proxies are required to vote your shares at the Annual Meeting in the manner you have instructed.

What shares are included on my proxy card?

If you are a registered shareholder, your proxy card(s) will show all of the shares of Company stock registered in your name with our Transfer Agent on the Record Date, including shares in the Investors Choice Dividend Reinvestment and Direct Stock Purchase and Sale Plan administered for Air Products shareholders by our Transfer Agent. If you also have shares registered in the name of a bank, broker, or other registered owner or nominee, they will not appear on your proxy card.

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How do I vote the shares on my proxy card?

If you received a Notice of Availability of Proxy Materials and accessed these proxy materials online, follow the instructions on the Notice to obtain your records and vote electronically.

If you received these proxy materials by mail, you may vote by signing and dating the proxy card(s) and returning the card(s) in the prepaid envelope. Also, you can vote online or by using a toll-free telephone number. Instructions about these ways to vote appear on the proxy card. If you vote by telephone, please have your paper proxy card and control number available. The sequence of numbers appearing on your card is your control number, and your control number is necessary to verify your vote.

If you received these proxy materials via e-mail, the e-mail message transmitting the link to these materials contains instructions on how to vote your shares of Company stock and your control number.

Whether your proxy is submitted by mail, telephone, or online, your shares will be voted in the manner you instruct. If you do not specify in your proxy how you want your shares voted, they will be voted according to the Board of Directors recommendations for the three proposals.

How do I vote shares held by a broker or bank?

If a broker, bank, or other nominee holds shares of Company stock for your benefit, and the shares are not in your name on the Transfer Agent s records, then you are considered a beneficial owner of those shares. If your shares are held this way, sometimes referred to as being held in street name , your broker, bank, or other nominee will send you instructions on how to vote. If you have not heard from the broker, bank, or other nominee who holds your Company stock, please contact them as soon as possible. If you do not give your broker instructions as to how to vote, under New York Stock Exchange (NYSE) rules, your broker may vote your shares for you on proposal 2 to ratify the appointment of auditors, which is sometimes called a broker nonvote. Your broker may not vote for you without your instructions on the other items of business. If you plan to attend the meeting and would like to vote your shares held by a bank or broker in person, you must obtain a legal proxy, as described in the admission procedures section on page 5.

May I change my vote?

Yes. You may revoke your proxy at any time before the Annual Meeting by submitting a later dated proxy card, by a later telephone or on-line vote, by notifying us that you have revoked your proxy, or by attending the Annual Meeting and giving notice of revocation in person.

How is Company stock in the Company s Retirement Savings Plan voted?

If you are an employee who owns shares of Company stock under the Retirement Savings Plan and you have regular access to a computer for performing your job, you were sent an e-mail with instructions on how to view the proxy materials and provide your voting instructions. Other participants in the Retirement Savings Plan will receive proxy materials and a proxy card in the mail. The Trustee, Fidelity Management Trust Company, will vote shares of Company stock represented by units allocated to your Plan account on the Record Date in accordance with the directions you give on how to vote. The Trustee will cast your vote in a manner which will protect your voting privacy. If you do not give voting instructions or your instructions are unclear, the Trustee will vote the shares in the same proportions and manner as overall Plan participants instruct the Trustee to vote shares allocated to their Plan accounts.

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What vote is necessary to pass the items of business at the Annual Meeting?

If a quorum is present at the Annual Meeting, the four director candidates will be elected if they receive a plurality of the vote. This means the nominees will be elected unless other candidates properly nominated for election receive a greater number of votes. If you vote, your shares will be voted for election of all four of the director nominees unless you give instructions to withhold your vote for one or more director candidates. Withhold votes will not influence election results. Abstentions are not recognized as to election of directors.

The appointment of KPMG LLP as independent auditors will be ratified if a majority of the shares present or represented by proxy at the meeting and entitled to vote are voted in favor. Abstentions will have the effect of a vote against ratification.

The Long-Term Incentive Plan will be approved if a majority of the shares present or represented at the meeting and entitled to vote are voted in favor. Abstentions will have the effect of a vote against the Plan.

What is a quorum ?

A quorum is necessary to hold a valid meeting of shareholders. A quorum exists if a majority of the outstanding shares of Company stock are present in person at the Annual Meeting or represented there by proxy. If you vote including by Internet, telephone, or proxy card your shares voted will be counted towards the quorum for the Annual Meeting. Withhold votes for election of directors, proxies marked as abstentions, and broker nonvotes are also treated as present for purposes of determining a quorum.

How will voting on any other business be conducted?

We do not know of any business or proposals to be considered at the Annual Meeting other than the items described in this Proxy Statement. If any other business is proposed and the chairman of the Annual Meeting permits it to be presented at the Annual Meeting, the signed proxies received from you and other shareholders give the persons voting the proxies the authority to vote on the matter according to their judgment.

When are shareholder proposals for the 2011 Annual Meeting due?

To be considered for inclusion in next year s proxy statement, proposals and nominations of persons to serve as directors must be delivered in writing to the Secretary of the Company, Air Products and Chemicals, Inc., 7201 Hamilton Boulevard, Allentown, PA 18195-1501 no later than August 12, 2010. To be presented at the meeting, proposals and nominations must be delivered in writing by October 30, 2010 and must comply with the requirements of our bylaws (described in the next paragraph) to be presented at the 2011 Annual Meeting.

Our bylaws require adequate written notice of a proposal to be presented by delivering it in writing to the Secretary of the Company in person or by mail at the address stated above, on or after September 30, 2010, but no later than October 30, 2010. To be considered adequate, the notice must contain other information specified in the bylaws about the matter to be presented at the meeting and the shareholder proposing the matter. A copy of our bylaws can be found in the Corporate Governance section of the Investors page of our website at www.airproducts.com. A proposal received after October 30, 2010, will be considered untimely and will not be entitled to be presented at the meeting.

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What are the costs of this proxy solicitation?

We hired Morrow & Co., LLC to help distribute materials and solicit votes for the Annual Meeting. We will pay them a fee of $8,000, plus out-of-pocket costs and expenses. We also reimburse banks, brokers, and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to you because they hold title to Company stock for you. In addition to using the mail, our directors, officers, employees, and agents may solicit proxies by personal interview, telephone, telegram, or otherwise, although they will not be paid any additional compensation. The Company will bear all expenses of solicitation.

May I inspect the shareholder list?

For a period of 10 days prior to the Annual Meeting, a list of shareholders registered on the books of our Transfer Agent as of the Record Date will be available for examination by registered shareholders during normal business hours at the Company s principal offices, provided the examination is for a purpose germane to the meeting.

How can I get materials for the Annual Meeting?

Under rules recently adopted by the U.S. Securities and Exchange Commission (the SEC), we are furnishing proxy materials to most of our shareholders via the Internet, instead of mailing printed copies of those materials to each shareholder. On December 10, 2009, we mailed to our shareholders (other than those who previously requested electronic or paper delivery) a Notice of Availability of Proxy Materials containing instructions on how to access our proxy materials, including our Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2009. The Notice of Availability of Proxy Materials also instructs you on how to access your proxy card to vote through the Internet.

This process is designed to expedite shareholders receipt of proxy materials, lower the cost of the Annual Meeting, and help conserve natural resources. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the Notice of Availability of Proxy Materials. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.

Current Employees. If you are an employee of the Company or an affiliate who is a participant in the Retirement Savings Plan or who has outstanding stock options, with an internal Company e-mail address as of the Record Date, you should have received e-mail notice of electronic access to the Notice of Annual Meeting, the Proxy Statement, and the Annual Report on Form 10-K for the fiscal year ended September 30, 2009, on or about December 10, 2009. You may request a paper copy of these materials by contacting the Corporate Secretary s Office. If you do not have an internal Company e-mail address, paper copies of these materials were mailed to your home. Instructions on how to vote shares in your Plan account are contained in the e-mail notice or accompany the paper proxy materials mailed to you.

If you have employee stock options awarded to you by the Company or an affiliate but do not otherwise own any Company stock on the Record Date, you are not eligible to vote and will not receive a proxy card for voting. You are being furnished this Proxy Statement and the Annual Report on Form 10-K for the fiscal year ended September 30, 2009 for your information and as required by law.

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What are the admission procedures for the Annual Meeting?

To gain admission to the Annual Meeting, you must present your admission ticket at the Visitor s Entrance to the Air Products Corporate Headquarters.

Registered shareholders. If you received a Notice of Availability of Proxy Materials , the Notice is your admission ticket. If you received these proxy materials by mail or e-mail, your admission ticket is on the top half of the reverse side of your proxy card, which must be printed if you received it by e-mail.

Shares held through broker, bank, or nominee. When you vote your shares, either electronically or via your voting instruction form, you will be given the opportunity to check a box indicating that you intend to attend the Annual Meeting. If you check the box, you will be sent a legal proxy which will serve as your admission ticket. Alternatively, you will be admitted if you present a Notice of Availability of Proxy Materials or Voting Instruction Form relating to the Air Products Annual Meeting; however, you must present a legal proxy if you wish to vote your shares in person.

How can I reach the Company to request materials or information referred to in these Questions and Answers?

You may reach us by mail addressed to:

Corporate Secretary s Office

Air Products and Chemicals, Inc.

7201 Hamilton Boulevard

Allentown, PA 18195-1501,

by calling 610-481-8657, or by leaving a message on our website at:

www.airproducts.com/tmm/tellmemore.asp

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PROPOSALS YOU MAY VOTE ON

1. ELECTION OF DIRECTORS

The Board of Directors currently has 11 directors and will continue to have 11 directors after the Annual Meeting. Our Board is divided into three classes for purposes of election, with three-year terms of office ending in successive years.

The Board has nominated four incumbent directors, whose terms are currently scheduled to expire at the Annual Meeting, for election to the Board for terms expiring in January 2013: Mr. William L. Davis, III, Mr. W. Douglas Ford, Mr. Evert Henkes, and Ms. Margaret G. McGlynn. Biographical information on these nominees as well as other directors appears beginning on page 16. Each nominee elected as a director is expected to continue in office until his or her term expires, or until his or her earlier death, resignation, or retirement.

The Board of Directors has no reason to believe that any of the nominees will not serve if elected. If a nominee is unavailable for election at the time of the Annual Meeting, the Company representatives named on the proxy card will vote for another nominee proposed by our Board or, as an alternative, the Board may reduce the number of positions on the Board.

The Board of Directors and management recommend a vote FOR the election of Mr. Davis, Mr. Ford, Mr. Henkes, and Ms. McGlynn.

2. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

At its meeting held in November 2009, the Audit Committee of the Board of Directors approved KPMG LLP of Philadelphia, Pennsylvania (KPMG) as independent registered public accountants for the fiscal year ending September 30, 2010 (fiscal year 2010). The Board concurs with and requests shareholders to ratify this appointment even though ratification is not legally required. If shareholders do not ratify this appointment, the Audit Committee will reconsider it. Representatives of KPMG will be available at the Annual Meeting to respond to questions. Information on KPMG s fees for fiscal years 2008 and 2009 appears on page 24.

The Board of Directors and management recommend a vote FOR the ratification of the appointment of KPMG LLP as independent registered public accountants for fiscal year 2010.

3. APPROVAL OF THE LONG-TERM INCENTIVE PLAN

The Board of Directors is requesting that our shareholders approve the Company s Long-Term Incentive Plan and amendment of the Plan to authorize an additional 4,000,000 shares of Company stock to be used for equity compensation awards under the Plan. The Board believes that it is very important that our eligible employees and directors receive part of their compensation in the form of equity awards to foster their investment in the Company and reinforce the link between their financial interests and those of our other shareholders.

The Long-Term Incentive Plan, last approved by shareholders at the 2006 Annual Meeting, has been a key component of our incentive compensation program since 1980, used to grant equity compensation to Company directors, executives, and key employees. Subject to shareholder

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approval, the Board has adopted an amendment to the Plan to increase the number of shares of Common Stock available to be used for awards under the Plan by 4,000,000. Under NYSE rules, the amendment will not be effective without shareholder approval. If the amendments to the Long-Term Incentive Plan are not approved, the current Plan will remain in effect, and the total number of shares reserved for issuance under the Plan will not be increased.

Why the Board of Directors Believes You Should Vote for This Proposal

Approval will allow the Company to continue to provide equity compensation, a critical tool for creating shareholder value.
The use of Company stock as part of the Company s compensation program is important to the continued success of the Company. Equity compensation fosters an employee ownership culture and motivates employees to create shareholder value, because the value employees realize from equity compensation is based on the Company s stock performance. Equity compensation also promotes a focus on long-term value creation, because equity compensation awards are subject to vesting and/or performance conditions and generally provide the greatest value to employees when held for longer terms.

Equity compensation awards are also a critical recruitment and retention tool.
The Company s performance is dependent on recruiting and retaining talented employees. A competitive compensation program is essential for attracting and retaining such employees, and equity compensation awards are an important and expected component of such a program. The Company would be at a severe competitive disadvantage if it could not use Company stock-based awards to compensate its employees. To recruit highly-marketable employees, companies typically offer to replace unvested equity compensation that will be forfeited when the employee leaves the prior employer. If our shareholders do not approve the Plan, in the future our employees may not have as significant an amount of the Company s stock at risk of forfeiture, and could therefore be recruited at a relatively reduced cost. At the same time, our recruiting efforts could be compromised.

If the Plan is not approved, the Company will be compelled to increase significantly the cash component of employee compensation.
To remain competitive without providing equity compensation, the Company would need to replace components of compensation previously delivered in equity awards with cash, or with other instruments that may not necessarily align employee interests with those of shareholders as well as Company stock-based awards would have. Additionally, replacing equity awards with cash will increase cash compensation expense and drain cash flow that would be better utilized if reinvested in our businesses.

The Company has demonstrated commitment to sound equity compensation practices.
We recognize that equity compensation awards dilute shareholder equity and must be used judiciously. Our equity compensation practices are designed to be in line with industry norms, and we believe our historical share usage has been responsible and mindful of shareholder interests. As described below, our average burn rate (total shares used for equity compensation awards each year divided by weighted average outstanding shares for the year) for the last three years has been less than 1.0%. The Company s dilution level or overhang (shares subject to equity compensation awards outstanding at

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fiscal year-end or available to be used for equity compensation, divided by fully diluted shares outstanding) at the end of fiscal year 2009 was 9.84%; for fiscal years 2008 and 2007 it was 10.67 and 11.50, respectively. Our overhang tends to be somewhat higher than peers because our management team voluntarily holds a substantial amount of vested equity compensation, an investment by management in the Company which we view as positive for our shareholders. As of September 30, 2009, approximately 80% of the shares reflected in the overhang were subject to fully vested, in the money stock options (i.e., options that have an exercise price less than the market price of the underlying shares).

The Plan has several provisions designed to protect shareholder interests and promote effective corporate governance, including:

- The Plan prohibits granting stock options and stock appreciation rights with an exercise price or base price less than the fair market value of a share of stock on the date of grant;
- The Plan prohibits repricing of any stock option or stock appreciation right without shareholder approval;
- No more than 20% of the Company stock subject to Plan awards can be used for full value awards such as deferred stock units or restricted stock. (This limitation applies to aggregate awards after fiscal year 2001. Through fiscal year 2009, full value awards had represented less than 12% of awards since 2001);
- Shares subject to awards under the Plan that are withheld from award payments to satisfy withholding taxes or correspond to shares tendered to pay the exercise price of stock options cannot be reused for new awards. In addition, if stock appreciation rights are paid in stock, each right paid is counted as a whole share used;
- Material amendments of the Plan require shareholder approval;
- Employee Awards under the Plan are administered by an independent committee of the Board; and
- The Plan s definition of change in control prevents accelerated vesting of awards under circumstances where a change in control is pending but has not occurred (except where the shareholders have authorized a sale of all the Company s assets or a complete liquidation of the Company).

Material Features of the Plan

The following is a brief summary of the material features of the Long-Term Incentive Plan (the Plan) as proposed to be amended. This summary is qualified in its entirety by reference to the full text of the amended and restated Plan, which is attached as an Exhibit hereto.

Plan Purposes

The purposes of the Plan are:

- to provide competitive incentives to executives and other key employees who are in a position to contribute to the long-term growth and success of the Company, have high potential for assuming greater levels of responsibility, or have demonstrated their critical importance to the operation of their organizational unit;

to assist the Company and its subsidiaries in attracting and retaining experienced and capable directors, executives and other key employees;

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and to align the interests of such employees and directors more closely with those of our shareholders.

Shares Used Under the Plan

The Plan limits the number of shares of Company stock which may be delivered for Plan awards granted on or after January 28, 2010 to 4,000,000 shares of Company stock, plus the number of shares previously authorized under the Plan which are not yet subject to an outstanding award or are not paid out under outstanding awards. As of September 30, 2009, 3,629,186 previously authorized shares were still available. The Company plans to make grants of awards using approximately 1,515,000 of these remaining shares for its annual fiscal year 2010 grant during December 2009 which it estimates will include approximately 1,135,000 stock options, 345,000 deferred stock units, and 35,000 restricted shares. No more than 20% of the aggregate shares of Company stock subject to awards granted after fiscal year 2001 may be used for full value awards.

Shares subject to Plan awards which are not delivered because the award expires, is forfeited or terminates unexercised, or because payment under the award is made in cash, may be used again for a subsequently granted award. However, if stock appreciation rights are paid in stock, each right paid will be treated as a whole share no longer available for use. Shares tendered by participants for payment of the exercise price of a stock option and shares withheld to satisfy taxes are not treated as available for use under the Plan. On November 30, 2009, the closing price of a share of Company stock as reported in the NYSE composite transactions was $82.93.

Total awards made under the Plan for the past three fiscal years were as follows*:

	Stock Options	Restricted Stock	Deferred Stock Units	Total
2009	2,029,035	40,092	375,522	2,444,649
2008	1,206,884	25,893	301,620	1,534,397
2007	1,525,300	50,500	339,324	1,915,124

* Amounts do not include forfeitures. Performance-based awards are included in the year earned, rather than the year of grant.

Overhang and Burn Rate

As of September 30, 2009, 211,260,264 shares of Company stock were outstanding; 19,418,381 shares were subject to outstanding equity awards under all equity compensation plans; and 3,629,186 shares were available for future awards under the Plan. Thus our fully diluted overhang was 9.84%. If the 4,000,000 shares for which shareholder approval is requested were available for grant as of September 30, 2009, our fully diluted overhang would have increased to 11.35%. As illustrated in the table below, as of September 30, 2009, 7,208,358 of the 17,746,649 outstanding stock options had been outstanding more than six years, and all of these were in the money, with a weighted average exercise price of $39.68 and a weighted average remaining term of 2.21 years. Stock options outstanding less than six years totaled 10,538,291, with a weighted average exercise price of $61.77 and a weighted average remaining term of 6.30 years. Of these outstanding stock options, 1,787,053 or 10.07% were held by the Named Executive Officers. For fiscal years 2007, 2008, and 2009, our burn rate was .89%, .72%, and 1.16%, respectively.

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Options Outstanding As of September 30, 2009

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term
Vested Options In the Money and Outstanding in Excess of Six Years	7,208,358	$ 39.68	2.21
Other Options Outstanding in Excess of Six Years	0		
Options Outstanding Six Years or Less	10,538,291	$ 61.77	6.30

Eligibility and Administration

Executives and other key employees (together, employee participants) and directors of the Company who are not employees of the Company or its subsidiaries (director participants) are eligible to participate in the Plan. Selection of employee participants is made by the Management Development and Compensation Committee of the Board (the Compensation Committee) or its delegate. For fiscal year 2009, approximately 1,730 employees were selected for awards under the Plan. As of November 1, 2009, the Company had approximately 18,900 employees, all of whom are eligible for selection to participate in the Plan, including nine Executive Officers. There were 10 nonemployee directors.

The Compensation Committee administers the Plan with regard to employee participants. The Board administers the Plan with regard to director participants. In the following description of the Plan, references to the Board or Compensation Committee should be understood to mean the Board with respect to director participants and the Compensation Committee with respect to employee participants, unless the context otherwise requires. The Board or Compensation Committee, as applicable, interprets the Plan, selects the employees or directors to be granted awards under the Plan and, within the limits set by the Plan, determines the type, size, terms, and conditions of the awards to be granted and the timing of grant of such awards. The Compensation Committee has delegated to management some of its authority to administer the Plan with regard to employees who are not Executive Officers of the Company, including the authority to select recipients and determine the amount of awards within limits and subject to terms established by the Committee.

The types of awards that the Board or the Compensation Committee has the authority to grant to eligible participants under the Plan consist of stock options, deferred stock units, restricted stock, and other stock awards. In addition, the Compensation Committee or its delegate may grant stock appreciation rights to employee participants. Each of these types of awards is described below. Recently, only stock options, restricted stock, and deferred stock units have been granted to employees and only deferred stock units have been granted to directors.

Stock Options

Stock options granted under the Plan provide the recipient the right to purchase stock at a specified price, the exercise price , when they are exercised ; i.e., when the recipient notifies the Company he or she wants to purchase the stock. Options may be granted in the form of nonstatutory stock options and incentive stock options. Incentive stock options are eligible for preferential federal income tax treatment to the participant, but have not been used in recent years.

The Plan provides that the exercise price will not be less than the fair market value of a share of Company stock on the date the stock option is granted. The fair market value of a share of

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Company stock is the closing market value on the NYSE. The Board or the Committee may establish a higher exercise price. The exercise price of shares purchased on exercise of a stock option is payable in full at the time of exercise. The exercise price may be paid in cash or, in the case of employee participants, in shares of Company stock having a fair market value on the date of exercise equal to the exercise price, or in a combination of cash and such shares. Subject to certain administrative restrictions, payment of the purchase price may also be made by selling all or part of the underlying shares and delivering a portion of the proceeds in settlement of the exercise price.

Unless otherwise determined by the Compensation Committee, employee stock options become exercisable in increments of one-third of the shares subject to the option on each of the first three anniversaries of the date of grant, expire on the tenth anniversary of the date of grant, and terminate if a participant s employment ends for any reason other than retirement, disability, or death. Upon an employee s retirement, disability, or death, stock options that are exercisable remain so, and options that are not exercisable but that have been outstanding for at least one year continue to become exercisable. Unless otherwise determined by the Board, director stock options become exercisable six months after grant and expire ten years following the grant date or, if earlier, two years after a director s service ends other than for retirement, disability, or death.

Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights to employee participants on a stand-alone basis or in tandem with a stock option or other Plan award. There are currently no stock appreciation rights outstanding under the Plan.

Each stock appreciation right entitles the recipient to receive, upon exercise of the right, an amount equal to the difference or spread between: (a) the fair market value of a share of Company stock on the date of exercise; and (b) the fair market value of a share of Company stock on the date the stock appreciation right was granted (base price). The Committee may determine to pay this amount in cash and/or in shares of Company stock based on their fair market value at the date of exercise. Unless otherwise determined by the Committee, stock appreciation rights will be exercisable to the same extent, at the same times, and on the same conditions as described above for stock options. The term of stock appreciation rights cannot exceed ten years. If stock appreciation rights are granted in tandem with a stock option, the exercise of stock appreciation rights cancels the related stock option on a share-for-share basis and vice versa.

Deferred Stock Units and Restricted Stock

Deferred stock units confer the right, subject to any restrictions and/or performance conditions imposed by the Board or Compensation Committee, to receive one share of Company stock for each deferred stock unit, or a cash payment equal to the fair market value of a share, at some future date determined by the Board or Compensation Committee. The Board or Compensation Committee may specify that the deferred stock unit award will accrue dividend equivalents, i.e., payments (in cash or shares of Company stock) equal to the amount of dividends paid to shareholders with respect to a share of Company stock while the deferred stock unit was being earned. Dividend equivalents are not paid until the underlying deferred stock unit is paid. No dividend equivalents are paid if the deferred stock unit is forfeited or applicable performance conditions are not met.

The recipient of restricted stock receives shares of Company stock subject to restrictions and/or performance conditions imposed by the Board or Compensation Committee for a specified time period determined by the Board or Compensation Committee. The participant generally may not

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transfer or pledge the restricted stock but may have certain rights of a shareholder, including the right to vote and to receive dividends and other distributions on the restricted stock. Upon the lapse of the restrictions, the shares may be transferred by the participant.

The minimum restriction or deferral period for employee deferred stock unit and restricted stock awards is generally three years from the date of grant except for special circumstances such as recruiting or retention awards or the participant s retirement, disability, or death. However, if the award is subject to performance conditions, the minimum restriction or deferral period is one year. In recent years, the Committee has generally granted deferred stock units and restricted stock subject to four-year vesting periods and performance conditioned deferred stock units with three-year performance periods. Special rules have been applied to terminations due to retirement, death, and disability.

Deferred stock units granted to directors are generally deferred until following the director s service as a director. In addition to grants of deferred stock units that have recently been made annually to directors as a component of director compensation, directors may elect to have all or a portion of their cash fees converted into deferred stock units, payable following termination of their service. Restricted stock has not been granted to directors.

Other Stock Awards

The Board or Compensation Committee also is authorized to grant other types of awards that are denominated or payable in or otherwise related to shares of Company stock. Other stock awards may be in such form as approved by the Board or Committee, including unrestricted shares of Company stock.

Adjustments and Change in Control

If there is a change in the outstanding shares of Company stock by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, or exchange of shares, a rights offering to purchase Company stock at a price substantially below fair market value, or other similar corporate change, the Board or Compensation Committee may make equitable adjustments to outstanding awards or shares available under the Plan to preserve, without increasing or decreasing the value of Plan awards and authorizations.

For purposes of the Plan, a change in control occurs upon an acquisition of 30% or more of the outstanding shares of Company stock by a person not controlled by the Company, a greater than 50% change in membership on the Company s Board of Directors during any two-year period (unless approved by two-thirds of directors still in office who were directors at the beginning of the period), consummation of a corporate transaction such as a merger resulting in a 50% change in the combined voting power of the resulting entity, or shareholder approval of a liquidation of the Company or a sale or disposition of all of its assets.

Outstanding stock options and stock appreciation rights will become exercisable in full upon a change in control of the Company, or, if later than the change in control, six months after the date of grant. The Board or the Compensation Committee may also require the participant to surrender a stock option or stock appreciation right in exchange for a cash payment of the difference between the exercise price or base price, respectively, and the change in control price ; i.e., the price paid or to be paid per share of Company stock in connection with the change in control or, if none, the fair market value of a share of Company stock on the date of payment.

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If a change in control occurs, all restrictions on restricted stock lapse and deferred stock units and associated dividend equivalents become fully vested and are paid, except deferred stock units will not be paid if the payment would result in additional taxes or penalties under Section 409A of the Internal Revenue Code. The Committee or the Board may determine to pay deferred stock units in cash. In that event, the deferred stock units will be valued at the change in control price. Deferred stock units subject to performance conditions vest and are paid based on the target performance level, and the amount is prorated based on the portion of the performance period which has passed.

Plan Amendments

The Board may amend the Plan at any time and in any respect it deems to be in the best interests of the Company. However, no amendment may be made without shareholder approval if required by law or by the rules of the NYSE or any other stock exchange on which Company stock is then listed. The rules of the NYSE require shareholder approval of any material revision to the Plan, including an amendment that materially increases the shares available under the Plan (other than an adjustment to reflect stock splits and similar events), expands the types of awards available under the Plan, materially expands the classes of persons eligible to participate in the Plan, extends the term of the Plan, or changes the method of determining the exercise price of stock options. In addition, no amendment may adversely affect an outstanding award without the consent of the holder of the award. Finally, repricing or reducing the exercise price of an undervalued stock option or the base price of a stock appreciation right or any action with the same effect, is not permitted without shareholder approval.

Federal Income Tax Consequences

Under current interpretations of existing federal tax law, the Company expects to be entitled to federal income tax deductions with respect to nonstatutory stock options, stock appreciation rights, deferred stock units, and restricted stock, at or following the time that taxable income is realized by an employee with respect to such awards. Generally, income will be realized upon the exercise of nonstatutory stock options and at the time cash or stock is delivered to an employee in respect of the other types of awards, except that, in the case of restricted stock, income will be realized at the time the stock is no longer subject to substantial risk of forfeiture. No deduction is allowed to the Company for the grant or exercise of an incentive stock option, unless the participant disposes of the stock before satisfying the applicable holding period rules. Further, no deduction is allowed to the Company for nonperformance-based compensation in excess of Section 162(m) limits that is paid to Executive Officers named in the proxy for the fiscal year the deduction would otherwise have been available.

Provisions Designed to Allow Continued Deductibility of Certain Compensation

Under Section 162(m) of the Internal Revenue Code, compensation paid to certain Executive Officers may not be deductible unless it qualifies as performance based . Stock options and stock appreciation rights granted to employees are, and deferred stock units, restricted stock, and other stock awards granted to eligible employees may be, intended to provide compensation which will qualify as performance-based compensation exempt from restrictions on deductibility.

In order for compensation attributable to Plan awards to be exempt from the limitations of Section 162(m), the Company s shareholders must periodically approve the employees eligible under the Plan, the maximum awards under the Plan, and the business criteria on which performance goals under the Plan are based. Each of these terms is discussed below. Shareholder approval of the Long-Term Incentive Plan will constitute reapproval of these Plan terms for purposes of Section 162(m).

Maximum Awards The Plan includes the following limits on the amounts of awards that may be granted to any one person in any one fiscal year:

a 1,000,000 share limit on the number of shares that may be the subject of grants of stock options (and tandem stock appreciation rights);

a 1,000,000 share limit on the number of shares that may be the subject of grants of stand-alone stock appreciation rights;

a 100,000 limit on the number of deferred stock units;

a 100,000 share limit on the number of shares of restricted stock; and

a 100,000 share limit with respect to which other stock awards may be granted (i.e., the value of such awards cannot exceed the value of 100,000 shares).

These limits are subject to adjustment to reflect stock splits and similar events. The minimum price at which shares may be acquired by exercising options granted under the Plan, and on the basis of which stock appreciation rights may be valued, is the fair market value of a share of Company stock on the date the award is granted.

Employees Eligible The class of employees eligible for awards under the Plan is executives and other key employees of the Company and its subsidiaries.

Business Criteria Finally, the performance objectives for any performance-based deferred stock units, restricted stock, or other stock awards will be limited to objective measures based on one or more of the following business criteria, any of which may be measured either in absolute terms or as compared to another company or companies: return on shareholder s equity; growth in net income; growth in revenues; cash flow return on average total capital; profit before interest and taxes; total return to shareholders; return on capital employed; operating return on net or gross investment, operating margins, or various other denominators based upon investment or assets; profit margins growth in earnings per share; or growth in cash flow. These criteria may be used individually or in a formula combining two or more criteria such as a sum of two or more criteria or the greatest of two or more criteria.

New Plan Benefits

The Board or Compensation Committee or a delegate will determine in its discretion the amount and timing of awards under the Plan and the recipients or classes of recipients of such awards. It is therefore not possible to state the amount of awards that will be made in the future if the proposed amendments to the Plan are approved.

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Stock Options Received or To Be Received

The amount of stock options to be granted in the future to any participant is not determinable. The following table presents the aggregate number of stock options issued under the Plan to the listed persons from its restatement under its current name (effective October 1, 2001) through September 30, 2009:

Name	Number of Options
John E. McGlade	783,512
Paul E. Huck	332,139
Scott A. Sherman	272,866
Robert D. Dixon	114,916
Lynn C. Minella	212,620
All Executive Officers as a group	2,036,326
All directors who are not Executive Officers as a group(1)	38,000
Nominees for election as director(2)	4,000
All employees who are not Executive Officers as a group	18,327,593

(1) Nonemployee directors have not been granted stock options under the Plan since 2005.
(2) Mr. W. Douglas Ford is the only nominee for director who received stock options under the Plan.

The Board of Directors and management recommend a vote FOR approval of the Long-Term Incentive Plan, as amended.

If You Hold Your Shares Through a Broker, Bank, or Other Nominee

If you hold your shares through a broker, bank, or other nominee and you do not instruct them on how to vote on this proposal, your broker does not have authority to vote your shares on this proposal. Your shares will only be voted in favor of this proposal if you have provided voting instructions to your broker or other nominee to vote your shares in favor of this proposal.

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THE BOARD OF DIRECTORS

Information follows about the age and business experience, as of December 1, 2009, of the nominees up for election and the directors continuing in office. Each nominee has consented to being nominated for director and has agreed to serve if elected. All of the nominees are currently directors.

Directors Standing for Election this Year for a Term Expiring at the Annual Meeting in 2013

WILLIAM L. DAVIS, III, age 66. Retired Chairman, President, and Chief Executive Officer of RR Donnelley. Director of the Company since 2005.

Mr. Davis became Chairman and Chief Executive Officer in 1997 and President in 2001 of RR Donnelley, the largest printing company in North America. He retired in February 2004. Over the prior two decades, Mr. Davis held senior sales, marketing, and executive positions at Emerson Electric Company. Mr. Davis is also a director of Marathon Oil Corporation.

W. DOUGLAS FORD, age 65. Retired Chief Executive, Refining and Marketing, of BP Amoco plc. (BP). Director of the Company since 2003.

From 1993-1999, Mr. Ford served as Executive Vice President of BP and its predecessor, Amoco Corporation. In 1999 he was named Chief Executive, Refining and Marketing of BP, and in 2000 he joined the BP board. Mr. Ford retired from BP and its board in March 2002. Mr. Ford is also a director of Suncor Corporation and USG Corporation.

EVERT HENKES, age 66. Retired Chief Executive Officer of Shell Chemicals Ltd. Director of the Company since 2006.

Mr. Henkes joined Shell in 1973 as a marketing manager. During his nearly 30 years with Shell, he held international leadership positions in Shell s bunkering and marine lubricants, petroleums, chemicals, and metals businesses. In 1998 Mr. Henkes was named Shell s first global chief executive officer responsible for its chemical business. He retired in April 2003. He is also a director of Outokumpu OYJ, SembCorp Industries Ltd., and Tate & Lyle plc. and a member of the CNOOC Ltd. International Advisory Board.

MARGARET G. McGLYNN, age 50. Former President, Global Vaccine and Infectious Disease Division, Merck & Co., Inc. Director of the Company since 2005.

Ms. McGlynn joined Merck, a global pharmaceutical company, in 1983. She served as President, U.S. Human Health, from 2003 to 2005, and in 2005 she was named President, Merck Vaccine Division. Ms. McGlynn served as President, Global Vaccine and Infectious Disease Division, from 2007 until her retirement in 2009. She is also a director of Amicus Therapeutics.

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Directors Continuing in Office Until the Annual Meeting in 2011

MICHAEL J. DONAHUE, age 51. Former Group Executive Vice President and Chief Operating Officer of BearingPoint, Inc. Director of the Company since 2001.

Mr. Donahue served as Chief Operating Officer of BearingPoint, Inc. from March of 2000 until February 2005. Prior to March 2000, he served as Managing Partner, Solutions, for the consulting business of KPMG LLP, and as a member of the boards of directors of KPMG LLP and KPMG Consulting KK Japan. He is also a director of GSI Commerce, Inc. and is Chairman of the Board of Directors of The Orchard Enterprises, Inc.

URSULA O. FAIRBAIRN, age 66. President and Chief Executive Officer, Fairbairn Group, LLC. Director of the Company since 1998.

Ms. Fairbairn is President and Chief Executive Officer of Fairbairn Group, LLC, specializing in human resources and executive management consulting since April 2005. She served as Executive Vice President, Human Resources and Quality, of American Express Company, from 1996 until her retirement in April 2005. She is also a director of Sunoco Inc. and VF Corporation.

LAWRENCE S. SMITH, age 62. Former Chief Financial Officer of Comcast Corporation. Director of the Company since 2004.

Mr. Smith joined Comcast Corporation, a cable communication systems and telecommunication company, in 1988 to oversee the company s finance and administration functions. He was named Executive Vice President in 1995 and served as Co-Chief Financial Officer from 2002 until his retirement in 2007, overseeing corporate development, accounting, reporting, and tax matters. Prior to joining Comcast, Mr. Smith served as Chief Financial Officer of Advanta Corporation and was a partner in Arthur Andersen & Co. He is also a director of GSI Commerce Inc. and Tyco Electronics Corporation.

Directors Continuing in Office Until the Annual Meeting in 2012

MARIO L. BAEZA, age 58. Founder and Controlling Shareholder of Baeza & Co. and Founder and Executive Chairman of V-Me Media, Inc. Director of the Company since 1999.

Mr. Baeza formed The Baeza Group, a Hispanic-owned alternative investment firm, in 2003 to create the first Hispanic-owned merchant banking firm focusing on the Pan-Hispanic region. In 2006, The Baeza Group partnered with Thirteen/WNET, a public broadcasting service affiliate, to form V-Me Media, Inc., a new national Spanish language television network to be distributed through the digital channels of public television affiliate stations. V-Me Media is controlled by The Baeza Group and Mr. Baeza serves as V-Me s Founder and Executive Chairman. Mr. Baeza is also a director of Brown Shoe Co., Inc., Israel Discount Bank of New York, and Urban America LLC; and a member of the Board of Trustees of Ariel Mutual Fund Group.

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EDWARD E. HAGENLOCKER, age 70. (Presiding Director) Former Vice Chairman of Ford Motor Company and former Chairman of Visteon Automotive Systems. Director of the Company since 1997.

Mr. Hagenlocker joined Ford Motor Company as a research scientist in 1964. He was elected Vice President and named General Manager of Truck Operations in 1986, appointed Vice President of General Operations for Ford North American Automotive Operations in 1992, and appointed Executive Vice President in 1993. He was elected President of Ford Automotive Operations in 1994 and Chairman, Ford of Europe in 1996. He served as Vice Chairman of Ford Motor Company in 1996 and Chairman of Visteon Automotive Systems from 1997 until his retirement in 1999. Mr. Hagenlocker is also a director of AmeriSource Bergen Corporation and Ingersoll-Rand Company Limited.

JOHN E. McGLADE, age 55. Chairman, President, and Chief Executive Officer of the Company. Director of the Company since 2007.

Mr. McGlade joined Air Products in 1976. He was named Group Vice President, Chemicals Group in 2003, with global responsibility for the chemicals group, industrial gas and chemicals manufacturing, and Environment, Health, Safety and Quality. He was appointed President and Chief Operating Officer of Air Products in October 2006. He assumed the position of Chief Executive Officer on October 1, 2007 and Chairman in April 2008. Mr. McGlade serves on the board of directors of the American Chemistry Council. He also is a member of the Lehigh University Board of Trustees, the Rider-Pool Foundation, and the Society of Chemical Industry.

CHARLES H. NOSKI, age 57. Retired Vice Chairman of AT&T Corporation and former Corporate Vice President and Chief Financial Officer of Northrop Grumman Corporation. Director of the Company since 2005, and from 2000-2004.

Mr. Noski served as Senior Executive Vice President and Chief Financial Officer of AT&T Corporation between 1999 and 2002, and was elected Vice Chairman of AT&T s Board of Directors in February 2002. He retired in November 2002 upon the completion of AT&T s restructuring. From December 2003 to March 2005, he was Corporate Vice President and Chief Financial Officer of Northrop Grumman Corporation and served as a director from November 2002 to May 2005. Mr. Noski is also a director of Microsoft Corporation, Morgan Stanley, and Automatic Data Processing, Inc.

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CORPORATE GOVERNANCE

Our business is managed by our employees under the direction and oversight of the Board of Directors (the Board). We keep Board members informed of our business through discussions with management, materials we provide to them, visits to our offices, and their participation in Board and Board committee meetings.

The Board has adopted Corporate Governance Guidelines for the Company in order to assure that the Board has the necessary practices in place to govern the Company in accordance with the interests of the shareholders. The Guidelines set forth the governance practices the Board follows; including with respect to director independence and qualifications, director responsibilities, access to management and independent advisors, director compensation, director orientation and education, chief executive officer performance assessment, management succession, and assessment of Board and committee performance. The Governance Guidelines are available on the Company s website at: *http://www.airproducts.com/Responsibility/Governance/Guidelines.htm* and are available in print upon request. (Information contained on our website is not part of this proxy statement.) The Board regularly reviews corporate governance developments and modifies these Guidelines as warranted.

Director Independence

The Board has affirmatively determined that all of the Company s directors, except Mr. McGlade, qualify as independent under the NYSE corporate governance standards. In determining independence, the Board determines whether directors have a material relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of directors. When assessing materiality, the Board considers all relevant facts and circumstances including, without limitation, transactions between the Company and the director, family members of directors, or organizations with which the director is affiliated. The Board further considers the frequency and dollar amounts associated with any of these transactions and whether the transactions were in the ordinary course of business and were consummated on terms and conditions similar to those with unrelated parties.

In its determination, the Board applies the specific tests for independence included in the NYSE listing standards. In addition, the Board has determined, in its business judgment, that the following categories of relationships are immaterial for purposes of making an independence determination:

- Any business transactions or relationships involving sales or purchases of goods or services between the Company and a director s employer or an employer of a director s family member which occurred more than three years prior to the independence determination or involve less than 1% of such employer s annual consolidated gross revenues; provided the transaction takes place on the same terms and conditions offered to third parties or on terms and conditions established by competitive bid, and the director s or family member s compensation is not affected by the transaction;

- Charitable contributions by the Company to an organization in which the director or his or her immediate family member serves as an executive officer, director, or trustee that occurred more than three years prior to the independence determination, were made pursuant to the Company s matching contributions program, or were less than the greater of $1 million or 2% of the organization s gross revenues;

- Membership of a director in the same professional association, social, fraternal, or religious organization or club as an Executive Officer of the Company (the Executive Officers are listed on page 26);

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A director s past matriculation at the same educational institution as an Executive Officer of the Company;

A director s service on the Board of another public company on which an Executive Officer of the Company also serves as a Board member, except for prohibited compensation committee interlocks; and

A director s service as a director, trustee, or executive officer of a charitable or educational organization where an Executive Officer of the Company also serves as a director or trustee.

Notwithstanding the above, the Company s Corporate Governance Guidelines provide that no director may serve on the Audit Committee or Management Development and Compensation Committee of the Board if he or she has received, within the past or preceding fiscal year, any compensatory fee from the Company other than for Board or committee service; and no director may serve on the Management Development and Compensation Committee of the Board unless the director qualifies as an outside director under U.S. tax laws pertaining to deductibility of executive compensation.

On an annual basis, each member of the Board is required to complete a questionnaire designed in part to provide information to assist the Board in determining whether the director is independent under NYSE rules and our Corporate Governance Guidelines. In addition, each director or potential director has an affirmative duty to disclose to the Corporate Governance and Nominating Committee relationships between and among that director (or an immediate family member), the Company, and/or the management of the Company.

The Corporate Governance and Nominating Committee reviews all relationships and transactions for compliance with the standards described above and makes a recommendation to the Board, which makes the independence determination. For those directors identified as independent, the Company and the Board are aware of no relationships or transactions with the Company or management other than of a type deemed immaterial in accordance with the guidelines described above. Charitable contributions by the Company to an organization in which Mr. Baeza s spouse is an executive officer and routine purchases and sales of products involving Ms. McGlynn s employer were deemed immaterial.

Executive Session

The independent directors regularly meet without the chief executive officer or other members of management present in executive sessions that are scheduled during at least four Board meetings each year. In addition, the CEO performance review is conducted in executive session, and the Audit, Management Development and Compensation, and Corporate Governance and Nominating Committees periodically meet in Executive Session. Board executive sessions, including the CEO performance review, are led by the presiding director, currently Mr. Hagenlocker.

Board of Directors Meetings and Attendance

During our fiscal year ending September 30, 2009 (fiscal year 2009), there were nine meetings of our Board of Directors. Board and committee attendance averaged 98% for the Board as a whole, and no director attended less than 75% of the combined total of meetings of the Board and the committees on which they were serving. In accordance with the Company s Corporate Governance Guidelines, all directors are expected to attend the Company s annual meeting of shareholders unless they have an emergency or unavoidable schedule conflict. All directors attended the last annual meeting.

Shareholder Communications

Shareholders and other interested parties may communicate with the independent directors by sending a written communication in care of the Corporate Secretary s Office at the address on page 5. The Board of Directors has adopted a written procedure for collecting, organizing, and forwarding direct communications from shareholders and other interested parties to the independent directors. A copy of the procedure is available upon request.

Code of Conduct

The Board has adopted its own Code of Conduct that is intended to affirm its commitment to the highest ethical standards, integrity, and accountability among directors and that focuses on areas of potential ethical risk and conflicts of interest especially relevant to directors. The Company also has a Code of Conduct for officers and employees. This Code of Conduct addresses such topics as conflicts of interest, confidentiality, protection and proper use of Company assets, and compliance with laws and regulations. Both Codes of Conduct can be found on the website at *http://www.airproducts.com/Responsibility/Governance/codeofconduct.htm* and are available in print to any shareholder who requests them.

Transactions with Related Persons

The Company did not engage in any reportable related person transactions in fiscal year 2009.

The Board recognizes that transactions with related persons can present actual or potential conflicts of interest and wants to ensure that Company transactions are based solely on the best interests of the Company and its shareholders. Accordingly, the Board has delegated responsibility to the Audit Committee to review transactions between the Company and related persons. The Audit Committee has adopted a written policy providing procedures for review of related person transactions.

A related person transaction is a transaction between the Company and a director, Executive Officer, or 5% shareholder; an immediate family member of a director, Executive Officer, or 5% shareholder; or a company or other entity in which any of these persons have a material interest. Pursuant to the Audit Committee policy, related person transactions must be preapproved by the Committee or, in the event of an inadvertent failure to bring the transaction to the Committee for preapproval, ratified by the Committee. In deciding whether to approve or ratify a related person transaction, the Committee considers the benefits of the transaction to the Company, the impact on a director s independence if a director or a director s family member or affiliate is involved, the availability of comparable sources for products and services, the terms of the transaction, and terms available to third parties for similar transactions. The Committee chairman is authorized to approve related person transactions when it is impractical or undesirable to wait until the next Committee meeting for approval. Such transactions must be reported to the Committee at the next meeting.

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COMMITTEES OF THE BOARD

The Board has five standing committees which operate under written charters approved by the full Board: Audit; Corporate Governance and Nominating; Environmental, Safety and Public Policy; Finance; and Management Development and Compensation. In accordance with NYSE listing standards, none of the directors who serve on the Audit, Corporate Governance and Nominating, or Management Development and Compensation Committees have ever been employed by the Company, and the Board has determined in its business judgment that all of them are independent from the Company and its management in accordance with the guidelines described above in Director Independence . The charters of all the committees can be viewed on the Company website at *http://www.airproducts.com/Responsibility/Governance/boardofdirectors/committees.htm* and are available in print to any shareholder upon request. The Company s bylaws also provide for an Executive Committee. The chart below identifies the members of each committee, the number of meetings held by each committee, and the committee chairs during fiscal year 2009:

Name	Audit	Corporate Governance and Nominating	Environmental, Safety and Public Policy	Executive	Finance	Management Development & Compensation
M. L. Baeza		C	X	X		
W. L. Davis			X			X
M. J. Donahue	X				C	
U. O. Fairbairn			C			X
W. D. Ford	X			X	X	
E. E. Hagenlocker		X		X		C
E. Henkes	X				X	
J. E. McGlade				C		
M. G. McGlynn	X		X			
C. H. Noski		X		X		X
L. S. Smith	C				X	
2009 Meetings	8	3	2	0	2	7

C=Chairman

Audit Committee

The Board has determined that all of the Audit Committee members are financially literate and that Mr. Smith qualifies as an audit committee financial expert as defined by SEC regulations and NYSE listing standards. The Committee operates under a written charter. The Committee is directly responsible for the appointment, compensation, retention, and oversight of the Company s independent registered public accountant. The Committee reviews the appropriateness, quality, and acceptability of the Company s accounting policies, the integrity of financial statements reported to the public, significant internal audit and control matters and activities, the Company s policies and processes for risk assessment and management, and compliance with legal and regulatory requirements. The Committee discusses with the Company s internal auditor and independent registered public accountant the overall scope and plans for their respective audits. The Committee meets with the internal auditor and the independent registered public accountant, with and without management present, to discuss the results of their audits, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Committee also reviews compliance with the Company s Code of Conduct for employees and

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officers and is responsible for establishing and administering the Company s procedures for confidential reporting by employees of questionable accounting practices and handling complaints regarding accounting, internal controls, and other audit matters.

Each year the Committee approves an annual agenda plan which specifies matters to be considered and acted upon by the Committee over the course of the year in fulfilling its responsibilities. In fiscal year 2009, the Committee met eight times.

Audit Committee Report

The Audit Committee reviews the Company s financial reporting process on behalf of the Board. Management bears primary responsibility for the financial statements and the reporting process, including the system of internal controls and disclosure controls. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with United States generally accepted accounting principles.

In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited consolidated financial statements contained in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2009 with the Company s management and the independent registered public accountant. The Audit Committee has also discussed with the independent registered public accountant the matters required to be discussed by the Statement on Auditing Standards on Communication with Audit Committees as currently in effect. In addition, the Committee has discussed with the independent registered public accountant its independence from the Company and its management, including matters in the written disclosures and letter received by the Committee from the independent registered public accountant, as required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee on its independence.

Based on the reviews and discussions referred to above, the Committee approved the audited consolidated financial statements and recommended to the Board that they be included in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

Audit Committee

Lawrence S. Smith, Chairman

Michael J. Donahue

W. Douglas Ford

Evert Henkes

Margaret G. McGlynn

Independent Registered Public Accountant

Appointment and Attendance at Annual Meeting. KPMG was the Company s independent registered public accountant for fiscal year 2009. Representatives of KPMG will be present at the Annual Meeting to respond to appropriate questions and make a statement if they desire.

Fees of Independent Registered Public Accountant. Consistent with the Audit Committee s responsibility for engaging the Company s independent registered public accountant, all audit and permitted nonaudit services performed by KPMG require preapproval by the Audit Committee. The full Committee approves projected services and fee estimates for these services and establishes budgets for major categories of services at its first meeting of the fiscal year. The Committee chairman has been designated by the Committee to approve any services arising during the year that were not preapproved by the Committee and services that were preapproved

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if the associated fees will cause the budget established for the type of service at issue to be exceeded by more than ten percent. Services approved by the chairman are communicated to the full Committee at its next regular quarterly meeting, and the Committee reviews actual and forecasted services and fees for the fiscal year at each such meeting. During fiscal year 2009, all services performed by the independent registered public accountant were preapproved.

During fiscal years 2008 and 2009, KPMG billed the Company fees for services in the following categories and amounts (in millions):

	2009	2008
Audit Fees	$ 6.0	$ 5.7
Audit-related Fees	0.6	1.2
Tax Fees	0.1	0.1
All Other Fees	0.0	0.0
Total Fees	$ 6.7	$ 7.0

Audit fees are fees for those professional services rendered in connection with the audit of the Company s consolidated financial statements and the review of the Company s quarterly consolidated financial statements on Form 10-Q that are customary under the standards of the Public Company Accounting Oversight Board (United States), and in connection with statutory audits in foreign jurisdictions. Audit-related services consisted primarily of services rendered in connection with employee benefit plan audits, SEC registration statements, due diligence assistance, and consultation on financial accounting and reporting standards. Tax fees were primarily for preparation of tax returns in non-U.S. jurisdictions, assistance with tax audits and appeals, advice on mergers and acquisitions, and technical assistance.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee operates under a written charter. The Committee monitors and makes recommendations to the Board about corporate governance matters including the Company s Corporate Governance Guidelines, codes of conduct, Board structure and operation, Board policies on director compensation and tenure, the meeting schedules of the Board and the committees, the charters and composition of the committees, and the annual Board and committee performance assessment processes. The Committee also has primary responsibility for identifying, recommending, and recruiting nominees for election to the Board and recommending candidates for election as Presiding Director. The Committee met three times in fiscal year 2009.

Selection of Directors. The Board has established the following minimum qualifications for all directors: business experience, judgment, independence, integrity, ability to commit sufficient time and attention to the activities of the Board, absence of any potential conflicts with the Company s interests, and an ability to represent the interests of all shareholders. The qualities and skills necessary for a specific director nominee are governed by the needs of the Board at the time the Committee determines to add a director to the Board. The specific requirements of the Board are determined by the Committee and are based on, among other things, the Company s current business, market, geographic, and regulatory environments; the mix of perspectives, experience, and competencies currently represented by the other Board members; and the chief executive officer s views as to areas in which management desires additional advice and counsel.

When the need to recruit a nonmanagement director arises, the Committee consults the other directors, the chief executive officer, and third-party recruiting firms to identify potential candidates. Once a candidate is identified, the candidate screening process generally is conducted initially by a third-party recruiting firm and will include inquiries as to the candidate s reputation and background, examination of the candidate s experiences and skills in relation to the Board s requirements at the time, consideration of the candidate s independence as measured by the Board s independence standards, and other considerations the Committee deems appropriate at the time. Prior to formal consideration and recommendation by the Committee, any candidate who passes such screening would be interviewed by one or more members of the Committee and the chief executive officer. Candidates recommended by shareholders, whose names are submitted in accordance with the Committee s procedures described below, will be screened and evaluated in the same manner as other candidates. All candidates standing for election at the Annual Meeting are current directors who were previously elected to the Board.

The Committee has adopted a policy regarding its consideration of director candidates recommended by shareholders and a procedure for submission of such candidates. The policy provides that candidates recommended by shareholders will be considered by the Committee; submissions of candidates must be made in writing; and, to be considered for nomination at an annual meeting of shareholders, submissions must be received not later than 120 days prior to the anniversary date of the proxy statement for the prior annual meeting. The submission must also provide certain information concerning the candidate and the recommending shareholder(s), a statement explaining why the candidate has the qualifications required, and consent of the candidate to be interviewed by the Committee and to serve if elected. A copy of the policy and procedure is available upon request.

Executive Committee

The Executive Committee, which did not meet in fiscal year 2009, has the authority of the Board to act on most matters during intervals between Board meetings. It is usually convened only to approve capital expenditures in excess of the chief executive officer s authority where a customer requires a commitment prior to the next Board meeting.

Environmental, Safety and Public Policy Committee

The Environmental, Safety and Public Policy Committee monitors and reports to the Board on issues and developments in areas such as environmental compliance, climate change and sustainability, safety, corporate security and crisis management, diversity, community relations, and corporate and foundation philanthropic programs and charitable contributions.

Finance Committee

The Finance Committee reviews the Company s financial policies; keeps informed of its financial operations and condition, including requirements for funds and access to liquidity; advises the Board about sources and uses of Company funds; reviews the Company s financial arrangements and methods of external financing; and oversees the funding and management of assets of the Company s employee pension and savings plans worldwide.

Management Development and Compensation Committee

Pursuant to its charter, the Management Development and Compensation Committee (the Committee) has responsibility for:

Leading the Board in evaluating the performance of the Company s chief executive officer (CEO);

- Overseeing CEO succession planning and the development and evaluation of potential candidates for other executive positions;

- Establishing the Company s executive compensation policies, determining CEO compensation, and approving other Executive Officer compensation; and

- Overseeing the design and administration of the incentive compensation plans for key employees and the administration and design of the Company s pension and savings plans.

Roles of the Committee, Management, and Compensation Consultant in the Compensation Process. The Committee is responsible to the Board and to shareholders for establishment and oversight of the Company s compensation program for Executive Officers, including those named in the Summary Compensation Table on page 43 (Named Executive Officers) and for approving the compensation level of the Executive Officers. The Company s Executive Officers are the Named Executive Officers:

- John E. McGlade, Chairman, President, and CEO;

- Paul E. Huck, Senior Vice President and Chief Financial Officer (CFO);

- Scott A. Sherman, Senior Vice President Strategic Development and Execution[1];

- Robert D. Dixon, Senior Vice President and General Manager Merchant Gases;

- Lynn C. Minella, Senior Vice President Human Resources and Communications; and the following additional senior operational and corporate officers:

- M. Scott Crocco, Vice President and Corporate Controller;

- Michael F. Hilton, Senior Vice President and General Manager Electronics and Performance Materials;

- Stephen J. Jones, Senior Vice President and General Manager Tonnage Gases, Equipment and Energy[2]; and

- John D. Stanley, Senior Vice President and General Counsel[3].

The Committee establishes overall compensation strategies and policies for the Executive Officers, allocates compensation for Executive Officers among the various components of compensation, evaluates and approves goals and objectives relevant to the incentive compensation of the Executive Officers, evaluates the performance of the CEO with input from the full Board, determines direct compensation levels for the CEO, and evaluates and approves direct compensation levels for other Executive Officers. Each year, the Committee also reviews and evaluates the appropriateness of the Company s current executive compensation program based on several factors, including competitiveness of the program and compensation delivered under the program relative to the Company s performance; reviews whether the program design encourages excessive risk taking; approves peer groups for market reference; receives regular updates on forecasted performance against incentive plan measures; evaluates and approves changes to compensation and benefit plans when needed; reviews succession planning for the Executive Officers and other senior management employees; approves performance objectives for the CEO; approves incentive plan payouts for the current year; and addresses other specific issues regarding management development and compensation as needed. Periodically, the Committee also undertakes an extensive review of the competitiveness and appropriateness of certain pay practices, such as Executive Officer severance arrangements and retirement benefits.

1 Mr. Sherman assumed this role in March 2009. Previously he was Senior Vice President and General Manager Tonnage Gases, Equipment and Energy.
2 Mr. Jones assumed this role in March 2009. Previously he was Senior Vice President, General Counsel and Secretary.
3 Mr. Stanley assumed this role in March 2009. Previously he was Assistant General Counsel Corporate and Commercial, Americas and Europe.

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While the Committee determines overall compensation strategy and policies for the Executive Officers and approves their compensation, it seeks input from several Executive Officers and other management employees with respect to both overall guidelines and discrete compensation decisions. Specifically:

- the Senior Vice President Human Resources and Communications works with the Committee and the external compensation consultant to develop the design of compensation programs and decision-making frameworks for determining compensation levels;

- the CEO provides the Committee perspective on the performance of other Executive Officers, and provides input to the Committee and the external compensation consultant on the forms of incentive compensation and performance metrics that will best support his strategic goals for the Company;

- the CFO provides background and recommendations to the Committee regarding the Company s key financial objectives and performance against them;

- compensation actions for Executive Officers other than the CEO are developed and recommended by the CEO, in consultation with the Senior Vice President Human Resources and Communications, and based on guidance received from the external compensation consultant; and

- the Company s Law and Human Resources staff provide technical advice and other support to the Committee.

The Executive Officers noted, as well as other management employees, attend portions of the Committee meetings; however, the Committee s usual practice is to meet in executive session both alone and with its compensation consultant to reach final decisions about CEO and other Named Executive Officer compensation.

The Committee has delegated to the officers of the Company authority to take certain administrative actions with respect to the Company s incentive compensation plans and retirement and other benefit plans. The CEO of the Company is authorized to determine incentive compensation for employees other than Executive Officers, subject to terms and overall amounts approved by the Committee. The design and administration of pension, savings, welfare, and vacation benefit plans and practices generally are handled by teams of Company Human Resources, Finance, and Law employees, although the Committee retains authority for approving major design changes, material changes to benefits that affect Executive Officers, and certain administrative decisions that affect Executive Officers.

The Committee retains an external compensation consultant to provide independent advice, information, and analysis on executive compensation. The Committee retained Mercer (U.S.) Inc. (Mercer) as its external compensation consultant during fiscal year 2008, when most of the Executive Officers compensation for fiscal year 2009 was planned and granted. In preparation for establishing fiscal year 2009 compensation, the Committee used Mercer to assess the competitiveness of the executive compensation program, to make recommendations regarding the program design based on prevailing market practices and business conditions, to advise the Committee on the level of each Executive Officer s compensation, and to conduct research and analysis directed by the Committee. Mercer attended portions of Committee meetings and regularly met in Executive Session with the Committee with no members of management present.

The Committee has established several practices to ensure the external consultant s independence, candor, and objectivity. The consultant is engaged by and reports directly to the

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Committee, frequently meets separately with the Committee with no members of management present, and consults with the Committee Chairman in between meetings. Management reports to the Committee at each meeting fees paid for services performed by the consultants, and the Committee approves in advance the services to be performed. In addition to executive compensation consulting for the Committee, Mercer provides benefits consulting and administration, surveys, and other services to the Company, primarily in countries where there are few, if any, other consultants with the appropriate expertise. For 2009, to eliminate any engagement of the Committee s external consultant by management, the Committee determined to retain a new consultant, Farient Advisors LLC (Farient) that limits its practice to executive compensation. Farient also advises the Corporate Governance and Nominating Committee on director compensation, but performs no other services for the Company or management.

During fiscal year 2009, Farient provided advice and analysis to the Committee on direct compensation for individual Executive Officers, agenda planning, peer group composition, incentive plan performance metric conventions and design, and external trends and regulatory developments. Farient also provided an analysis of pay delivered under the Company s Executive Officer compensation program relative to its peer group and performance, and an assessment of the potential relationship between the Company s compensation program and risk taking by management. Mercer continued to provide competitive market data on executive compensation during 2009 which was used to evaluate the overall competitiveness of the compensation program and to develop management recommendations on Executive Officer pay. Mercer presented the data to the Committee, but did not make recommendations to the Committee on the form or amount of executive compensation. Farient reviewed the data and provided advice to the Committee on interpreting it; reviewed recommendations and proposals being submitted to the Committee by management based on the data; and provided advice to the Committee regarding whether, in their opinion, management s recommendations should be accepted as presented, modified, or rejected. Farient also provided research and analysis and other background information for consideration by the Committee in making these decisions.

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COMPENSATION OF EXECUTIVE OFFICERS

Report of the Management Development and Compensation Committee

The Committee has reviewed and discussed with management and Farient the following Compensation Discussion and Analysis section of the Company s 2009 Proxy Statement. Based on its review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Proxy Statement for 2009.

Management Development and Compensation Committee

Edward E. Hagenlocker, Chairman

William L. Davis, III

Ursula O. Fairbairn

Charles H. Noski

Compensation Discussion and Analysis

Executive Summary

The Company s most fundamental goal is to increase the value of our shareholders long-term investment in the Company through disciplined capital investment, sustainable growth, and superior returns. To measure our success in achieving this goal, the Company has identified and communicated to investors key performance indicators such as earnings growth and return on capital targets. Our executive compensation programs emphasize compensation opportunities that are linked to these key performance indicators or provided through Company stock-based awards. Accordingly, the majority of compensation provided to the Company s Named Executive Officers is dependent upon the achievement of short-, medium-, and long-term performance objectives and/or appreciation in the value of Company stock.

In addition to these incentive opportunities, the Company s compensation programs provide Executive Officers a lesser amount of fixed elements, such as base salary and benefits, which are an essential part of a competitive compensation program. We also provide competitive severance and change in control arrangements to mitigate the impact of portfolio management actions, succession planning, and other corporate actions.

Fiscal Year 2009 Overview. The Company s fiscal year 2009 performance reflected one of the most difficult operating environments in its history due to the severe global recession. The Company s businesses experienced 15 to 40 percent reductions in sales volumes in the course of a few months, and associated declines in financial results. In anticipation of the slowing economic environment, and then in response to the accelerating decline, management put in place a series of actions aimed at reducing spending and developing a sustainable lower cost structure. These restructuring actions enabled operating margins to remain relatively stable despite the dramatic downturn in volume, and positioned the Company to deliver excellent financial returns as the economy recovers, but resulted in substantial restructuring charges that affected reported results for the year.

Reflecting the overall impact of the distressed economy and its effect on the Company s financial results, the Committee approved, upon the recommendation of management, the following decisions for Named Executive Officers in 2009:

No bonuses were awarded for fiscal year 2009.

Base salaries will not be increased for 2010.

Consistent with competitive market conditions, long-term incentive award values will not be increased for fiscal year 2010.

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In addition, because a large percentage of the Company s Executive Officers compensation is delivered in equity awards, the Executive Officers experienced a substantial decrease in the value of their outstanding long-term incentives at the end of fiscal year 2008 and into the first quarter of fiscal year 2009, just as many of our long-term shareholders saw the market value of their shares decline significantly during this time period. The Company s Executive Officer compensation program operated as intended, linking the Executive Officers significant personal stake in the performance of the Company s stock to the investment of our shareholders.

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

In reviewing the following discussion of fiscal year 2009 compensation and the compensation tables that follow it, it is important to recognize that most of the fiscal year 2009 compensation actions by the Committee were taken in late 2008. Base salaries and annual incentive opportunities were set and equity awards granted in the context of the Company s outstanding fiscal year 2008 performance, before the full impact of the global economic recession was apparent. However, because the Company s programs are performance driven, they are largely self-adjusting during times of economic distress.

For fiscal year 2009, the Committee designed the Company s Executive Officer compensation programs to provide, on average, a compensation opportunity that approximates the median of similar companies. Individual components of compensation may be greater or lesser than the median, and actual compensation delivered may vary significantly from the target opportunity and the median based on Company or individual performance and fluctuation in Company stock price.

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Compensation is delivered to the CEO and other Named Executive Officers through the components listed in the table below, which provides a brief description of the principal types of compensation, how performance factors into each type of compensation, and the objectives served by each type. Detailed descriptions of the components of compensation, the objectives of the program, and how the Committee determined compensation levels for fiscal year 2009 begin on page 32.

Fiscal Year 2009 Principal Compensation Elements

Element	Description	Performance Considerations	Primary Objectives
Base Salary	Fixed cash payment	Based on level of responsibility, experience, individual performance.	Competitiveness and security.
Annual Incentive Plan	Short-term incentive, cash payment	Measured by performance towards short-term financial and strategic objectives.	Promote achievement of short-term financial and strategic objectives.
Long-Term Incentive Plan	Equity-based awards with long-term focus. Includes stock options, restricted stock, and performance shares	Creation of shareholder value and realization of medium- and long-term financial and strategic goals. In the case of performance shares, performance against medium-term financial and strategic objectives.	Create alignment with shareholders; promote achievement of longer-term financial and strategic objectives.
Retirement and Welfare Benefits	Pension benefits, savings plan, health and insurance benefits	None generally track benefits offered to broad salaried workforce.	Security and competitiveness.

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The mix of total direct compensation (base salary, annual incentive awards, and long-term incentive awards) for fiscal year 2009 was designed to deliver the following approximate proportions when target levels of performance were achieved by the Company:

Design of the Program

Objectives of the Compensation Program. The overall objective of our executive compensation program is to attract and retain a talented management team and provide them with the right incentives to execute our strategic objectives and maximize our shareholders investment in the Company. This overall objective can be broken down into several subordinate objectives that more directly factor into the design of our compensation program and specific compensation decisions of the Committee. Each element of compensation fosters one or more of the following objectives:

Tie compensation to strategy and performance.
The Company s programs provide a range of incentive compensation opportunities that simultaneously promote achievement of short-, medium-, and long-term strategic and financial objectives both intermediate targets and stretch aspirations.

Link the interests of Executive Officers to the interests of shareholders.
The Company s Executive Officer compensation program is designed so that factors that impact the success of our shareholders investment in the Company also impact our management team s personal wealth.

Be competitive.
The Company seeks to offer compensation opportunities that are sufficient to attract talented and experienced managers who have a choice about where they work, and to discourage them from seeking other opportunities.

Foster nonfinancial corporate goals.

While financial results are the primary commitment the Company makes to shareholders, the compensation program balances financial results with other Company values such as sustainability, safety, diversity, and ethical conduct. Accordingly, some components of the program provide flexibility to recognize nonfinancial achievements or to reduce or recoup compensation where insufficient attention is paid to nonfinancial Company objectives.

Support actions needed to respond to changing business environments.

The Company has sought to provide some elements of compensation, such as severance benefits, that give the management team or the Board of Directors tools to facilitate decisions about divestitures and restructurings, succession planning, or other significant corporate events that may impact the position or employment status of Executive Officers.

Provide reasonable security.

The Committee intends the compensation program to provide basic elements such as base salary and benefits that ensure that management is fairly remunerated, and provides reasonable security so that the management team can perform at its best and take prudent risks.

Benchmarking. The Committee believes an understanding of the compensation practices of the companies with whom the Company competes for talent is an important foundation for determining the right mix of compensation components and target compensation levels. In preparation for determining fiscal year 2009 compensation, the Committee engaged Mercer to conduct an overall competitive assessment of the Company s executive compensation levels and practices. Mercer reviewed the overall program design and practices in light of evolving market trends and benchmarked the Executive Officer compensation levels to evaluate the performance of the program and as a reference for establishing compensation levels for 2009.

The Committee approves and periodically reevaluates the peer group used for benchmarking compensation. For purposes of assessing competitiveness and recommending compensation levels for fiscal year 2009, Mercer compiled survey data from its compensation database on a market reference group of industrial companies with revenue of $6 to $12 billion (consistent with the Company s fiscal year 2008 revenue of $10.4 billion) and chemical companies with revenues of $1 billion and above (collectively, Market Reference Group). This Market Reference Group, although broad, was selected because it is representative of the companies from which the Company recruits and with which it competes for talent. The Company has determined its competition for talent is a broader group than its direct competitors based on recent managerial level recruiting and attrition. This Market Reference Group is used by the Company for its management workforce, not just Executive Officers. A list of companies included in the Market Reference Group is in the Appendix on page A-1. Mercer compared each of the Company s Executive Officer s compensation levels to this Market Reference Group based on functional responsibilities.

At the Committee s request, Mercer also compiled proxy data from a smaller group of companies that are competitors of the Company or are similar to the Company in that they have asset intensive businesses and manage comparable amounts of revenue and capital (Peer Reference Group). The Committee used this secondary reference group as a check to ensure pay levels are appropriate, and for benchmarking specific pay practices. A list of the companies included in the Peer Reference Group also appears in the Appendix.

Evaluating the Performance of the Program. In addition to its annual review of the competitiveness level of the Executive Officer compensation program, the Committee conducted two other evaluations of the performance of the program during fiscal year 2009, an external pay for performance assessment and a risk assessment. Farient developed the methodology and performed the research and analysis for both of these assessments.

The external pay for performance assessment evaluates the alignment of the Company s compensation program outcomes and performance results relative to the Peer Reference Group. For purposes of the assessment, Farient compared target and performance adjusted direct compensation for the chief executive officers and chief financial officers of the Company and the Peer Reference Group for one- and three-year periods. Performance was measured based on a number of metrics including revenue growth, operating income growth, earnings per share growth, operating margin, return on capital measures, and total shareholder return. Farient advised the Committee that, overall, the Company s pay has been well aligned with performance relative to these peers.

The Committee requested that Farient perform the risk assessment of the Company s compensation program due to current public and regulatory concern about the link between incentive compensation and excessive risk taking by corporations. Farient analyzed the Company s compensation programs to evaluate their propensity to cause undue risk taking relative to the level of risk associated with the Company s business model. For this purpose, Farient considered risk-determining characteristics of the Company s business, including growth and return performance, volatility and leverage, and the time horizon of the Company s investments; and compared them to risk- determining attributes of the Company s compensation program, including performance metrics, leverage, and time horizon. Based on this assessment, Farient advised the Committee that the Company has a balanced pay and performance program that does not promote excessive risk taking in comparison to the Company s business model.

Setting Total Compensation Levels for 2009. To perform its evaluation of compensation actions for Executive Officers for fiscal year 2009, the Committee reviewed the individual elements of total direct compensation (base salary, target bonus, and long-term incentive awards) and the aggregate total direct compensation for each Executive Officer s position and compared them to Market Reference Group data[4]. Mercer projected 2009 ranges for each component of compensation and total direct compensation value for each Executive Officer position reflecting 25th, 50th, and 75th percentile value for the Market Reference Group. Overall, the Committee s guideline for fiscal year 2009 was to provide a total direct compensation opportunity for the Executive Officers that approximates the median value for the Market Reference Group. Within the total direct compensation opportunity for any Executive Officer, individual components of compensation may be greater or lesser than the median, because the Committee is primarily concerned with the competitiveness of the entire program versus any one element of compensation.

While Mercer provided target ranges for fiscal year 2009 compensation opportunities based on Market Reference Group data for an Executive Officer s position, the Committee, with input from management with respect to Executive Officers other than the CEO, adjusted individual compensation components and the total direct compensation opportunity up or down for certain Executive Officers based on performance, relative experience, proficiency, responsibilities not common in the market, retention risk, and other factors. Total direct compensation opportunities for fiscal year 2009 were approved prior to the beginning of the year. Actual compensation realized can vary significantly from the target opportunity for any component of compensation or for total direct compensation based on Company or individual performance and Company stock price fluctuation.

4 The competitive assessment by position excluded Mr. Crocco, whose compensation was determined based on a salary grade range.

As part of the process for determining total direct compensation, the Committee also reviews tally sheets which detail the value, earnings, and accumulated potential payout of each element of an Executive Officer s compensation in various employment termination scenarios. The tally sheets help the Committee consider the retention value of an Executive Officer s accumulated compensation package, compare Executive Officers accumulated compensation, and understand the impact of their compensation decisions on various termination of employment scenarios.

Consistent with market practice, and based on greater responsibility levels, Mr. McGlade s compensation is substantially more than other Executive Officers. For fiscal year 2008, the Committee determined that total direct compensation for Mr. McGlade, as a newly-promoted chief executive officer, should be below the target median. For fiscal year 2009, the Committee determined to position all elements of Mr. McGlade s compensation at the median to be consistent with the Company s overall compensation policy and to recognize that Mr. McGlade had fully transitioned to the chief executive officer and Chairman of the Board roles. His total direct compensation level was increased accordingly.

Setting Performance Metrics for Incentive Compensation. The Committee annually undertakes an evaluation of the performance metrics used for the Annual Incentive Plan and the performance share component of the long-term incentive program, both of which are described in more detail below. The current performance metrics were initially chosen by the Committee for fiscal year 2008. Based on research and analysis presented, the Committee determined that earnings growth and consistent return on capital in excess of the Company s cost of capital are the key drivers of shareholder value in the Company s businesses. After evaluating different measures of growth and return on capital for use as performance metrics, the Committee established growth in earnings per share (EPS Growth) and the spread between Return on Capital Employed and the Company s cost of capital (ROCE Spread)[5] as the performance metrics for both the Annual Incentive Plan and performance shares. EPS Growth was chosen as the best growth measure because it reflects all sources of income after tax and promotes balanced use of debt and equity capital. ROCE Spread was determined to be the best measure of return on capital because it reflects all capital employed and all income generated after tax.

The Committee chose to establish the same performance metrics for both short-term and long-term incentive compensation because it believes that the management team performs better when it is focused on reinforced, well understood metrics rather than dividing its efforts among a number of metrics. Balancing growth and return measures avoids the risks that might otherwise result from linking substantial portions of compensation to the same performance metrics. Because growth is easier to drive in the short term, whereas returns take longer to develop, the Committee weighs the metrics 60% EPS Growth and 40% ROCE Spread for the short-term Annual Incentive Plan and 33% EPS Growth and 67% ROCE Spread for the longer-term performance shares.

In determining actual performance against these metrics, the Committee decides whether to include or exclude the impact of items reported in the Company s financial statements that may distort underlying operating results for the current or a prior year. For fiscal year 2009 determinations, the Committee excluded the restructuring charges from 2009 results.

[5] ROCE is calculated by taking operating income after tax plus after-tax equity affiliate income and dividing by capital employed (i.e., the sum of average debt, average equity, and average minority interest). Cost of capital is calculated as a leveraged, weighted average of the Company s cost of debt (after tax) and cost of equity. (The cost of equity is determined using the Capital Asset Pricing Model which measures the expected return on an investment based on expected risk factors which affect the investment.) The difference between ROCE and cost of capital is the ROCE Spread.

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The Committee established the target levels for these metrics when they were first used by reviewing historical performance of the Company, and, in the case of EPS Growth, of the S&P 500 and a peer group of U.S. specialty chemicals manufacturers.[6] The Committee based the performance targets on historical performance levels rather than calibrating the targets to the Company s annual operating plan because it believes constant, sustainable standards better align compensation with real increases in shareholder value, encourage a long-term focus, and are consistent with the Company s business model, which is built on stable long-term relationships and investments. Because the targets are not tied to current operating or economic conditions, they are set with the expectation that they will not change significantly from year to year.

For fiscal year 2009, the Committee again reviewed historical data on EPS Growth and ROCE Spread performance to ensure the target levels were appropriately positioned vis-à-vis long-term trends. As part of its review, the Committee considered whether there had been any fundamental shift in the Company s markets or business model that should trigger a re-evaluation of the standards, and reviewed actual annual incentive compensation over the past five- and ten-year periods compared to total shareholder returns for the Company and peers. After the review, the Committee concluded the performance target levels appropriately balanced the Company s pay for performance objectives and the need to deliver competitive compensation for commensurately competitive performance.

Components of Compensation

Establishing a competitive target value for an Executive Officer s total direct compensation opportunity is one part of the Committee s decision-making process. Within the value targeted, the Committee seeks to provide individual compensation components that are not only competitive, but meet the other objectives of the program.

Base Salary. Base salaries for Executive Officers are reviewed on an annual basis with the Committee s external consultant. Base salary is targeted at the median compared to similar positions in the Market Reference Group, with adjustment for proficiency, performance, experience, and the uniqueness of the responsibilities held by certain Executive Officers. In addition, the Committee may take retention risk into account in setting salaries.

The Named Executive Officer salaries approved for the year appear in the Summary Compensation Table on page 43. For fiscal year 2009, all Named Executive Officer base salaries were set at approximately the median point of the Market Reference Group ranges identified by Mercer, except Ms. Minella s base salary was between the 50th and 75th percentile.

Annual Incentive Plan. Approximately 400 management level employees worldwide participate in the Annual Incentive Plan and receive bonus awards based on the Company s performance for the year. As described above, for fiscal year 2009 the Committee selected EPS Growth and ROCE Spread as the performance metrics for the Plan. Target bonus opportunities under the Plan are intended to approximate the median level for comparable positions within the Market Reference Group. Actual bonuses may be above or below target bonuses depending upon the Company s fiscal year performance as measured by the performance metrics established by the Committee at the beginning of the fiscal year. When performance exceeds the target levels for the preestablished performance metrics, bonus payouts exceed target as well, and may exceed median payouts. Actual bonus payouts can range from 0% to 230% of target bonuses.

[6] The peer group consisted of 3M, Dow Chemical, DuPont, Eastman Chemical, Ecolab, Monsanto, PPG, Praxair, and Rohm & Haas.

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Determination of bonuses is a multi-step process which begins with establishing target bonuses. At the beginning of the year the Committee determined Executive Officer target bonuses as a percentage of each Executive Officer s base salary with the assistance of Mercer. For fiscal year 2009, the target bonuses for the Named Executive Officers were as follows:

Officer	% of Base Salary
Mr. McGlade	110%
Mr. Huck	70%
Mr. Sherman	60%
Mr. Dixon	60%
Ms. Minella	60%

For fiscal year 2009, target bonuses as a percent of base salary for all Named Executive Officers were set to approximately median for the Market Reference Group.

The range for an Executive Officer s actual bonus award is determined by multiplying the Executive Officer s target bonus by a payout factor which is calculated under a formula. The formula uses an EPS Growth Factor and an ROCE Spread Factor, both of which are determined under schedules established by the Committee at the beginning of the fiscal year. Below is an excerpt from the schedules used to determine the range of fiscal year 2009 awards:

2009 Bonus Factor Schedules[7]			
Weighted at 60%		Weighted at 40%	
% EPS Growth	Factor	ROCE Spread	Factor
16.0% or Greater	2.00	4%	2.00
15%	1.80	3%	1.50
12%	1.45	2%	1.00
9%	1.00	0%	0.50
4%	0.50	<0%	0.00
0%	0.35		
-10%	0.0		

The sum of the weighted EPS Growth and ROCE Spread Factors is the preliminary payout factor for the fiscal year. For fiscal year 2009, earnings per share growth declined below threshold performance levels and the ROCE Spread was determined to be 2.0%, resulting in a preliminary payout factor of 40%.[8] As noted above, however, the Committee approved management s recommendation not to award bonuses to the members of the Corporate Executive Committee for fiscal year 2009.

7 Factors for performance between the percentages shown are interpolated.
8 In determining fiscal year 2009 performance, the Committee used only earnings from continuing operations and excluded certain one-time items.

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Fiscal year 2009 target and actual bonus awards for the Named Executive Officers are shown in the table below:

Officer	Target Bonus	Actual Bonus
Mr. McGlade	$ 1,320,000	0
Mr. Huck	$ 455,000	0
Mr. Sherman	$ 300,000	0
Mr. Dixon	$ 276,000	0
Ms. Minella	$ 264,000	0

Overview Long-Term Incentives. The primary objectives served by the long-term incentive program are supporting the Company s financial and strategic goals and linking the interests of the management team with those of shareholders. Because all components of the long-term incentive opportunity are delivered in Company stock-based awards, they all become more or less valuable in correlation with shareholder value. In recent years the Committee has selected three balanced components for the Executive Officer s long-term incentives: stock options to directly reward executives for increases in shareholder return; restricted stock which links Executive Officers interests to total shareholder return and provides a retention incentive; and performance shares which are conditioned on performance over a three-year period to provide focus on medium-term goals (for fiscal year 2009 grants, EPS Growth, and ROCE Spread). The current mix of long-term compensation for Executive Officers is 50% stock options, 25% restricted stock, and 25% performance shares. The Committee chose this mix of stock options, restricted stock, and performance shares to provide a balance of stock-based compensation that rewards successful outcomes for long-term and medium-term decision making and provides retention incentives.

The Committee determined the level of long-term incentive grants for fiscal year 2009 prior to the beginning of the year with the assistance of Mercer. Prior to making the grants, the Committee established an intended long-term incentive dollar value for each Executive Officer with reference to the total direct compensation opportunity targets for the Executive Officers. The actual value realized may differ significantly (up or down) from the intended value due to Company stock price performance over the life of the awards, and the extent to which performance targets are met. When setting these intended values, the Committee considers the Market Reference Group competitive data, individual performance, relative experience, and target total direct compensation opportunities for each Executive Officer. As noted above, the expected value of the total combined long-term incentive compensation awards to Named Executive Officers, when performance meets targets, is generally intended to approximate the 50th percentile of the Market Reference Group. Awards for Mr. Huck, Mr. Sherman, and Ms. Minella are above median, reflecting their experience in their positions, although their award levels were not increased for fiscal year 2009.

Granting Practices. For 2009, the Committee followed the Company s longstanding practice of setting the grant date of all management equity compensation awards and the option price of options as of the first business day of the fiscal year, except for grants made for recruiting or retention. During the year, the Committee approved changes to the Company s overall compensation planning process to consolidate and streamline compensation planning for the Company s employees. As a result of the changes, beginning for fiscal year 2010, equity compensation awards to Executive Officers and other management employees under the Company s Long-Term Incentive Plan (except for off-cycle recruiting and retention awards) will be granted as of the first NYSE business day in the month of December and will no longer be granted on the first business day of the Company s fiscal year. Options are priced at the closing market value on the grant date. Recruiting grants are issued as of the first day of employment and priced at the closing market value on that date. While retention grants are generally made as of the same date as the regular annual grants, exceptions occasionally occur in response to extraordinary retention needs that arise during the year.

Stock Options. Stock options are granted at market value on the grant date, have a ten-year term, and vest ratably over the first three years of the term. Since 2004, the Committee has imposed a requirement on options granted to Executive Officers that the Officers retain 50% of the net shares of Company stock received upon exercise for one year following exercise. This holding period reinforces the Executive Officers long-term investment in the Company. The number of stock options awarded to the Named Executive Officers for fiscal year 2009 appears in the Option Grants table on page 45. In determining the number of stock options to grant, the Committee relied on a stock option valuation model provided by the external compensation consultants. The value of stock option grants, as calculated using this model, approximates 50% of the Named Executive Officers total intended long-term incentive value.

Restricted Stock. Restricted stock awards are shares of Company common stock that possess voting and dividend rights but are subject to restrictions on transferability and forfeitable until vesting. The Committee added restricted stock to the Executive Officer compensation program several years ago to reduce dilution from stock options while retaining the key link to shareholder interest. The vesting conditions help provide an incentive for retention, and the value of this compensation element increases or decreases in direct proportion to total shareholder returns. The amount of restricted stock granted to the Named Executive Officers in fiscal year 2009 is reflected in the Summary Compensation Table and the Grants of Plan-Based Awards table appearing on page 43. Individual award amounts are determined by calculating the value (based on the current market value of a share of the Company s stock) to approximate 25% of the total intended long-term incentive value for the Executive Officer.

Performance Shares. The final component of the long-term incentive program is performance shares, which reinforce important medium-term objectives for the Company and also provide a link to shareholder value. Performance shares entitle the recipient to receive one share of Company stock and accumulated dividend equivalents for each performance share upon the satisfaction of performance objectives and other conditions to earning the award. Performance shares are granted each year with three-year performance cycles. The awards are paid out at the end of the three-year period based on performance, if threshold performance goals are met. Payouts of performance shares range from 0% to 200% of target. Performance shares earned at the target level would approximate 25% of each Named Executive Officer s total intended long-term incentive value.

Grants in Fiscal Year 2009. For fiscal year 2009, performance shares were granted conditioned upon the Company s three-year performance towards the EPS Growth and ROCE Spread objectives set by the Committee at the beginning of the year. The target number of performance shares granted for each of the Executive Officers was as follows:

Officer	Target Shares
John McGlade	20,553
Paul Huck	4,857
Scott Sherman	3,363
Robert Dixon	2,428
Lynn Minella	2,840

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The actual number of performance shares earned is determined by multiplying the target number of shares by a payout factor determined under a formula reflecting performance against the performance metrics set by the Committee. For fiscal year 2009, the formula was as follows:

33% EPS Growth Factor	+	67% ROCE Spread Factor	=	Payout Factor

The EPS Growth Factor and the ROCE Spread Factor are determined under the same schedules used for the Annual Incentive Plan, which are excerpted above at page 37.

Fiscal Year 2009 Payout for FY2007-2009 Performance. For fiscal years 2002-2007, Operating Return on Net Assets (ORONA) was chosen as the performance share metric because increasing ORONA was a key objective for the Company. The Committee set stretch ORONA goals that had to be achieved to receive target payouts, and the Company was successful in increasing its ORONA significantly over this period. For performance shares with a performance cycle ending in fiscal year 2009, the earnout factors were as follows:

Average ORONA for Three-Year Period	Earnout Factor
13.0%	200%
12.0%	100%
11.0%	50%
10.0%	35% (subject to further reduction at the Committee s discretion).

The three-year average ORONA during the 2007-2009 performance period was 11.9%. Accordingly, the payout percentage was 95%. Performance share payouts are not differentiated on an individual basis.

Employee Benefit Plans

Our employee benefit programs are offered to be competitive and to provide reasonable security for Executive Officers and other employees to enable them to perform at their best. Welfare and retirement benefits are offered at essentially the same level to all U.S. salaried employees, including Executive Officers.

Retirement Benefits. The Named Executive Officers participate in the Company s generally available U.S. salaried retirement programs. The Company maintains qualified retirement programs for its salaried employees, including a defined benefit pension plan and a savings and profit sharing plan. The Company also maintains a nonqualified pension plan and nonqualified deferred compensation plan in which the Executive Officers and other eligible employees participate. The plans are discussed in more detail below in the narrative accompanying the Pension Benefits table on page 51 and the Nonqualified Deferred Compensation table on page 53.

Welfare Benefits. The Company provides medical and dental coverage, life insurance, and disability insurance to Executive Officers under the same programs offered to all salaried employees. All participating employees pay a portion of the cost of these programs.

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Severance and Change in Control Arrangements. Executive Officer severance and change in control arrangements are provided to support major corporate and management transitions. The Committee believes these arrangements provide benefit to the Company and its shareholders. The Committee periodically reviews these arrangements in depth for market competitiveness and appropriateness for the Company s business needs. Its most recent review was at the end of 2007.

Severance. All Named Executive Officers participate in the Corporate Executive Committee Separation Program. This program is intended to facilitate changes in the leadership team by setting terms for the termination of an Executive Officer in advance, allowing a smooth transition of responsibilities when it is in the best interests of the Company. It also enables the Company to recruit new executives without providing individual employment agreements for them because the Program provides reasonable protection to the new executive in the event that he or she is not retained. Details of the Program are provided on page 55.

Change in Control Arrangements. To retain the senior leadership team and enable the management team to negotiate effectively for shareholders without concern for their own future in the event of any actual or threatened change in control of the Company, the Company has entered individual change in control severance agreements for each of the Named Executive Officers. The agreements give each Named Executive Officer specific rights and certain benefits if his or her employment is terminated following a change in control by the Company without cause (as defined) or he or she terminates employment for good reason (as defined). Details of the agreements are described below on page 57.

Additional Policies

Executive Officer Stock Ownership. The Committee has approved ownership guidelines that require Executive Officers to achieve an ownership stake in the Company that is significant in comparison with the Executive Officer s salary. The ownership guidelines are five times base salary for the CEO and three times base salary for the other Named Executive Officers. The Executive Officers are expected to achieve the specified ownership level within five years of assuming their position. Executive Officers may count toward these requirements the value of shares owned, share equivalents held in their Retirement Savings Plan (401(k)) accounts, earned performance shares, and other deferred stock units which are fully vested and held in the Company s nonqualified deferred compensation plan. Stock options are not counted. All Named Executive Officers are currently in compliance with this policy.

Hedging Policy. It is the policy of the Company that Executive Officers may not purchase or sell options on Company stock; engage in short sales with respect to Company stock; or trade in puts, calls, straddles, equity swaps, or other derivative securities that are directly linked to Company stock.

Reimbursement Policy. The Company s equity plans and agreements provide that awards may be cancelled and that certain gains will be clawed back (i.e., must be repaid to the Company) if an Executive Officer engages in activity that is detrimental to the Company, such as performing services for a competitor, disclosing confidential information, or violating Company policies. The Committee has also implemented a policy for the clawback of cash incentive payments and performance shares in the event an Executive Officer s conduct leads to a restatement of the Company s financial results. The Committee may, in its discretion, seek to recoup any bonus or incentive compensation paid to any Executive Officer if (i) the amount of such payment was based

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on the achievement of certain financial results that were subsequently the subject of a restatement, (ii) the Committee determines that the Executive Officer engaged in misconduct that resulted in the obligation to restate, and (iii) a lower payment would have been made to the Executive Officer based upon the restated financial results.

Perquisites. The Company provides minimal perquisites to executives. The Committee has approved Mr. McGlade s use of corporate aircraft for personal travel in order to mitigate security concerns, preserve the confidentiality of his work, and maximize the time he is able to spend on the Company s business. Mr. McGlade is responsible for any taxes on this usage. The Committee believes the benefits of the security and efficiency achieved outweigh the expense to the Company and are in the interest of shareholders. No other perquisites were provided to the Named Executive Officers.

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EXECUTIVE COMPENSATION TABLES

2009 Summary Compensation Table

Name and Principal Position	Year	Salary	Stock Awards (2)	Option Awards (3)	Nonequity Incentive Plan Compen-sation (4)	Changes in Pension Value and Nonqualified Deferred Compen-sation Earnings (5)	All Other Compen-sation (6)	Total
John E. McGlade Chairman, President, and Chief Executive Officer	2009	$ 1,200,000	$ 2,295,854	$ 5,820,580	0	$ 1,506,800	$ 123,012	$ 10,946,246
	2008	$ 1,000,000	$ 2,893,506	$ 5,517,700	$ 2,002,000	$ 5,148,040	$ 83,094	$ 16,644,340
	2007	$ 700,000	$ 1,635,226	$ 1,449,372	$ 937,000	$ 2,543,134	$ 21,760	$ 7,286,492
Paul E. Huck Senior Vice President and Chief Financial Officer	2009	$ 650,000	$ 412,969	$ 1,331,858	0	$ 412,276	$ 20,649	$ 2,827,752
	2008	$ 575,000	$ 957,048	$ 1,167,967	$ 696,000	$ 793,828	$ 18,214	$ 4,208,057
	2007	$ 506,000	$ 1,338,904	$ 1,208,301	$ 658,000	$ 1,258,436	$ 16,197	$ 4,985,838
Scott A. Sherman Senior Vice President Strategic Development and Execution	2009	$ 500,000	$ 353,465	$ 893,653	0	$ 335,857	$ 19,439	$ 2,102,414
	2008	$ 450,000	$ 658,414	$ 788,849	$ 498,000	$ 646,678	$ 14,461	$ 3,056,402
	2007	$ 401,000	$ 711,637	$ 640,661	$ 437,000	$ 699,852	$ 12,813	$ 2,902,963
Robert D. Dixon Senior Vice President and General Manager Merchant Gases(1)	2009	$ 460,000	$ 269,189	$ 529,958	0	$ 453,177	$ 15,466	$ 1,727,790
	2008	$ 360,000	$ 340,992	$ 324,936	$ 393,000	$ 69,497	$ 11,621	$ 1,500,046
Lynn C. Minella Senior Vice President Human Resources and Communications(1)	2009	$ 440,000	$ 221,694	$ 716,376	0	$ 193,479	$ 14,259	$ 1,585,808
	2008	$ 415,000	$ 504,257	$ 645,841	$ 459,000	$ 51,082	$ 13,328	$ 2,088,508

(1) Mr. Dixon and Ms. Minella were not Named Executive Officers in 2007; so compensation is not shown for those years.

(2) This column shows the amount of compensation cost the Company recognized during fiscal year 2009 for restricted stock, deferred stock units, and performance share units granted in 2009 and earlier years. Generally, the expense for these awards is recognized over the vesting or performance period, unless the recipient is eligible for retirement, in which case the expense may be required to be recognized entirely in the year of grant. The calculation of these amounts disregards any estimate of forfeitures related to time-based conditions. The assumptions for the valuation determinations are set forth in footnote 18 to our financial statements included in Form 10-K filed with the SEC on November 25, 2009. Additional information regarding these awards is set out in the Grants of Plan-Based Awards and Outstanding Equity Awards tables and accompanying notes.

(3) This column shows the amount of compensation cost the Company recognized during fiscal year 2009 for stock options granted in 2009 and earlier years, disregarding any estimate of forfeitures relating to time-based vesting. Generally, the expense for option awards is recognized over the vesting period, unless the recipient is eligible for retirement, in which case it may be required to be recognized entirely in the year of grant. The assumptions for the valuation determination are set forth in footnote 18 to our financial statements included in Form 10-K filed with the SEC on November 25, 2009. Additional information regarding these awards is set forth in the Grants of Plan-Based Awards and Outstanding Equity Awards tables and accompanying footnotes.

(4) Amounts in this column reflect Annual Incentive Plan awards. At their election, Executive Officers may defer awards received under this Plan. Amounts deferred are also reflected as Executive Contributions in the Nonqualified Deferred Compensation table.

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(5) Amounts in this column reflect the annual change in the actuarial present value of each Named Executive Officers accumulated tax qualified and nonqualified pension benefits and interest considered to be above market interest credited to their Deferred Compensation Plan balances. Interest is calculated for the Deferred Compensation Plan accounts using a Moody s A-rated Corporate Bond Rate because this is comparable to the rate the Company pays its other creditors on long-term obligations. When this rate exceeds 120% of a rate set by the U.S. Internal Revenue Service, it is treated as above market interest, even though it is based on a market average for corporate bonds. The amounts included as above market interest were as follows:

Mr. McGlade	$ 3,441
Mr. Huck	$ 57,732
Mr. Sherman	$ 5,434
Mr. Dixon	$ 4,633
Ms. Minella	$ 12,875

The pension accrual amounts represent the difference between the September 30, 2008 and September 30, 2009 actuarial present value of accumulated benefits under the Company s tax qualified and nonqualified pension plans. These amounts are detailed in the chart below:

Mr. McGlade	$ 1,503,359
Mr. Huck	$ 354,544
Mr. Sherman	$ 330,423
Mr. Dixon	$ 448,544
Ms. Minella	$ 180,604

Additional information on how these amounts are calculated is included in the notes accompanying the Pension Benefits table.

(6) Amounts shown in this column are detailed in the chart below.

	Matching Contributions Under Defined Contribution Plans	Group Term Life Insurance Premiums	Tax Reimbursements(1)	Perquisites or Personal Benefits*
Mr. McGlade	$ 35,769	$ 1,236	$ 11,764	$ 74,243
Mr. Huck	$ 19,413	$ 1,236		
Mr. Sherman	$ 14,943	$ 1,236	$ 3,260	
Mr. Dixon	$ 13,685	$ 1,137	$ 644	
Ms. Minella	$ 13,171	$ 1,088		

* The amount included in this column is the incremental cost to the Company of Mr. McGlade s personal use of the corporate aircraft. The incremental cost is calculated as the sum of: (a) flight specific costs such as landing fees, and (b) the product of (i) all variable costs of maintaining the aircraft and (ii) a fraction, the numerator of which is the mileage attributable to Mr. McGlade s personal trips and the denominator of which is total miles flown for the year. The valuation also includes these costs with respect to return flights with no passengers that are associated with Mr. McGlade s personal travel. Fixed costs such as pilot compensation and depreciation are not included as the aircraft is primarily used for business purposes; so the Company would incur these costs regardless of Mr. McGlade s personal use. Mr. McGlade s family members traveled with Mr. McGlade on some of the flights reflected; however, no incremental cost to the Company arises from their accompanying Mr. McGlade.

(1)

These amounts represent payments that the Company has made to the Named Executive Officers to cover taxes incurred by them for certain business-related taxable expenses, specifically, spousal travel to and attendance at Company-related events.

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2009 Grants of Plan-Based Awards

			Estimated Future Payouts Under Nonequity Incentive Plan Awards ($)			Estimated Future Payouts Under Equity Incentive Plan Awards(#)			All Other Stock Awards: Number of Shares of Stock or	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Award Type	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum	Units(#)	Options(#)	($/Sh)	($)(1)
John E. McGlade	Annual Incentive Plan		0	1,320,000	3,036,000							
	Performance Shares	10/1/2008				0	20,553	41,106				1,826,751
	Stock Options	10/1/2008								255,317	66.90	5,634,846
	Restricted Stock	10/2/2008							20,553			1,315,598
Paul E. Huck	Annual Incentive Plan		0	455,000	1,046,500							
	Performance Shares	10/1/2008				0	4,857	9,714				431,690
	Stock Options	10/1/2008								60,347	66.90	1,331,858
	Restricted Stock	10/2/2008							4,857			310,897
Scott A. Sherman	Annual Incentive Plan		0	300,000	690,000							
	Performance Shares	10/1/2008				0	3,363	6,726				298,903
	Stock Options	10/1/2008								41,779	66.90	893,653
	Restricted Stock	10/2/2008							3,363			215,266
Robert D. Dixon	Annual Incentive Plan		0	276,000	634,800							
	Performance Shares	10/1/2008				0	2,428	4,856				215,801
	Stock Options	10/1/2008								30,173	66.90	645,400
	Restricted Stock	10/2/2008							2,428			155,416
Lynn C. Minella	Annual Incentive Plan		0	264,000	607,200							
	Performance Shares	10/1/2008				0	2,840	5,680				252,419
	Stock Options	10/1/2008								35,280	66.90	754,639
	Restricted Stock	10/2/2008							2,840			181,788

(1) Performance share values shown in this column are calculated based on achieving the maximum level of performance. Target level values are half of the amount shown.

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The Grants of Plan-Based Awards table reports the dollar value of cash incentive awards and the number and value of equity awards granted to each Named Executive Officer during fiscal year 2009. With regard to cash incentives, this table reports the estimated potential value that could have been obtained by the executive; whereas the Summary Compensation Table reports the actual value realized for fiscal year 2009. Equity amounts represent the grant date values of the awards determined under FAS 123R for purposes of financial statement reporting. These grant date values differ from those reported in the Summary Compensation Table because amounts reported there also reflect the portions of awards granted in prior years that are recognized for financial reporting in fiscal year 2009; do not reflect portions of fiscal year 2009 grants that were not recognized for financial reporting in fiscal year 2009; and, in the case of performance shares, are based on current performance projections rather than maximum performance levels.

Nonequity Incentive Plan Awards Annual Incentive Plan. Annual Incentive Plan awards are based on performance for the fiscal year. The Committee approves performance metrics and payout schedules prior to or at the beginning of the fiscal year. Following the end of the fiscal year, the Committee determines the actual amount to be paid out under a formula which reflects performance against the approved metrics. There is no minimum bonus under the terms of the Plan, so the threshold amount is shown as 0. For fiscal year 2009, the Named Executive Officers did not receive any bonus under the Plan. For more information on fiscal year 2009 targets and the award determination, see pages 36-38.

Equity Incentive Plan Awards Performance Shares. The Equity Incentive Plan Awards reflected in the table are performance shares. Performance shares are deferred stock units whose earn out is conditioned on the Company s achieving certain levels of EPS Growth and ROCE Spread. Deferred stock units are an award type provided under the Company s Long-Term Incentive Plan that entitle the holder to the value of one share of Company stock and accumulated dividend equivalents upon satisfaction of performance and/or time-based vesting conditions. Dividend equivalents are paid in cash and equal the dividends that would have accrued on a share of Company stock from the grant date of a deferred stock unit until it is paid out. Dividend equivalents are not paid until an award has vested or been earned. No dividend equivalents are paid on units that are forfeited.

The performance shares reflected in the table have a three-year performance cycle which will be completed at the end of fiscal year 2011. The number of performance shares that will be paid out is based on the formula described on page 40.

Performance shares are generally forfeited if the Executive Officer terminates employment during the performance period. Executive Officers who terminate due to death, disability, or retirement will receive a pro-rata portion of any performance share payout upon completion of the performance period, provided they were employed at least one year after the grant date of the performance shares. Upon a termination covered by the Corporate Executive Committee Separation Program described on page 55, a pro-rata portion of the performance shares will be paid to the terminated Executive Officer upon completion of the performance period.

Other Stock Awards Restricted Stock Awards. The other stock awards reflected in the table are shares of restricted stock. Shares of restricted stock are shares of Company stock that are issued in the Executive Officer s name subject to restrictions on transferability. The shares may be voted but the Executive Officer may not sell or transfer restricted stock during the vesting period. Dividends are paid on the restricted stock during the vesting period. Restricted stock granted in fiscal year 2009 is subject to a four-year vesting period. Generally, if an Executive Officer s employment terminates during the vesting period, the stock will be forfeited. However, if

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an Executive Officer s employment terminates due to death, disability, or retirement one year or more after the grant date, the stock will vest. If an Executive Officer s employment termination is covered by the Corporate Executive Committee Separation Program described on page 55, a pro-rata portion of the restricted stock will vest on termination; the remainder is forfeited unless the Executive Officer is retirement eligible, in which case all the restricted stock will vest if it has been outstanding at least one year.

Stock Options. The options reflected in the table become exercisable in one-third increments on the first three anniversaries of grant, and generally remain exercisable until ten years after the grant date; however, the options generally expire on the last day of employment except for death, disability, or retirement. Options granted more than one year prior to an Executive Officer s termination due to death, disability, or retirement continue to become and remain exercisable for their full term. If a nonretirement eligible Executive Officer s termination is covered by the Corporate Executive Committee Separation Program described on page 55, his or her exercisable options will remain exercisable for the full term. Options are subject to forfeiture for engaging in specified activities such as competing with the Company. Upon exercise of the options, Executive Officers must retain 50% of the net shares received for a one-year period as long as the Executive Officer is actively employed by the Company.

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Outstanding Equity Awards at Fiscal Year-End

		Option Awards(1) Number of Shares Underlying Unexercised Options (#)				Stock Awards			
Name	Option Grant Date	Exercisable	Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock Held That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock Held That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested ($)(3)
John E. McGlade						85,448	6,629,056	48,373	3,752,777
	10/02/2000	25,000		35.82	10/03/2010				
	10/01/2001	75,000		38.02	10/02/2011				
	10/01/2002	40,000		43.09	10/02/2012				
	10/01/2003	70,000		45.53	10/02/2013				
	10/01/2004	74,000		54.17	10/02/2014				
	10/03/2005	52,000		55.33	10/04/2015				
	10/02/2006	46,666	23,334	67.23	10/02/2016				
	10/01/2007	49,065	98,130	98.85	10/02/2017				
	10/01/2008	0	255,317	66.90	10/02/2018				
Paul E. Huck						50,540	3,920,893	11,433	886,972
	10/02/2000	29,000		35.82	10/03/2010				
	10/01/2001	29,000		38.02	10/02/2011				
	10/01/2002	35,000		43.09	10/02/2012				
	10/01/2003	20,000		45.53	10/02/2013				
	10/01/2004	55,000		54.17	10/02/2014				
	10/03/2005	52,000		55.33	10/04/2015				
	10/02/2006	30,666	15,334	67.23	10/02/2016				
	10/01/2007	11,597	23,195	98.85	10/02/2017				
	10/01/2008	0	60,347	66.90	10/02/2018				
Scott A. Sherman						32,984	2,558,899	7,915	614,046
	10/02/2000	10,000		35.82	10/03/2010				
	10/01/2001	75,000		38.02	10/02/2011				
	10/01/2002	30,000		43.09	10/02/2012				
	10/01/2003	25,000		45.53	10/02/2013				
	10/01/2004	28,000		54.17	10/02/2014				
	10/03/2005	24,000		55.33	10/04/2015				
	10/02/2006	16,666	8,334	67.23	10/02/2016				
	10/01/2007	8,029	16,058	98.85	10/02/2017				
	10/01/2008	0	41,779	66.90	10/02/2018				
Robert D. Dixon						20,337	1,577,744	4,704	364,936
	10/02/2000	7,000		35.82	10/03/2010				

	10/01/2001	14,000		38.02	10/02/2011				
	10/01/2002	14,000		43.09	10/02/2012				
	10/01/2003	12,000		45.53	10/02/2013				
	10/01/2004	13,200		54.17	10/02/2014				
	10/03/2005	9,500		55.33	10/04/2015				
	10/02/2006	6,666	3,334	67.23	10/02/2016				
	10/01/2007	4,014	8,029	98.85	10/02/2017				
	10/01/2008	0	30,173	66.90	10/02/2018				
Lynn C. Minella						21,857	1,695,666	6,684	518,545
	01/05/2004	60,000		52.83	01/05/2014				
	10/01/2004	40,000		54.17	10/02/2014				
	10/03/2005	30,000		55.33	10/04/2015				
	10/02/2006	18,000	9,000	67.23	10/02/2016				
	10/01/2007	6,780	13,560	98.85	10/02/2017				
	10/01/2008	0	35,280	66.90	10/02/2018				

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(1) Grant dates for all stock options are shown in the column to the immediate left. All stock options become exercisable in three consecutive, equal annual installments on the first, second, and third anniversary of the grant date.

(2) This column reflects restricted stock, performance shares that are earned but deferred, and other deferred stock units described below that entitle the holder to a share of Company Stock and accumulated dividend equivalents since the date of grant.

Restricted Stock. All restricted stock granted prior to fiscal year 2007 vests on termination of employment due to death, disability, or retirement. Restricted stock granted in fiscal year 2007 vests on the earlier of September 30, 2010 or the Executive Officer s termination of employment due to death, disability, or retirement. Shares of restricted stock granted in 2007 were as follows: Mr. McGlade 8,400, Mr. Huck 5,300, Mr. Sherman 3,100, Mr. Dixon 1,150, and Ms. Minella 3,100. Restricted stock granted in fiscal year 2008 vests on the earlier of September 30, 2011 or the Executive Officer s termination of employment due to death, disability, or retirement. Shares of restricted stock granted in fiscal year 2008 were as follows: Mr. McGlade 13,910, Mr. Huck 3,288, Mr. Sherman 2,276, Mr. Dixon 1,138, and Ms. Minella 1,922. Shares of restricted stock granted in fiscal year 2009 vest on the earlier of September 30, 2012 or the Executive Officer s termination of employment due to death, disability, or retirement. Shares of restricted stock granted in fiscal year 2009 were as follows: Mr. McGlade 20,553, Mr. Huck 4,857, Mr. Sherman 3,363, Mr. Dixon 2,428, and Ms. Minella 2,840. All restricted stock is subject to special vesting rules for terminations covered by the Corporate Executive Committee Separation Program described on page 55 or upon a change in control of the Company.

Deferred Stock Units. This column reflects three kinds of deferred stock units: earned performance shares that are deferred for a period of years; deferred stock units that vest upon death, disability, or retirement (career-vesting deferred stock units), including earned performance shares that are subject to forfeiture if the Named Executive Officer voluntarily terminates prior to death, disability, or retirement; and special retention grants. All deferred stock units are subject to special vesting rules for terminations covered by the Corporate Executive Committee Separation Program described on page 55 or upon a change in control.

Performance share awards granted prior to fiscal year 2007 provided that half of earned shares would be paid at the end of the performance period. The remainder were deferred for a two-year period and subject to forfeiture upon the Executive Officer s termination during that period other than due to death, disability, or retirement. Accordingly, half of the performance shares earned at the end of fiscal year 2008 (granted in fiscal year 2006) were paid when earned. The remaining deferred shares vest on the earliest of September 30, 2010, the Executive Officer s retirement, death, or disability. The number of deferred shares is as follows:

Name	Vest 9/30/2010
Mr. McGlade	6,000
Mr. Huck	6,000
Mr. Sherman	1,600
Mr. Dixon	1,000
Ms. Minella	3,500

The number of career-vesting deferred stock units shown for each Named Executive Officer in this column is as follows:

Name	Number of Units
Mr. McGlade	9,605
Mr. Huck	15,560
Mr. Sherman	14,700
Mr. Dixon	8,470
Ms. Minella	1,050

This column also reflects special retention grants of 5,000 deferred stock units to Mr. Sherman and 5,058 deferred stock units to Mr. Dixon. A grant was made to Mr. Sherman in fiscal year 2006 and to Mr. Dixon in fiscal year 2008. Mr. Sherman s units will vest upon his retirement, which is expected to occur on February 1, 2010, or his earlier death. Mr. Dixon s units will vest on October 1, 2011, or upon his earlier disability or death, and are forfeitable upon termination of employment prior to vesting, other than for death or disability, including for retirement.

(3) These amounts are based on the 2009 fiscal year-end NYSE closing market price.

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(4) This column reflects performance shares granted in fiscal years 2008 and 2009. These shares are conditioned upon performance during three-year cycles ending on September 30, 2010 and September 30, 2011, respectively. These awards will earn out and be paid at the end of the relevant performance period as indicated in the chart below. Fiscal year 2008 awards are shown at the maximum payout of 200% since the target performance level would be met based on performance to date. Fiscal year 2009 awards are shown at the target payout.

	End of Performance Period	
Name	**09/30/2010**	**09/30/2011**
Mr. McGlade	27,820	20,553
Mr. Huck	6,576	4,857
Mr. Sherman	4,552	3,363
Mr. Dixon	2,276	2,428
Ms. Minella	3,844	2,840

2009 Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)(1)**	**Value Realized On Vesting ($)(2)**
John E. McGlade	10,000	$ 436,700	6,000	$ 465,480
Paul E. Huck	13,000	$ 588,900	3,750	$ 290,925
Scott A. Sherman	22,000	$ 765,990	2,250	$ 174,555
Robert D. Dixon	13,000	$ 459,543	1,125	$ 87,278
Lynn C. Minella	0	$ 0	3,000	$ 232,740

(1) The units in this column include performance shares granted in 2006 which were earned out and paid in cash at the end of fiscal year 2009. The value was determined as of September 30, 2009.

(2) Dividend equivalents paid on these awards are not included in Value Realized:

Name	**Dividend Equivalents Paid**
Mr. McGlade	$47,100
Mr. Huck	$29,438
Mr. Sherman	$17,663
Mr. Dixon	$ 8,831
Ms. Minella	$23,550

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2009 Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value on Accumulated Benefit	Payments During Last Fiscal Year ($)
John E. McGlade	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	33	$ 1,414,955	0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	33	$ 12,923,978	0
Paul E. Huck	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	30	$ 1,195,874	0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	30	$ 5,916,795	0
Scott A. Sherman	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	34	$ 1,380,130	0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	34	$ 4,525,122	0
Robert D. Dixon	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	26	$ 509,104	0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	26	$ 1,021,351	0
Lynn C. Minella	Air Products and Chemicals, Inc. Pension Plan for Salaried Employees	6	$ 122,909	0
	Air Products and Chemicals, Inc. Supplementary Pension Plan	6	$ 373,763	0

The table above illustrates the actuarial present value of accrued pension benefits for each of the Named Executive Officers under the Company s defined benefit plans. Actuarial present values are complex calculations that rely on many assumptions. The Company has calculated the amounts shown above generally using the same assumptions used in determining the pension cost recognized in its financial statements which are described in footnote 15 to the financial statements and under Critical Accounting Policies in the Management Discussion and Analysis

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in the financial statements, both of which are included in the Company s Form 10-K filed with the SEC on November 25, 2009, except that, in accordance with SEC requirements, the Company has calculated these values assuming payment begins the earliest date the Named Executive Officer can receive an unreduced early retirement benefit.

The Company s Pension Plan for Salaried Employees (Salaried Pension Plan) is a funded, tax qualified defined benefit plan funded entirely by the Company. All U.S. salaried employees hired before October 1, 2004 are eligible to participate; however, participants as of January 1, 2005 were given a one-time election to prospectively receive their primary retirement benefit under the Company s qualified defined contribution plan, the Retirement Savings Plan. All Named Executive Officers elected to remain in the Salaried Pension Plan. Benefits under the Plan are paid after retirement in the form of a monthly annuity. Participants may select from monthly payments for their lifetime or smaller monthly payments for their life and the life of a beneficiary.

The amount of the benefit under the Salaried Pension Plan is based on the following formula:

1.184% x Years of Service x Average Monthly Compensation (Up to the Average Social Security Maximum Taxable Wage Base)

Plus

1.5% x Years of Service x Average Monthly Compensation (In excess of the Average Social Security Maximum Taxable Wage Base)

Average Monthly Compensation is generally the participant s base salary. The Average Social Security Maximum Taxable Wage Base is the average of the Social Security Wage Bases over a 35-year period.

Benefits under the Salaried Pension Plan become vested after a participant has completed five years of service. The Normal Retirement Age under the Salaried Pension Plan is age 65. A participant with at least five years of service may retire after attaining age 55 and receive a benefit reduced by 3% per year for the number of years prior to his or her attaining age 62. Participants who were age 50 on or before January 1, 2005 are eligible for early retirement at age 55 with no reduction in benefit if the sum of their age and credited service under the Plan equals 80 or more at the time of retirement. Participants who had not attained age 50 on January 1, 2005 may receive the portion of their benefit accrued on that date unreduced upon retirement at age 55 or later if the sum of their age and credited service under the Plan equals 80 or more at the time of retirement.

Under U.S. federal tax laws, benefits payable under the Salaried Pension Plan, and compensation which can be considered in calculating the benefits, are limited. The Supplementary Pension Plan (Supplementary Plan) is a nonqualified, unfunded pension plan that provides benefits that cannot be provided under the Salaried Pension Plan due to these limits. Benefits under the Supplementary Plan are calculated using the same formula as the Salaried Pension Plan, but there is no limit on the amount of base salary that can be covered by the pension formula, and Average Monthly Compensation under the Supplementary Plan also includes Annual Incentive Plan awards.

Supplementary Plan benefits are subject to the same vesting and early retirement terms as the Salaried Pension Plan. Supplementary Plan benefits are generally payable following retirement in one of the annuity forms available under the Salaried Pension Plan or, at the election of the participant, in a lump sum. In the case of the Named Executive Officers, distribution of benefits under the Supplementary Plan, whether in annuity or lump sum form, is delayed for six months after termination of employment to comply with U.S. federal tax laws.

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2009 Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY(1)	Registrant Contributions in Last FY(2)	Aggregate Earnings in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE(3)
John E. McGlade	$ 177,231	$ 33,231	$ 28,842	$ 0	$ 1,195,910
Paul E. Huck	$ 84,000	$ 15,750	$ 202,909	$ 0	$ 3,227,812
Scott A. Sherman	$ 30,769	$ 9,231	$ 19,048	$ 0	$ 321,804
Robert D. Dixon	$ 58,831	$ 11,031	$ 16,379	$ 0	$ 293,676
Lynn C. Minella	$ 179,581	$ 12,156	$ 48,252	$ 0	$ 824,263

(1) All amounts reported in this column were voluntary deferrals of base salary or Annual Incentive Plan awards by the Named Executive Officers. These amounts are also reported in the Summary Compensation Table.

(2) Amounts reported in this column are Company matching credits based on each Named Executive Officer s voluntary deferrals of base salary. These amounts are also reported in the Summary Compensation Table.

(3) The following portion of these accumulated balances has been previously reported as compensation in the Summary Compensation Table of the Company s proxy statements for prior years:

Officer	Amount Previously Reported
Mr. McGlade	$ 542,867
Mr. Huck	$2,950,108
Mr. Sherman	$ 76,852
Mr. Dixon	$ 53,502
Ms. Minella	$ 248,702

The Company provides the tax qualified Retirement Savings Plan (the RSP) to all U.S.-based salaried employees of the Company. Currently, U.S. tax laws limit the amounts that may be contributed to tax-qualified savings plans and the amount of compensation that can be taken into account in computing benefits under the RSP. The Deferred Compensation Plan is intended to make up, out of general assets of the Company, an amount substantially equal to the benefits an employee did not receive under the RSP due to these limits. U.S. employees who participate in the Annual Incentive Plan, including all Named Executive Officers, are eligible to participate in the Deferred Compensation Plan. Participants can elect to defer up to 16 percent of base salary on a before-tax basis. The Company provides a matching credit in the same amounts as matching contributions under the RSP; i.e., 75 percent of the first three percent of base salary deferred by participants and 25 percent of the next three percent of base salary deferred. In addition to base salary, Plan participants may also elect to defer Annual Incentive Plan awards. No matching credit is provided for these deferrals.

Participants may elect to have their Deferred Compensation Plan balances earn interest at a corporate bond rate or be deemed to be invested in Company stock and earn dividend equivalents and market appreciation on the stock. If a participant chooses the Company stock alternative, his or her account balance will be distributed in shares of Company stock, except for dividend equivalents.

Participants can elect to receive payments of their Deferred Compensation Plan balances in one to ten annual installments following termination from service. The Named Executive Officers cannot commence distribution until six months following termination to comply with tax laws.

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Potential Payments Upon Termination or Change in Control

Termination Prior to Change in Control. Potential payments to Named Executive Officers upon termination prior to a change in control vary depending on the exact nature of the termination and whether the Executive Officer is retirement eligible at the time of the termination. Retirement eligibility for U.S. employees, including all the Named Executive Officers, generally occurs upon the attainment of age 55 after completing at least five years of service to the Company.

Voluntary Termination Other Than Retirement. A voluntary termination by Mr. McGlade, Mr. Huck, or Mr. Sherman would be a retirement. If Ms. Minella or Mr. Dixon voluntarily terminated employment with the Company prior to retirement eligibility, like all salaried employees of the Company, they would receive any unpaid salary and accrued vacation, RSP balances and nonqualified deferred compensation shown in the table on page 53, and earnings thereon. Once they attained age 55, they could commence their accrued benefits under the qualified and nonqualified pension plans shown in the table on page 51 on the same terms as all other participants under these plans. All their outstanding awards under the Long-Term Incentive Plan would be forfeited, including all unexercised stock options, all restricted stock, and all performance shares, whether or not earned. Executive Officers and other eligible employees generally must remain employed until the last day of the fiscal year to receive an Annual Incentive Plan award for the fiscal year. Therefore, they would forfeit any Annual Incentive Plan award for the fiscal year of termination, unless they terminated on the last day of the year. If they had voluntarily terminated on September 30, 2009, they would not have received fiscal year 2009 bonuses since none were awarded to Named Executive Officers.

Retirement. Upon retirement, Named Executive Officers are entitled to unpaid salary and accrued vacation, the qualified and nonqualified pension and deferred compensation reflected on pages 51 and 53 above, retiree medical and life insurance benefits that are the same as for all salaried employees, and a prorated Annual Incentive Plan award for the year of retirement. In addition, like all Long-Term Incentive Plan participants, they are entitled to the following treatment of their outstanding long-term incentive awards:

- All outstanding stock options which were granted one year or more prior to retirement will continue to become exercisable as if they remained employed and will be exercisable for the original term.

- Restricted stock awarded at least one year prior to retirement will vest immediately upon retirement.

- All earned but deferred performance shares and dividend equivalents thereon will be paid six months after retirement. A pro-rata portion of unearned performance shares awarded at least one year prior to retirement and associated dividend equivalents will be paid at the end of the performance cycle.

- Career-vesting deferred stock units and all dividend equivalents thereon would be paid six months after retirement.

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Estimated Payments Upon Retirement

As of September 30, 2009

The table below shows estimated payments to the Named Executive Officers upon their retirement as of September 30, 2009.

		LTIP Plan(2)		
	Stock	Restricted	Performance	
Officer(1)	**Options(3)**	**Stock**	**Shares(4)**	**Other(5)**
J. E. McGlade	$13,974,726	$4,799,332	$2,223,661	$443,180
P. E. Huck	7,771,586	1,857,653	1,540,177	673,052
S. A. Sherman	7,114,980	677,972	760,623	882,464

(1) Mr. Dixon and Ms. Minella are not eligible for retirement, so no amounts are shown for them.

(2) Amounts are based on the closing price of a share of Company stock as of September 30, 2009 which was $77.58.

(3) This column shows the difference between the September 30, 2009 closing price and the exercise price (the intrinsic value) for the options.

(4) Unearned performance shares are valued out at the target level. Amounts include accumulated dividend equivalents.

(5) These amounts reflect the value of career-vesting deferred stock units not included in the performance share column and dividend equivalents thereon.

Corporate Executive Committee Separation Program. The Company maintains a Separation Program for members of the Company s Corporate Executive Committee (CEC) which, during fiscal year 2009, included all the Named Executive Officers. A CEC member becomes eligible for program benefits upon involuntary termination of employment other than for Cause or upon voluntary termination for Good Reason . A termination for Cause occurs upon the Executive Officer s failure to perform his or her duties, willful misconduct, certain illegal acts, insubordination, dishonesty, or violation of the Company s Code of Conduct. Good Reason includes:

- An adverse change in the Executive Officer s position,
- A decrease in the Executive Officer s salary, benefits, or incentive compensation if not similarly applied to other highly compensated employees, or
- A relocation of the Executive Officer s principal workplace more than 50 miles from the existing location.

Benefits under the Separation Program are contingent upon the CEC member s continuing to perform the duties typically related to his or her position (or such other position as the Board reasonably requests) until termination, and assistance in the identification, recruitment, and/or transitioning of his successor. The CEC member also is required to sign a general release of claims against the Company and a two-year noncompetition agreement. If all these requirements are met, the CEC member is entitled to cash benefits as follows:

A cash severance payment of one times (two times in the case of Mr. McGlade) the CEC member s annual base salary and average annual bonus for the last three years,

A bonus for the year of termination equal to a pro-rata portion of the average annual bonus for the last three years,

Outplacement assistance, and

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- A cash payment equal to the actuarial equivalent of pension benefits that would have accrued based on two additional years of service in the case of Mr. McGlade and one additional year of service in the case of the other Named Executive Officers plus, for the two Named Executive Officers who are not eligible for early retirement, the value of the early retirement subsidy provided under the pension plans on the Executive Officer s accumulated benefit with the additional one year of service.

Noncash benefits are also provided under the Separation Program as follows:

- Medical and other welfare benefits are continued for two years in the case of Mr. McGlade and one year in the case of other Named Executive Officers.

- A pro-rata portion of four-year vesting restricted stock and retention grants of deferred stock units will vest. However, retirement provisions described above apply to outstanding restricted stock and deferred stock units held by the retirement eligible Named Executive Officers if more favorable. (Ms. Minella will also vest in all restricted stock granted before January 1, 2008, the effective date of certain changes approved by the Committee.)

- Restricted stock and deferred stock units that vest upon death, disability, or retirement will become fully vested.

- All Named Executive Officers will receive a pro-rata portion of unearned performance shares based on actual performance at the end of the performance period and will forfeit the remainder. (For performance shares granted prior to the January 1, 2008, Mr. McGlade, Mr. Huck, and Ms. Minella will retain their full awards.)

- Nonretirement eligible Named Executive Officers will forfeit unexercisable stock options. Their exercisable options will remain in effect for the full term. (Ms. Minella will continue to retain all options granted prior to January 1, 2008.) Retirement provisions described above apply to the retirement eligible Named Executive Officers.

Upon involuntary termination, Named Executive Officers, like all salaried employees, are entitled to receive their accrued qualified and nonqualified pension and deferred compensation shown in the tables on pages 51 and 53 above in accordance with the terms of the relevant plans and, if retirement eligible, retiree medical benefits.

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Estimated Payments on Severance

As of September 30, 2009

The table below shows estimated payments that would be made upon an involuntary termination covered under the Corporate Executive Committee Separation Program.

				Long-Term Incentive Plan(1)				
Officer	Severance Benefit	Pro-rata Bonus	Pension Payment	Stock Options	Performance Shares(2)	Restricted Stock/ Units(3)	Other(4)	Benefits(5)
J. E. McGlade	$ 4,746,000	$ 1,173,000	$ 868,030	$ 13,974,726	$ 2,599,231	$ 4,799,332	$ 443,180	$ 24,787
P. E. Huck	1,290,334	640,333	236,527	7,771,586	1,628,953	1,857,653	673,052	21,814
S. A. Sherman	945,000	445,000	175,842	7,114,980	760,623	1,096,772	882,464	22,367
R. D. Dixon	759,666	299,667	1,448,717	2,444,923	306,814	362,996	661,268	32,675
L. C. Minella	861,666	421,667	396,522	3,493,947	615,130	948,959	0	27,816

(1) Based on September 30, 2009 closing price of $77.58.

(2) Unearned performance shares are reflected at target level. Amounts include accumulated dividend equivalents.

(3) This column includes restricted stock and deferred stock units that vest over a fixed period.

(4) These amounts reflect the value of career-vesting deferred stock units not included in the performance share column and dividend equivalents thereon.

(5) Includes the value of outplacement benefits estimated based on current arrangements for these services; the value of medical benefits extended under the Separation Program for those not already eligible for retiree medical benefits; and the value of dental, life insurance, and disability benefits.

Termination for Cause. Notwithstanding the above, upon involuntary termination for cause, Executive Officers who are not retirement eligible will receive only unpaid salary and accrued vacation, and qualified and nonqualified pension and deferred compensation. If a retirement eligible employee is terminated for cause, it is treated as a retirement.

Death or Disability. Upon termination due to death or disability of an Executive Officer, in addition to insurance, continuation of medical benefits, and other benefits provided to all salaried employees and their families to help with these circumstances, our Long-Term Incentive Plan has provisions that provide continued vesting or accelerated payout of equity awards as follows:

- All stock options that have been outstanding for at least a year at the time of termination continue to be and become exercisable as if the employee had remained active.

- All earned but deferred performance shares, all career-vesting deferred stock units, and retention grants of deferred stock units are paid out.

A prorated portion of unearned performance shares outstanding for at least one year continues to earn out and be payable as if the employee had remained active.

All restrictions on restricted stock outstanding for at least one year are removed.

Change in Control Arrangements

The Company provides individual change in control severance agreements for all of the Named Executive Officers. For purposes of the agreements, a change in control occurs upon a 30% stock acquisition by a person not controlled by the Company, a greater than 50% change in membership on the Board of Directors during any two-year period unless approved by two-thirds of directors still in office who were directors at the beginning of the period, or other events determined by the Board.

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The severance agreements give each Named Executive Officer specific rights and certain benefits if, within two years after a change in control, his or her employment is terminated by the Company without Cause (as defined below) or he or she terminates employment for Good Reason (as defined below). In such circumstances the Named Executive Officer would be entitled to:

- A cash severance payment equal to three (two for Mr. Sherman and Mr. Dixon) times the sum of his or her annual base salary and target bonus under the Annual Incentive Plan;

- A cash payment of a pro-rata target bonus for the year;

- A cash payment equal to three (two for Mr. Sherman and Mr. Dixon) times the value for the most recent fiscal year of the Company s matching contribution and/or accrual on his or her behalf under the RSP and the Deferred Compensation Plan;

- A cash payment equal to the actuarial equivalent of the pension benefits he or she would have been entitled to receive under the Company s pension plans had he or she accumulated three (two in the case of Mr. Sherman and Mr. Dixon) additional years of credited service after termination, plus the early retirement subsidy on the entire benefit if he or she is not eligible for early retirement as of the date of termination; and

- Continuation of medical, dental, disability, and life insurance benefits for a period of up to three years (two years in the case of Mr. Sherman and Mr. Dixon), and provision of outplacement services and legal fees.

If any payment, distribution, or acceleration of benefits, compensation, or rights that is made by the Company to the covered Executive Officers under the severance agreement or otherwise results in a liability for the excise tax imposed by Section 4999 of the U.S. Internal Revenue Code, the Company will pay an amount equal to such excise tax, but only if the benefits to which the Executive Officer is entitled under the agreement are at least 110% of what the Executive Officer would receive if his or her benefits were reduced to a level that would not be subject to excise taxes. Also, each severance agreement provides for indemnification of the executive if he or she becomes involved in litigation because he or she is a party to the agreement.

A termination for Cause occurs under the agreements upon the Executive Officer s willful failure to perform his or her duties or willful misconduct. Good Reason includes

- A material adverse change in the Executive Officer s position,

- A decrease in the Executive Officer s salary, benefits, or incentive compensation if not applied to other highly compensated employees, or

- Relocation of the Executive Officer s principal workplace more than 50 miles from the existing location.

In addition to the change in control severance agreements, the Company s Long-Term Incentive Plan and its nonqualified pension and deferred compensation plans provide change in control protections for all participants. Specifically, upon a change in control (as defined by the plans):

- All outstanding stock options become exercisable and remain exercisable for their full term on the earlier of the change in control or six months after the grant date.

Restrictions lapse on all restricted stock.

All forms of deferred stock units, except unearned performance shares and related dividend equivalents, will fully vest and be paid immediately. A pro-rata portion of unearned performance shares will be paid out in shares at the target performance level.

Accrued balances under the nonqualified pension and deferred compensation plans are paid out.

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The Committee, in its discretion, may pay out the value of stock options, restricted stock, and deferred stock units in cash.

Estimated Payments Upon Change in Control

On September 30, 2009

The table below shows the estimated value of equity and benefits that are automatically vested or paid on change in control, whether or not the Executive Officer is terminated. These acceleration provisions apply to all Long-Term Incentive Plan and nonqualified pension and deferred compensation plan participants. In the case of Mr. McGlade, Mr. Huck, and Mr. Sherman, who are retirement eligible, all of these amounts are already nonforfeitable, but payment, lapse of restrictions, or exercisability would be accelerated upon a change in control. For Ms. Minella and Mr. Dixon, all equity and benefits shown will become vested or payable if active employment continues until retirement without a change in control.

Officer	Stock Options(1)	Restricted Stock	Deferred Stock Units	Deferred Compensation Plan	Nonqualified Pension Plan
J. E. McGlade	$ 13,974,726	$ 4,799,332	$ 2,666,841	$ 1,195,910	$ 13,127,130
P. E. Huck	7,771,586	1,857,653	2,213,229	3,227,812	6,005,807
S. A. Sherman	7,114,980	677,972	2,061,887	321,804	4,593,838
R. D. Dixon	2,659,755	365,867	1,377,780	293,676	840,498
L. C. Minella	3,745,140	1,114,204	563,236	824,263	290,562

(1) Options are shown at their intrinsic value based upon the September 30, 2009 closing price of $77.58.

Additional Estimated Payments Upon Termination

On September 30, 2009 After Change in Control

The table below shows additional amounts that would be payable under the change in control severance agreements if the Executive Officer were terminated following a change in control.

Officer	Severance	Pro-rata Bonus	Matching Contribution Payment	Pension Payment	Outplacement Services	Benefits(1)	Tax Excise
J. E. McGlade	$ 7,560,000	$ 1,320,000	$ 107,308	$ 1,304,242	$ 20,000	$ 7,266	$ 4,875,063
P. E. Huck	3,315,000	455,000	58,240	709,581	20,000	5,526	1,857,636
S. A. Sherman	1,600,000	300,000	29,885	353,330	20,000	4,789	0
R. D. Dixon	1,472,000	276,000	27,369	1,532,634	20,000	26,235	1,671,847
L. C. Minella	2,112,000	264,000	39,513	647,067	20,000	25,036	1,554,325

(1) Includes continuation of dental, disability, and life insurance benefits. Also includes continuation of medical benefits for Mr. Dixon and Ms. Minella. Mr. McGlade, Mr. Huck, and Mr. Sherman are currently eligible for retiree medical benefits upon any termination of employment on the same basis as other retirement eligible salaried employees, so there is no incremental benefit.

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COMPENSATION OF DIRECTORS

During fiscal year 2009, Board members who were not employed by the Company received an annual retainer for Board service of $60,000. Committee chairs received an additional retainer of $15,000 and the presiding director received an additional annual retainer of $15,000. Meeting fees of $2,000 per meeting were paid for participating in Board and committee meetings. Directors who meet with employees of the Company or a third party at the request of the Company or to satisfy a requirement of law or listing standard receive the meeting fee for such service. Retainers and meeting fees are paid quarterly in arrears. In addition to quarterly retainers and meeting fees, directors receive an annual grant of deferred stock units with a value of approximately $100,000 (rounded up to nearest whole share) on the date of the annual shareholders meeting.

Directors may voluntarily defer all or a part of their cash retainers and their meeting fees. At the election of each director, voluntarily deferred fees may be credited to deferred stock units or to an account which is credited with interest based on long-term corporate bond yields. All directors with deferred fees have chosen deferred stock units. Deferred stock units entitle the director to receive one share of Company stock upon payout, which usually occurs after the director s service on the Board is over. Deferred stock units are credited with dividend equivalents equal to the dividends that would have been paid on one share of stock for each unit owned by the director on dividend record dates. Deferred retainers and meeting fees (plus dividend equivalents earned on the director s existing deferred stock units account during a quarter) are converted to deferred stock units based on the fair market value of a share of Company stock on the third to last business day of the quarter.

Directors are reimbursed for expenses incurred in performing their duties as directors. The Company covers directors under its overall directors and officers liability insurance policies. Directors are also covered by the business travel accident policy maintained by the Company and are eligible to participate