

# DUPONT E I DE NEMOURS & CO

## FORM 10-K (Annual Report)

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## 23. COMPENSATION PLANS

The total stock-based compensation cost included in the Consolidated Income Statements was \$115, \$112 and \$144 for 2009, 2008 and 2007, respectively. The income tax benefits related to stock-based compensation arrangements were \$38, \$37 and \$48 for 2009, 2008 and 2007, respectively.

On April 25, 2007, the shareholders approved the DuPont Equity and Incentive Plan ("EIP"). The EIP consolidated several of the company's existing compensation plans (the Stock Performance Plan, Variable Compensation Plan, and equity awards of the Stock Accumulation and Deferred Compensation Plan for Directors) into one plan providing for equity-based and cash incentive awards to certain employees, directors and consultants. Currently, equity-based compensation awards consist of stock options, time-vested restricted stock units (RSUs), performance-based restricted stock units (PSUs) and stock appreciation rights.

The company satisfies stock option exercises and vesting of RSUs and PSUs with newly issued shares of DuPont common stock. Under the EIP, the maximum number of shares reserved for the grant or settlement of awards is 60 million shares, provided that each share in excess of 20 million that is issued with respect to any award that is not an option or stock appreciation right will be counted against the 60 million share limit as four shares. At December 31, 2009, approximately 30 million shares were authorized for future grants under the company's EIP. Awards or grants made in 2007, prior to shareholder approval of the EIP, were issued under the company's previously existing compensation plans. Awards outstanding under each of these plans have not been terminated. These awards remain outstanding and are administered under the terms of the applicable existing plan. No further awards will be made under the company's previously existing compensation plans.

The company's Compensation Committee determines the long-term incentive mix, including stock options, RSUs and PSUs and may authorize new grants annually.

### Stock Options

The purchase price of shares subject to option is equal to the market price of the company's stock on the date of grant. Options granted prior to 2004 expire 10 years from date of grant; options granted between 2004 and 2008 serially vested over a three-year period and carry a six-year option term. Stock option awards granted in 2009 expire seven years after the grant date. The plan allows retirement eligible employees to retain any granted awards upon retirement provided the employee has rendered at least six months of service following grant date.

For purposes of determining the fair value of stock options awards, the company uses the Black-Scholes option pricing model and the assumptions set forth in the table below. The weighted-average grant-date fair value of options granted in 2009, 2008 and 2007 was \$2.68, \$5.30 and \$9.47, respectively.

	2009	2008	2007
Dividend yield	7.0%	3.7%	2.9%
Volatility	27.61%	18.86%	21.11%
Risk-free interest rate	2.5%	2.6%	4.7%
Expected life (years)	5.3	4.5	4.5

The company determines the dividend yield by dividing the current annual dividend on the company's stock by the option exercise price. A historical daily measurement of volatility is determined based on the expected life of the option granted. The risk-free interest rate is determined by reference to the yield on an outstanding U.S. Treasury note with a term equal to the expected life of the option granted. Expected life is determined by reference to the company's historical experience.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Stock option awards as of December 31, 2009, and changes during the year then ended were as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 3 2008	76,030	\$ 45.89		
Granted	15,863	\$ 23.28		
Exercised	-	\$ -		
Forfeited	(227)	\$ 30.99		
Cancelled	(6,250)	\$ 55.09		
Outstanding, December 3 2009 <sup>1</sup>	85,416	\$ 41.06	2.72	\$ 163,256
Exercisable, December 3 2009	61,677	\$ 44.89	1.73	\$ 10

<sup>1</sup> Includes 10.1 million options outstanding from the 2002 Corporate Sharing Program grants of 200 shares to all eligible employees at an option price of \$44.50. These options are currently exercisable and expire 10 years from date of grant.

The aggregate intrinsic values in the table above represent the total pre-tax intrinsic value (the difference between the company's closing stock price on the last trading day of 2009 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options at year end. The amount changes based on the fair market value of the company's stock. Total intrinsic value of options exercised for 2009, 2008 and 2007 were \$0, \$18 and \$96, respectively. In 2009, the company realized a tax benefit of \$0 from options exercised.

As of December 31, 2009, \$16 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.54 years.

**RSUs and PSUs**

In 2004, the company began issuing RSUs in addition to stock options. These RSUs serially vest over a three-year period and, upon vesting, convert one-for-one to DuPont common stock. A retirement eligible employee retains any granted awards upon retirement provided the employee has rendered at least six months of service following the grant date. Additional RSUs are also granted periodically to key senior management employees. These RSUs generally vest over periods ranging from two to five years. The fair value of all stock-settled RSUs is based upon the market price of the underlying common stock as of the grant date.

The company also grants PSUs to senior leadership. In 2009, there were 468,000 PSUs granted. Vesting for PSUs granted in 2008 and 2009 is equally based upon corporate revenue growth relative to peer companies and total shareholder return (TSR) relative to peer companies. Performance and payouts are determined independently for each metric. The actual award, delivered as DuPont common stock, can range from zero percent to 200 percent of the original grant. The grant-date fair value of the PSUs granted in 2009, subject to the TSR metric, was \$27.87, estimated using a Monte Carlo simulation. The grant-date fair value of the PSUs, subject to the revenue metric, was based upon the market price of the underlying common stock as of the grant date.

For PSUs granted prior to 2008, vesting occurs upon attainment of (i) corporate revenue growth relative to peer companies and (ii) return on invested capital objectives (relative to peer companies for periods prior to 2008 and relative to internal targets for periods beginning in 2008). The actual award, delivered as DuPont common stock, can range from zero percent to 200 percent of the original grant. The fair value of PSUs granted prior to 2008 is based upon the market price of the underlying common stock as of the grant date.

**E. I. du Pont de Nemours and Company**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Dollars in millions, except per share)*

Non-vested awards of RSUs and PSUs as of December 31, 2009 and 2008 are shown below. The weighted-average grant-date fair value of RSUs and PSUs granted during 2009, 2008, and 2007 was \$23.72, \$45.70, and \$51.00, respectively. The table also includes Board of Directors' cash-settled RSUs granted prior to 2008.

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Nonvested, December 31, 2008	4,009	\$ 45.72
Granted	2,507	\$ 23.72
Vested	(1,678)	\$ 44.15
Forfeited	(336)	\$ 40.12
Nonvested, December 31, 2009	4,502	\$ 34.56

As of December 31, 2009, there was \$33 unrecognized stock-based compensation expense related to nonvested awards. That cost is expected to be recognized over a weighted-average period of 1.52 years. The total fair value of stock units vested during 2009, 2008 and 2007 was \$74, \$60 and \$53, respectively.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 33-60069); Form S-3ASR, including post effective amendment No. 1, (No. 333-150613); and Form S-8 (No. 33-51817, No. 333-85599, No. 333-44358, No. 333-105224, No. 333-106527, No. 333-106585, No. 333-114330, No. 333-118042, No. 333-129494, No. 333-129495, No. 333-129496, No. 333-144083, No. 333-145038, No. 333-147452 and No. 333-150605) of E. I. du Pont de Nemours and Company of our report dated February 17, 2010, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 17, 2010

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