Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of the Stockholders of Interactive Data Corporation, a Delaware corporation, to be held at the Four Seasons Hotel, 200 Boylston Street, Boston, MA 02116, on May 20, 2009, at 10:00 a.m. (Eastern time).

We also are pleased to be furnishing proxy materials to stockholders primarily over the Internet. We believe that this process expedites stockholders’ receipt of proxy materials, lowers the costs of our annual meeting, and conserves natural resources. On April 9, 2009, we mailed our stockholders a notice containing instructions on how to access our 2009 Proxy Statement and 2008 Annual Report and vote. The notice also included instructions on how you can receive a paper copy of your annual meeting materials. If you received your annual meeting materials by mail, the annual report, notice of annual meeting, proxy statement, and proxy card from our board of directors were enclosed. The annual report, notice of annual meeting, and proxy statement, are also available at www.interactivedata.com/annualmeeting.

At the annual meeting, you are being asked to elect seven members to our board of directors, ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009, approve our 2009 Long Term Incentive Plan and vote on any other business as may properly be brought before the 2009 annual meeting. In addition, we will report to you on our progress during the past year and receive your questions and comments concerning our company.

After careful consideration, your board of directors unanimously approved the proposals noted above and described more fully in the proxy statement accompanying this letter. YOUR BOARD OF DIRECTORS THEREFORE UNANIMOUSLY RECOMMENDS THAT YOU VOTE TO APPROVE THE PROPOSALS DESCRIBED IN THE ACcompanyING PROXY STATEMENT.

Whether or not you plan to attend our annual meeting in person, we urge you vote your shares, YOUR VOTE IS VERY IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

The proxy statement provides you with detailed information about the proposals noted above. We encourage you to read the document carefully.

Thank you, and we look forward to seeing you at the annual meeting.

Sincerely,

Raymond L. D'Arcy
President and Chief Executive Officer

Bedford, Massachusetts
April 9, 2009
NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

To be held on May 20, 2009 at 10:00 a.m. (Eastern time)

To our Stockholders:

YOU ARE HEREBY NOTIFIED that the 2009 annual meeting of our stockholders will be held at the Four Seasons Hotel, 200 Boylston Street, Boston, MA 02116, on May 20, 2009, at 10:00 a.m. (Eastern time) for the following purposes:

• To elect a board of directors of seven members, to serve until their successors have been duly elected and qualified at our next annual meeting or otherwise or until their earlier death, resignation or removal.
• To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.
• To approve our 2009 Long-Term Incentive Plan.
• To transact any other business as may properly be brought before our annual meeting and any adjournment or postponement thereof.

The proposals listed above are described in the accompanying proxy statement, which you are urged to read carefully and in its entirety.

Our board of directors has fixed the close of business on March 27, 2009 as the record date for the determination of the holders of common stock entitled to notice of, and to vote at, the 2009 annual meeting or any adjournment or postponement thereof.

By Order of the Board of Directors

ANDREA H. LOEW
Executive Vice President, General Counsel and Corporate Secretary

Bedford, Massachusetts
April 9, 2009

Important Notice Regarding Internet Availability of Proxy Materials for the 2009 Annual Meeting to be Held on May 20, 2009

This Notice of 2009 Annual Meeting of Stockholders, the Proxy Statement and our 2008 Annual Report are available online at www.interactivedata/annualmeeting

Whether or not you intend to attend the meeting in person, please ensure that your shares of common stock are present and voted at the meeting. To vote your shares, please submit your voting instructions by telephone or the Internet in accordance with the directions on the Notice of Internet Availability of Proxy Materials. If you requested and received paper copies of the proxy materials by mail, you can also submit your voting instructions by mail by following the directions on the proxy card.
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General

We are furnishing this proxy statement to our stockholders in connection with the solicitation of proxies by our board of directors. Our board of directors will use the proxies at the annual meeting of our stockholders to be held on May 20, 2009 and at any adjournment or postponement thereof for the following purposes:

• To elect a board of directors of seven members, to serve until their successors have been duly elected and qualified at our next annual meeting or otherwise or until their earlier death, resignation or removal.
• To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.
• To approve our 2009 Long-Term Incentive Plan.
• To act any other matters as may properly come before the 2009 annual meeting and any adjournment or postponement thereof.

On or about April 9, we mailed out the Notice of Internet Availability of Proxy Materials to our stockholders, and our 2008 annual report, this proxy statement, the notice of meeting and the form of proxy were posted online at www.interactivedata.com/annualmeeting, the website referenced in the Notice of Internet Availability of Proxy Materials on that same date.

Our common stock is traded on the New York Stock Exchange, or NYSE, under the trading symbol “IDC”.

Our website address and the United States Securities and Exchange Commission’s (or SEC’s) website address are included several times in this proxy statement as textual references only. The information in such websites is not incorporated by reference into this proxy statement.

QUESTIONS AND ANSWERS

Q: When and where is the meeting?
A: The meeting will be held at the Four Seasons Hotel, 200 Boylston Street, Boston, MA 02116, on May 20, 2009, at 10:00 a.m. (Eastern time). For directions to the hotel, please call the hotel at (617) 338-4400.

Q: Who can vote on the proposals presented in this proxy statement?
A: Holders of our common stock at the close of business on March 27, 2009, may vote, with one vote per share. Beneficial stockholders who hold their shares through a broker, bank or other representative should refer to the instructions below to vote their shares.
Q: What vote is required?

A: Directors will be elected by a plurality of the votes cast. This means a director will be elected if the votes for a director exceed the votes against a director. Each of the other proposals requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. Pearson DBC Holdings, Inc., a Delaware corporation and an indirect subsidiary of Pearson plc, owns approximately 61.3% of the total number of shares of our common stock outstanding on the record date. Pearson DBC Holdings, Inc. has informed us that it intends to vote its shares in favor of the proposals set forth in this proxy statement. These votes will be sufficient to elect the nominees for director named herein, to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009, and to approve our 2009 Long-Term Incentive Plan. When we use the term “Pearson” in this proxy statement, we are referring to Pearson plc.

Q: Why didn’t I receive a printed copy of the proxy materials?

A: This year, we are pleased to be using the SEC rule that allows companies to furnish their proxy materials over the Internet. As a result, instead of mailing a printed copy of our proxy materials, including our annual report, to each stockholder of record, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials. As more fully described in the Notice of Internet Availability of Proxy Materials, all stockholders may choose to access our proxy materials on the website referred to in the Notice or may request to receive a printed set of our proxy materials.

In addition, the Notice and our website provide information regarding how you may request to receive proxy materials in printed form by mail for this year, or in the future on an ongoing basis. By employing this distribution process, we hope to conserve natural resources and reduce the costs of printing and distributing our proxy materials.

Q: Why didn’t I receive a Notice of Internet Availability of Proxy Materials?

A: We are providing stockholders who have previously requested to receive paper copies of the proxy materials with paper copies of the proxy materials instead of a Notice of Internet Availability of Proxy Materials.

Q: What do I need to do now?

A: Read this proxy statement. Then, if you choose to vote by proxy, you can (1) submit your proxy either via telephone or the Internet, the instructions for which are set forth in the Notice of Internet Availability of Proxy Materials, or (2) you can vote by mail by requesting a full packet of proxy materials be sent to your home address, and upon receipt of the materials, you may fill out the enclosed proxy card and return it in accordance with the instructions on the card. Using the telephone or the Internet eliminates the need to request or return the proxy card. We encourage you to complete and return the proxy card or submit your proxy via telephone or the Internet even if you currently expect to attend the meeting and vote in person. Mailing in the proxy card or submitting your proxy by telephone or the Internet now will not prevent you from later canceling or “revoking” your proxy right up to the taking of the vote at the meeting, and will ensure that your shares are voted if you later find you are unable to attend the meeting. If you sign and send in the proxy card and do not indicate how you want your shares voted, your proxy will be voted FOR the election of the nominees to our board of directors, FOR the ratification of the appointment of Ernst & Young LLP as our registered independent public accounting firm for the fiscal year ending December 31, 2009, and FOR the approval of our 2009 Long-Term Incentive Plan.
Q: If my broker or bank holds my shares in “street name,” will my broker or bank vote my shares for me?

A: You should follow the directions your broker or bank provides in order to instruct your broker or bank how you wish to vote. If your broker or bank does not receive appropriate instructions from you, as further described on page 4 under the heading “Broker Non-Votes”, your broker or bank may choose, in its discretion, how to vote your shares on routine matters, but not on non-routine matters. Election of the nominees for director named in this proxy statement and the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009 are both considered routine matters. The approval of our 2009 Long-Term Incentive Plan is considered non-routine.

Q: Can I change my vote after I have submitted my vote?

A: If you are a registered holder of our shares, meaning that you hold shares directly in your name and not in a brokerage account in “street name”, you can change your vote at any time before your shares are voted at the annual meeting by delivering a signed notice of revocation to our corporate secretary, by delivering a later dated signed proxy card, by submitting a new proxy via telephone or the Internet or by attending the annual meeting and voting in person. If your shares are held in a brokerage account, you should contact your broker to change your vote.

Q: Where can I find more information about Interactive Data Corporation?

A: Our Internet website is www.interactivedata.com. You will find information regarding our company on our website. We also file reports with the United States Securities and Exchange Commission, or SEC. You may read and obtain copies of our SEC reports from our website. You may also read and copy these reports at the SEC’s public reference facilities or from the Internet website the SEC maintains at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for information about these facilities.

THE 2009 ANNUAL MEETING

Date, Place and Time

The annual meeting of our stockholders will be held at the Four Seasons Hotel, 200 Boylston Street, Boston, MA 02116, on May 20, 2009, at 10:00 a.m. Eastern time.

Record Date

Our board of directors has fixed the close of business on March 27, 2009 as the record date for the annual meeting. Accordingly, only holders of record of our common stock at the close of business on March 27, 2009 are entitled to notice of, and to vote at, the annual meeting.

Who May Vote

Holders of record of our common stock at the close of business on March 27, 2009 are entitled to one vote per share on each matter to properly come before the meeting. As of the close of business on March 27, 2009, there were 93,962,884 shares of our common stock outstanding. Pearson DBC Holdings, Inc., an indirect subsidiary of Pearson, held approximately 61.3% of the total number of shares of our common stock outstanding on the record date. For a period of 10 days prior to the meeting, a list of our stockholders as of the close of business on March 27, 2009 will be available for review, during normal business hours, at our principal office located at 32 Crosby Drive, Bedford, Massachusetts 01730. A list of our stockholders will also be available at the meeting.
Vote Required; Voting at the Meeting

Quorum

Representation of a majority of our shares of common stock outstanding on the record date, either in person or by proxy, will constitute a quorum for the meeting. Proxies received, even if marked with abstentions or if votes are not indicated, will be included in the calculation of the number of shares for a quorum. Because Pearson has informed us that its shares will be represented at the meeting, a quorum is assured.

Proposals and Vote Required for Approval

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<td>Election of Directors</td>
<td>Requires a plurality of the votes cast. This means a director will be elected if the votes for a director exceed the votes against the director. For purposes of determining which nominees received a plurality, only those cast “For” a nominee are included, and any withheld votes will not count in making that determination. Accordingly, abstentions will have no effect in making the determination.</td>
</tr>
<tr>
<td>Ratification of the appointment of Ernst &amp; Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009</td>
<td>Requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. For purposes of determining the number of votes cast, those cast “For” or “Against” are included, and any abstentions will have the effect of a vote “Against” the proposal.</td>
</tr>
<tr>
<td>Approval of our 2009 Long-Term Incentive Plan</td>
<td>Requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. For purposes of determining the number of votes cast, those cast “For” or “Against” are included and any abstentions will have the effect of a vote “Against” the proposal.</td>
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Broker Non-Votes

A broker non-vote occurs when a broker submits a proxy card with respect to common shares held in a fiduciary capacity (typically referred to as being held in “street name”), but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors and ratification of the independent registered public accounting firm. Approval of an equity compensation plan, such as our 2009 Long-Term Incentive Plan, is not considered routine. For purposes of determining the presence or absence of a quorum, votes withheld, abstentions and broker non-votes will be counted as present. With respect to the approval of any particular proposal, abstentions and broker non-votes will not be counted in determining the number of votes cast.
Approval

Pearson DBC Holdings, Inc., which as of the record date owned approximately 61.3% of the outstanding shares of our common stock, has informed us that it intends to vote its shares for the following proposals:

• the election of the director nominees;
• the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and
• the approval of our 2009 Long-Term Incentive Plan.

These votes will be sufficient to:

• elect the director nominees named in this proxy statement;
• ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and
• approve our 2009 Long-Term Incentive Plan.

Voting of Proxies

All properly executed proxies, and all proxies properly submitted via telephone or the Internet, received before the vote at the annual meeting, and not revoked, will be voted in accordance with the instructions indicated on the proxies or indicated by telephone or Internet, as applicable. If no instructions are indicated on a returned proxy, such proxies will be voted:

• FOR the election of the nominated slate of directors;
• FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and
• FOR the approval of our 2009 Long-Term Incentive Plan.

Revocability of Proxies

A stockholder who has given a proxy may revoke it by:

• delivering a signed notice of revocation to our corporate secretary;
• delivering a later dated signed proxy;
• submitting a new proxy via telephone or the Internet; or
• attending the annual meeting and voting in person if the stockholder is a holder of record.

Any written notice of revocation must be sent to Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts 01730, Attention: Corporate Secretary, so as to be delivered at or before the taking of the vote at the annual meeting. Attendance at the annual meeting will not, by itself, revoke a proxy.

Expenses and Solicitation of Proxies

In addition to solicitations by mail, certain of our directors, officers and employees may solicit proxies from stockholders by telephone and/or in person. These persons will not receive additional compensation for soliciting proxies but may be reimbursed for reasonable out-of-pocket expenses. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation material to our stockholders. We may reimburse these custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses. We will pay for all of the expenses of the annual meeting proxy solicitation.
PROPOSAL 1: ELECTION OF DIRECTORS

At our 2008 annual meeting, the following nine directors were elected: Stuart J. Clark, Myra R. Drucker, William T. Ethridge, Rona A. Fairhead, Donald P. Greenberg, Caspar J.A. Hobbs, Philip J. Hoffman, Robert C. Lamb, Jr., and Ambassador Carl Spielvogel. On March 2, 2009, Mr. Clark resigned from our board of directors in connection with his decision to step down from his positions as president and chief executive officer of the company. On the same date, our board of directors appointed Raymond L. D’Arcy to fill the vacancy created by Mr. Clark’s resignation. On March 9, 2009 we announced that Mr. Ethridge and Amb. Spielvogel will not seek re-election at our annual meeting of stockholders on May 20, 2009. Both Mr. Ethridge and Amb. Spielvogel plan to fulfill the remainder of their respective terms. On March 17, 2009 our board of directors appointed Mr. D’Arcy to serve on the Nominating and Corporate Governance Committee of the Board of Directors. The size of our board of directors is presently fixed at seven persons. When we identify replacements for Mr. Ethridge and Amb. Spielvogel, we intend to increase the size of the Board accordingly.

At our 2009 annual meeting, seven directors are to be elected. The seven nominees are Raymond L. D’Arcy, Myra R. Drucker, Rona A. Fairhead, Donald P. Greenberg, Casper J.A. Hobbs, Philip J. Hoffman, and Robert C. Lamb, Jr.

If any of the below named nominees should become unavailable for any reason, which we do not anticipate, the proxies will be voted for any substitute nominee or nominees who may be selected by the board of directors prior to or at the annual meeting. Each person nominated has consented to his or her nomination and has agreed to serve if elected, and we have no reason to believe that any nominee will be unable to serve. All directors elected will hold office (subject to our by-laws) until their successors have been duly elected and qualified at our next annual meeting or otherwise or until their earlier death, resignation or removal.

Shares represented by proxies will be voted, if authority to do so is not withheld, FOR the election of the seven nominees named below. Shares may not be voted cumulatively.

Nominees

Our nominees for director are as follows:

Raymond L. D’Arcy (56) has been our president and chief executive officer as well as a member of our board of directors, since March 2009 and succeeded Mr. Clark in these roles. Prior to his current position, he served as our president of sales and marketing from September 2005 until March 2009. He had served as president of data delivery products for the business now known as Interactive Data Pricing and Reference Data from January 2001 until September 2005. From 1991 to 2001, Mr. D’Arcy served as vice president of global sales, marketing and customer support for Interactive Data Corporation (as it existed prior to its merger with Data Broadcasting Corporation). From 1996 to 1999, he served as Vice President of North American Sales, Marketing and Customer Support. Prior thereto, Mr. D’Arcy served as Interactive Data Pricing and Reference Data’s regional sales director for Eastern North America for ten years. Mr. D’Arcy has been an employee of the company since 1979.

Myra R. Drucker (61) joined our board in December 2006. Ms. Drucker currently serves as an independent trustee of the Putnam Mutual Funds; an advisor to RCM Capital Management; and an advisor to the Employee Benefits Investment Committee of The Boeing Company. She is chair of the board of Commonfund; vice chair of the board of Sarah Lawrence College; and a member of the investment committee of the Kresge Foundation. From November 2001 to August 2004, Ms. Drucker served as managing director of General Motors Asset Management and chief investment officer of General Motors Trust Bank. From December 1992 to November 2001, Ms. Drucker was chief investment officer of Xerox Corporation.
Rona A. Fairhead (47) has served as a member of our board of directors since February 2007 and became Chairman in September 2007. Ms. Fairhead is chairman and chief executive officer of the Financial Times Group, a director of Pearson plc and is also a member of the Pearson plc management committee. In her previous role from June 2002 to June 2006, Ms. Fairhead served as chief financial officer of Pearson plc. From October 2001 to June 2002 she was deputy finance director of Pearson. She joined Pearson plc from ICI plc, an international specialty chemicals and paints company where she was executive vice president, strategy and group financial control and a member of the Executive Board. Prior to her six years at ICI, she was a senior executive in the aerospace industry, working for Bombardier/Shorts Aerospace and British Aerospace. In her early career, she worked for Bain & Co and Morgan Stanley. Ms. Fairhead serves on the board of directors of HSBC Holdings plc as a non executive director, and is a non-executive director of The Economist Group.

Donald P. Greenberg (75) has served as a member of our board of directors since 1996. Dr. Greenberg has been teaching at Cornell University, Ithaca, New York, for the past 44 years. He is the Jacob Gould Schurman professor of computer graphics and the director of the computer graphics program at Cornell University. He teaches courses in the colleges of Architecture, Computer Science and the Johnson Graduate School of Management. In 1987, Dr. Greenberg received the ACM SIGGRAPH Steven A. Coons award for outstanding creative contributions to computer graphics and in 1991 was named a member of the National Academy of Engineering. He was the founding director of the National Science Foundation’s Science and Technology Center for Computer Graphics and Scientific Visualization. Dr. Greenberg currently serves on the board of directors of Chyron Corporation, a designer and manufacturer of digital equipment for the broadcast industry, and Mezmeriz, a designer of mobile graphic displays, a privately held company.

Caspar J.A. Hobbs (39) joined our board in November 2006. Mr. Hobbs is a co-founder and current chief executive officer of the London-based Mergermarket Group, where he is responsible for overseeing strategy, expansion, sales and marketing, and general management of this financial information company. Mergermarket, which was founded in 1999 and acquired by Pearson plc in August 2006, specializes in delivering mergers and acquisition news and tools, as well as other specialized services to the financial community. Prior to co-founding Mergermarket, Mr. Hobbs worked at Financial News and, before that, he served as an officer in the British Army.

Philip J. Hoffman (50) has served as a member of our board of directors since February 2000 and is executive vice president and head of corporate finance, strategy and business development for Pearson. Mr. Hoffman is also company secretary for Pearson plc and is a member of the Pearson plc management committee. From May 2000 to December 2001, Mr. Hoffman was chairman and chief executive officer of Learning Network Inc., Pearson plc’s Internet-based education business. From January 1999 through December 2000, Mr. Hoffman was president of Pearson Inc. From January 1997 to December 1998, Mr. Hoffman was executive vice president and chief financial and administrative officer for Pearson plc’s Penguin Group. Prior thereto, Mr. Hoffman held various executive positions at Pearson Inc.

Robert C. Lamb, Jr. (53) joined our board in September 2006. Mr. Lamb is the co-founder, president and chief executive officer, and a director, of Tercet Capital LLC, which provides innovative and focused financial solutions for individuals, organizations, and institutions based on a time-tested, patent-pending investment methodology. From 2002 to 2004, Mr. Lamb served as executive vice president and chief financial officer of FleetBoston Financial, which was the seventh largest financial holding company in the United States prior to being acquired by Bank of America in 2004. His responsibilities included managing FleetBoston Financial’s Corporate Accounting, Business Line Financial Management and Planning, Corporate Tax, and Investor Relations areas. From 2000 to 2002, Mr. Lamb served as Executive Vice President and Chief Financial Officer at BearingPoint, formerly KPMG Consulting, Inc. where he was responsible for the company’s financial management activities. Mr. Lamb currently serves as a director of Arlen Capital, LLC.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED ABOVE.
The shares represented by returned proxy cards will be voted FOR election of these nominees unless an instruction to the contrary is indicated on the proxy card.

Corporate Governance

Our board of directors has established, and continues to review, its governance practices in light of the Sarbanes-Oxley Act of 2002, SEC rules and regulations, and New York Stock Exchange, or NYSE, listing standards. This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics described below are available on our website, at www.interactivedata.com, under the heading “About Us — Corporate Governance.” In addition, copies of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics may be obtained free of charge by writing to our Corporate Secretary, Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts 01730. Our Code of Business Conduct and Ethics applies to our directors, officers and employees, including our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. We intend to post on our website any amendments to, or waivers from, any provision of our Code of Business Conduct and Ethics that are required by law or NYSE listing standards to be publicly disclosed.

Our board of directors has adopted Corporate Governance Guidelines to assist the board in the exercise of its duties and responsibilities and to serve the best interests of Interactive Data Corporation and its stockholders. These guidelines, which provide a framework for the conduct of the board’s business, include that:

- the principal responsibility of the directors is to oversee management;
- the non-management directors meet regularly in executive session;
- the independent directors meet regularly in executive session;
- directors have full and free access to management and, as necessary and appropriate, independent advisors; and
- at least annually the board of directors and its committees conduct a self-evaluation to assess effectiveness.

Board of Directors

During the fiscal year ended December 31, 2008, our board of directors held 9 meetings. In 2008, each of our directors attended 75% or more of the aggregate of the meetings of the board of directors and meetings of committees of the board on which they served. It is our policy that our directors are expected to attend each annual meeting of stockholders. All of our incumbent directors attended our 2008 annual meeting of stockholders.

Independence

Our board of directors has affirmatively determined that Ms. Drucker, Dr. Greenberg and Mr. Lamb are independent as determined under NYSE listing standards. In determining independence pursuant to the NYSE listing standards, our board of directors affirmatively determined whether our independent directors had any direct or indirect material relationship with us, or any of our subsidiaries or with Pearson or any of its subsidiaries, either directly or as a partner, stockholder or officer of an organization that may interfere with the director’s ability to exercise independence. Our board of directors concluded that none of our independent directors had any direct or indirect material relationships with us, any of our subsidiaries or Pearson or any of its affiliates. Our board considers what it deems to be all relevant facts and circumstances in determining the independence of its members including whether our members have any family relationship with any executive
officer or any direct or indirect interest in any of our customers or our customer agreements, whether any of our members have any interests in or ties to any of our competitors, suppliers, or strategic business partners and whether our members meet the independence standards set by the SEC and the NYSE.

Mr. Hoffman, who chairs our compensation committee and is a member of our nominating and corporate governance committee, Mr. D’Arcy, who is a member of our nominating and corporate governance committee, and Ms. Fairhead, who chairs our nominating and corporate governance committee, are not independent directors. In addition, Mr. Hobbs is not an independent director. We qualify as a “controlled company” under NYSE listing standards because Pearson indirectly owns more than 50% of our voting power. As a result, pursuant to Section 303A.00 of the NYSE listing standards, we are exempt from the requirement that our board of directors have a majority of independent directors, and that our nominating and corporate governance and compensation committees be composed entirely of independent directors. Both our audit committee and our compensation subcommittee are composed entirely of independent directors.

Meetings of Non-Management and Independent Directors

In accordance with NYSE listing standards and our corporate governance guidelines:

- our non-management directors (which includes any Pearson affiliated directors) meet separately at least semi-annually at executive sessions without management; and
- our independent directors meet separately at least annually without management.

The non-management and independent directors may hold such additional executive sessions as they determine are necessary or appropriate. Mr. D’Arcy is the only nominee who is a member of management. Our chairman, who is not a member of management, presides at all executive sessions of non-management directors. The chair of our independent committee, which is described below under the heading “Committees of the Board”, is Amb. Spielvogel. As Amb. Spielvogel is not seeking re-election, the independent committee intends to elect a new chair in its meeting immediately following the annual meeting of stockholders.

Communications with Our Board of Directors

Our board of directors believes it is important for stockholders and others to have a process to send communications to the board of directors. Accordingly, any stockholder, security holder or other interested party who desires to make his or her concerns known to the board of directors as a whole, the presiding director, all of our non-management directors as a group or any individual director, may do so by writing to the individual or group, care of our Corporate Secretary, Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts 01730. All such communications will be forwarded by the Corporate Secretary to Mr. Lamb, who as chair of our audit committee is primarily responsible for monitoring such communications from stockholders, security holders and other interested parties and for providing copies or summaries to the other directors, as he considers appropriate.

Committees of the Board

Our board of directors has established an audit committee, a compensation committee, an independent committee and a nominating and corporate governance committee. Each operates under a charter that has been approved by our board of directors. The current charters of the committees are available on our website at www.interactivedata.com under the heading “About Us — Corporate Governance.” Copies of the charters may be obtained by writing to our Corporate Secretary, Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts 01730. Each of the committees periodically reviews its charter and assesses its continuing adequacy and makes recommendations for changes, as appropriate, to the board of directors.
**Audit Committee**

Our audit committee currently consists of Ms. Drucker, Dr. Greenberg, Mr. Lamb and Amb. Spielvogel, with Mr. Lamb as its chair. Pursuant to the NYSE listing standards, the audit committee is required to consist entirely of independent directors. Ms. Drucker, Dr. Greenberg, Mr. Lamb and Amb. Spielvogel are independent directors as required under the NYSE listing standards. In addition, all members of the audit committee satisfy the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our board of directors has determined that Mr. Lamb is an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K and that he has accounting and related financial management expertise as is required by the NYSE listing standards. All of the members of the audit committee are financially literate, as required by NYSE rules. During 2008, the audit committee met on fourteen occasions.

The primary function of our audit committee is to assist the board of directors in fulfilling its responsibilities for oversight of:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independent registered public accounting firm’s qualifications and independence; and
- the performance of our internal audit function and our independent registered public accounting firm.

Specific responsibilities of our audit committee include:

- appointing, retaining, evaluating, terminating, approving the compensation of, and assessing the independence of our registered independent public accounting firm;
- overseeing the work of our registered independent public accounting firm, including through the receipt and consideration of certain reports from the registered independent public accounting firm;
- reviewing and discussing with management and the registered independent public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, our disclosure controls and procedures and compliance with our Code of Business Conduct and Ethics;
- overseeing our internal audit function;
- reviewing and discussing with management our risk management policies;
- establishing policies regarding hiring employees or former employees of our registered independent public accounting firm;
- establishing procedures for the receipt, retention and treatment of accounting related complaints and concerns;
- meeting independently with our internal audit staff, independent registered public accounting firm and management; and
- approving the audit committee report required by SEC rules and regulations (which is included on page 18 of this proxy statement).

In addition, the Audit Committee reviews related party transactions in which any director, officer or director nominee has a material interest. For further information on our policies and procedures regarding transaction with related persons, please see the “Policy and Procedures for Reviewing Transactions with Related Persons” discussion below.
Compensation Committee

Our compensation committee currently consists of Ms. Drucker, Dr. Greenberg and Mr. Hoffman, with Mr. Hoffman as its chair. Ms. Drucker and Dr. Greenberg are independent directors as determined under the NYSE listing standards and SEC rules and regulations. The compensation committee is responsible, among other matters, for discharging, or assisting the board of directors in discharging, duties related to establishing and administering our senior executive officer compensation policies and equity-based incentive plans, including:

- approval of, or recommendation to our board of directors with respect to, corporate goals and objectives relevant to the compensation of our chief executive officer, and annual evaluation of our chief executive officer’s performance in light of those goals and objectives, as well as the determination of, or recommendation to our board with respect to, our chief executive officer’s compensation level based on this evaluation;
- approval of, or recommendation to our board of directors with respect to, compensation for the other senior executive officers;
- overseeing an annual evaluation of our senior executive officers; and
- periodically reviewing and making recommendations to our board of directors with respect to director compensation.

The compensation committee is also responsible for administering our cash and equity incentive plans and employee stock purchase plan. The compensation committee may take all actions that may be taken by our board of directors to review and approve chief executive and senior executive officer compensation. The compensation committee also periodically reviews compensation and equity-based plans and recommends changes to these programs to the board of directors. While the compensation committee is empowered under the terms of the 2000 Long Term Incentive Plan to determine award levels, the compensation committee’s practice has been to bring recommendations for all of our senior executive officers (including the named executive officers) to the compensation subcommittee for approval. This practice will continue with respect to the 2009 Long Term Incentive Plan. During 2008, the compensation committee met on eleven occasions.

Mr. Clark, who was our President and Chief Executive Officer until his resignation on March 2, 2009 attended selected meetings of the compensation committee during 2008 at the invitation of the committee. His input was considered in assessing the performance and pay levels of his direct reports, which include all of the non-CEO named executive officers, as well as in establishing bonus measures and targets for his direct reports. Mr. Hajducky, our Chief Financial Officer, attended selected meetings during 2008 to advise the committee regarding tax and accounting matters. Moreover, Peg Murphy, our Vice President, Global Human Resources, who oversaw our global human resources organization during 2008, and Andrea Loew, our General Counsel, attended selected meetings during 2008 to advise the committee on human resource and legal matters. On no occasion were any of our named executive officers involved in any discussions specifically relating to their own compensation. A detailed description of our processes and procedures for the determination of compensation for our named executive officers is included in the “Compensation Discussion and Analysis” section of this proxy statement.

Compensation Subcommittee

Our compensation committee has designated a compensation subcommittee, composed of those members of the compensation committee who are independent directors. The compensation committee delegated to the compensation subcommittee the authority to approve all compensation that is intended to satisfy the requirements of the performance-based compensation exemption under Section 162(m) of the U.S. Internal Revenue Code, or the Code, including stock options and other performance-based awards granted under our stockholder-approved incentive plans. The compensation subcommittee also has been delegated the authority to approve all equity
compensation grants to any employee required to file reports under Section 16 of the Exchange Act. Our Executive Incentive Plan, is administered by the compensation subcommittee. Periodically, the compensation committee reviews and makes a determination regarding which employees will be included in the compensation subcommittee’s authority. Currently, this group consists of the chief executive officer and all of the chief executive officer’s direct reports. The members of the compensation subcommittee are currently Ms. Drucker and Dr. Greenberg, each of whom is independent and qualifies as an “outside director” as defined in Section 162(m).

**Compensation Consultant**

Under its charter, the compensation committee is empowered to engage an independent consultant. The compensation committee has engaged Frederic W. Cook & Co., or FW Cook, as its independent executive compensation consultant to provide an externally focused perspective and specialized executive compensation expertise. FW Cook reports directly to the compensation committee and does not perform any separate services for management. The compensation committee establishes specified goals or assignments for FW Cook. The compensation committee (and the compensation subcommittee) uses FW Cook’s expertise to augment the information provided by management (including management’s compensation recommendations) and to help in the evaluation of the effectiveness and fairness of our compensation programs and practices. FW Cook provides recommendations and information regarding: (i) appropriate pay, bonus and equity award levels for our senior executives (chief executive officer and those who report directly to the chief executive officer), (ii) equity and cash compensation plan design (both long-term and short-term plans), and (iii) current and emerging industry trends and best practices.

**Compensation Committee Interlocks and Insider Participation**

During the fiscal year 2008, Dr. Greenberg, Ms. Drucker and Mr. Hoffman served on the compensation committee. Mr. Hoffman is an executive officer of Pearson. No member of the compensation committee has had any relationship with us requiring disclosure under Item 404 of Regulation S-K. No member of the compensation committee in 2008 was an employee of the company or any of our subsidiaries.

None of our executive officers have served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other organization, one of whose executive officers served as a member of our board of directors or compensation committee.

**Nominating and Corporate Governance Committee**

Our nominating and corporate governance committee currently consists of Messrs. D’Arcy, Hoffman and Lamb, and Ms. Fairhead, with Ms. Fairhead serving as its chair. Mr. Lamb is an independent director as determined under the NYSE listing standards and SEC rules and regulations. Our nominating and corporate governance committee is responsible, among other matters, for:

- recommending to our board of directors the persons to be nominated for election as independent directors at any meeting of stockholders;
- reviewing, from time to time, the corporate governance principles applicable to us;
- monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies;
- overseeing an annual review of chief executive officer succession planning;
- leading the board and committees of the board in annual performance self-evaluations; and
- reviewing, reassessing and administering our corporate governance guidelines.
During 2008, the nominating and corporate governance committee met on nine occasions.

For our policy with regard to the consideration of director candidates recommended by stock holders, please see “Selection of Candidates for Director” on page 62 of this proxy statement.

**Independent Committee**

The independent committee currently consists of Ms. Drucker, Dr. Greenberg, Mr. Lamb and Amb. Spielvogel, with Amb. Spielvogel as its chair. These directors are not employees of ours or Pearson and each of these directors is independent as determined under the NYSE listing standards and SEC rules and regulations. The independent committee has been delegated all authority of our board of directors to consider and approve on our behalf transactions and agreements between us and any person who is a 5% or more beneficial owner of our common stock, including Pearson or any of Pearson’s affiliates. Our independent committee is responsible, among other matters, for:

- reviewing and approving (or ratifying, as the case may be) related person transactions involving any 5% or more beneficial owner of our common stock (or any of its affiliates); and
- as required by law or as requested by the board of directors from time to time, reviewing and approving (or ratifying, as the case may be) transactions or arrangements involving (or actions to be taken by) our company or any of its affiliates in which any 5% or more beneficial owner of our common stock (or any of its affiliates) has or may have an interest.

For a further discussion of the policies and procedures of the independent committee with respect to such transactions, see the description below under the heading “Related Persons Transactions.” During 2008, the independent committee met on five occasions.

<table>
<thead>
<tr>
<th>Director</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
<th>Nominating and Corporate Governance Committee</th>
<th>Independent Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond L. D’Arcy</td>
<td>—</td>
<td>—</td>
<td>X</td>
<td>—</td>
</tr>
<tr>
<td>Myra R. Drucker</td>
<td>X</td>
<td>X</td>
<td>—</td>
<td>X</td>
</tr>
<tr>
<td>William T. Ethridge</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Rona A. Fairhead</td>
<td>—</td>
<td>—</td>
<td>Chair</td>
<td>—</td>
</tr>
<tr>
<td>Donald P. Greenberg</td>
<td>X</td>
<td>X</td>
<td>—</td>
<td>X</td>
</tr>
<tr>
<td>Caspar J.A. Hobbs</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Philip J. Hoffman</td>
<td>—</td>
<td>Chair</td>
<td>X</td>
<td>—</td>
</tr>
<tr>
<td>Robert C. Lamb, Jr.</td>
<td>Chair</td>
<td>—</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Carl Spielvogel</td>
<td>X</td>
<td>—</td>
<td>—</td>
<td>Chair</td>
</tr>
</tbody>
</table>
Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of January 31, 2009, certain information known to us regarding the shares of our common stock, as well as the ordinary shares of our majority stockholder’s parent company, Pearson, beneficially owned by (1) each of our directors (2) our chief executive officer and the other executive officers named in the summary compensation table on page 35 of this proxy statement, and (3) the directors and all of our executive officers as a group. In addition, the following table sets forth the beneficial ownership of common stock as of January 31, 2009, with respect to Pearson DBC Holdings, Inc., which is a subsidiary of Pearson and which is the only entity or individual known by us to own beneficially more than 5% of the outstanding shares of our common stock.

<table>
<thead>
<tr>
<th>Directors and Executive Officers</th>
<th>Interactive Data Corporation</th>
<th>Pearson plc</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount and Nature of Beneficial Ownership</td>
<td>Percent of Class</td>
</tr>
<tr>
<td>Stuart J. Clark&lt;sup&gt;2&lt;/sup&gt;</td>
<td>1,161,586</td>
<td>1.2%</td>
</tr>
<tr>
<td>Raymond L. D’Arcy&lt;sup&gt;3&lt;/sup&gt;</td>
<td>311,283</td>
<td>*</td>
</tr>
<tr>
<td>Myra R. Drucker&lt;sup&gt;4&lt;/sup&gt;</td>
<td>12,500</td>
<td>*</td>
</tr>
<tr>
<td>William T. Ethridge&lt;sup&gt;5&lt;/sup&gt;</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Rona A. Fairhead&lt;sup&gt;6&lt;/sup&gt;</td>
<td>10,000</td>
<td>*</td>
</tr>
<tr>
<td>Donald P. Greenberg&lt;sup&gt;7&lt;/sup&gt;</td>
<td>67,060</td>
<td>*</td>
</tr>
<tr>
<td>Andrew J. Hajducky III&lt;sup&gt;8&lt;/sup&gt;</td>
<td>93,037</td>
<td>*</td>
</tr>
<tr>
<td>Caspar J.A. Hobbs&lt;sup&gt;9&lt;/sup&gt;</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>Philip J. Hoffman&lt;sup&gt;10&lt;/sup&gt;</td>
<td>3,200</td>
<td>*</td>
</tr>
<tr>
<td>John L. King&lt;sup&gt;11&lt;/sup&gt;</td>
<td>419,399</td>
<td>*</td>
</tr>
<tr>
<td>Robert C. Lamb, Jr.&lt;sup&gt;12&lt;/sup&gt;</td>
<td>12,500</td>
<td>*</td>
</tr>
<tr>
<td>Mark Hepsworth&lt;sup&gt;13&lt;/sup&gt;</td>
<td>182,309</td>
<td>*</td>
</tr>
<tr>
<td>Carl Spielvogel&lt;sup&gt;14&lt;/sup&gt;</td>
<td>120,454</td>
<td>*</td>
</tr>
<tr>
<td>All directors and executive officers as a group (14 persons)&lt;sup&gt;15&lt;/sup&gt;</td>
<td>2,518,844</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

**Five Percent Stockholder**

Pearson DBC Holdings, Inc.<sup>16</sup> 57,554,795 61.5% N/A N/A

* Less than 1%.

(1) The table is based upon information supplied by our officers, directors and principal stockholders, and information set forth on any statements filed with the SEC pursuant to Sections 13(d) or 13(g) of the Securities Exchange Act of 1934. Unless otherwise indicated in these footnotes, and subject to the community property laws where applicable, each of the directors and named executive officers named in this table has sole voting and investment power with respect to the shares shown as beneficially owned and the address of each of the directors and named executive officers is: c/o Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts 01730.

(2) Mr. Clark served as our Chief Executive Officer, President, and a member of our board of directors until he stepped down from these positions on March 2, 2009. He currently serves as an advisor to the company. With respect to Interactive Data shares, Mr. Clark’s ownership includes 1,000,625 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009 and 304 shares that Mr. Clark will acquire within 60 days of January 31, 2009 pursuant to our Employee Stock Purchase Plan. With respect to Pearson shares, Mr. Clark’s ownership includes 14,516 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(3) Effective March 2, 2009, Mr. D’Arcy became our Chief Executive Officer, President, and a member of our board of directors. Prior to this, he served as our President, Sales and Marketing. With respect to Interactive Data shares, Mr. D’Arcy’s ownership includes 266,750 shares that Mr. D’Arcy has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009. With respect to Pearson shares, his ownership includes 10,140 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(4) Ms. Drucker is a member of our board of directors. With respect to Interactive Data shares, Ms. Drucker’s ownership includes 12,500 shares that she has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(5) Mr. Ethridge is a member of our board of directors. Mr. Ethridge’s ownership includes 109,684 shares of Pearson that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.
(6) Ms. Fairhead is a member of our board of directors. With respect to Interactive Data shares Ms. Fairhead’s ownership includes 10,000 shares held by Ms. Fairhead’s spouse. With respect to Pearson holdings, Ms. Fairhead’s ownership includes 60,000 shares of Pearson that she has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(7) Dr. Greenberg is a member of our board of directors. Dr. Greenberg’s ownership includes 60,000 shares of Interactive Data Corporation that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009 and 7,060 shares of Interactive Data Corporation that Mr. Greenberg will acquire within 60 days of January 31, 2009 upon settlement of his DSUs and RSUs awarded February 25, 2004, February 23, 2005 and February 17, 2006.

(8) Mr. Hajducky is our Executive Vice President, Chief Financial Officer and Treasurer. Mr. Hajducky’s ownership includes 80,000 shares of Interactive Data Corporation that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009 and 152 shares that Mr. Hajducky will acquire within 60 days of January 31, 2009 pursuant to our Employee Stock Purchase Plan.

(9) Mr. Hobbs is a member of our board of directors.

(10) Mr. Hoffman is a member of our board of directors. Mr. Hoffman’s ownership includes 48,014 shares of Pearson that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(11) Mr. King is our Chief Operating Officer. With respect to Interactive Data shares, Mr. King’s ownership includes 386,750 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009, 304 shares that Mr. King will acquire within 60 days of January 31, 2009 pursuant to our Employee Stock Purchase Plan, With respect to Pearson shares, Mr. King’s ownership includes 13,440 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(12) Mr. Lamb is a member of our board of directors. With respect to Interactive Data shares, Mr. Lamb’s ownership includes 12,500 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(13) Mr. Hepsworth is our President, Institutional Business. With respect to Interactive Data shares, Mr. Hepsworth’s ownership includes 173,000 shares that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(14) Amb. Spielvogel is a member of our board of directors. Amb. Spielvogel’s ownership includes 57,233 shares of Interactive Data held of record by the Carl Spielvogel Rev. Trust dated 8/29/00, C. Spielvogel and B. Spielvogel, TTEES. Amb. Spielvogel disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Amb. Spielvogel’s ownership includes 60,000 shares of Interactive Data Corporation that he has the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009 and 2,296 shares of Interactive Data Corporation that Amb. Spielvogel acquired within 60 days of January 31, 2009 upon settlement of his RSUs awarded February 17, 2006.

(15) With respect to Interactive Data shares, includes 2,163,187 shares that such persons have the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009, 760 shares that such persons will acquire within 60 days acquired on February 13, 2009 pursuant to our Employee Stock Purchase Plan, and 9,356 shares that Mr. Greenberg and Amb. Spielvogel acquired within 60 days of January 31, 2009 upon settlement of their DSUs awarded on February 25, 2004, February 23, 2005 and February 17, 2006. With respect to Pearson shares, includes 262,773 shares that such persons have the right to acquire pursuant to currently exercisable options or options that may be exercised within 60 days of January 31, 2009.

(16) The address of Pearson DBC Holdings, Inc. is c/o Pearson Inc., 1330 Avenue of the Americas, New York, New York 10014.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and any person who owns more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Based upon the information supplied to us by such persons, we are required to report any known failure to file these reports within the period specified by the instructions to the reporting forms. To our knowledge, based upon a review of the Section 16(a) reports furnished to us and the written representations of our executive officers and directors, except as noted following this sentence, all these filing requirements were satisfied by our directors and executive officers for the fiscal year ended December 31, 2008. Due to administrative error, each of Messrs. D’Arcy, Hajducky, Hepsworth and King and Ms. Loew filed one late Form 4 in July 2008 reporting RSUs and options of Interactive Data shares that were awarded to them on July 18, 2008.
Related Persons Transactions

Transactions with Pearson

As of the record date, Pearson indirectly owned approximately 61.3% of our issued and outstanding common stock. We are a party to a management services agreement with Pearson that became effective as of February 29, 2000. This agreement governs the provision of certain services between the parties and their respective subsidiaries and renews annually. Other business arrangements between us (and our subsidiaries) and Pearson (and its subsidiaries) are covered by separate written agreements.

Many of the services provided by Pearson afford us administrative convenience and we believe the terms of such services are substantially equal to or more favorable to us than if the company had negotiated similar arrangements with non-affiliated third parties. The services provided by Pearson include (i) administering the 401(k) savings plan (and related excess plans), the U.K. pension plan, and employee health benefit plans and insurance plans in the U.S. and U.K., (ii) use of a back-up disaster recovery site in the U.K., (iii) travel services, and (iv) accounting related services for certain of our subsidiaries, primarily in the U.K.. In addition to these services, we also license an array of financial information content from certain businesses owned by or affiliated with Pearson for internal use as well as redistribution to customers. Finally, certain of our businesses from time to time purchase advertising space and other promotional services at discounted rates from certain businesses owned by or affiliated with Pearson. The services provided by us to Pearson include the provision of financial data and related services and the sub-lease of space in our Hayward, CA office. A majority of the charges for services from Pearson and its affiliates to us are at cost. With respect to the services we provide to Pearson and its affiliates, we charge fees that are no less than the fees charged to similar users. We believe that the terms and conditions of these transactions are fair and reasonable.

Prior to entering into any service arrangement with Pearson, we assess whether it would be more advantageous to obtain such services from a third party. The Independent Committee of our Board of Directors, which currently consists of four directors, none of whom are employees of Pearson or the company, approve the related party services on our behalf. The agreements governing the related party services are amended from time to time by mutual agreement to address changes in the terms or services provided to or on our behalf. The Independent Committee approves any material modifications. From time to time, we assess various of the ongoing relationships between us and Pearson to determine whether it would be more advantageous to secure any such services outside of Pearson.

There was no material effect on our financial condition or results of operations as a result of entering into these arrangements. If the services provided to us and our affiliates by Pearson or its affiliates were to be terminated, we would be required to seek equivalent services in the open market at potentially higher costs.

In 2001, we entered into a trademark license agreement with Pearson’s Financial Times Group authorizing us to use the “FT” and “Financial Times” trademarks and logos in our businesses. The license grants us the right to use the FT and Financial Times brands for one U.K. pound sterling. This license, which was renewed for a one-year term on March 7, 2009, automatically renews for subsequent one-year terms unless terminated. The license is subject to quality control standards, restrictions on sublicensing the trademarks to third parties and certain other restrictions. The Independent Committee of our Board of Directors approved this agreement on the company’s behalf. In February 2007, we commenced a re-branding campaign and in connection with this campaign, we ceased the active use of the “FT” and “Financial Times” trademarks and logos in its business

Any amounts payable or receivable to and from Pearson or Pearson affiliates are classified as an affiliate transaction on our balance sheet. For the years ended December 31, 2008, 2007 and 2006, we recorded revenue of $900,000, $772,000 and $755,000, respectively, for services provided to Pearson. For the years ended December 31, 2008, 2007 and 2006, we recorded expense of $4,229,000, $4,682,000 and $4,250,000, respectively, for services received from Pearson. The amount due to Pearson at December 31, 2008 and 2007 was $47,000 and $732,000, respectively, and is included in payables to affiliates.
Other Related Person Transactions

Mr. D’Arcy’s son, Jeffrey D’Arcy, works as a sales professional in the Business Development Group of our Interactive Data Pricing and Reference Data, Inc. subsidiary. Jeffrey D’Arcy received compensation of $161,088 in 2008, which amount includes base salary, sales commissions and company contributions to his 401(k) retirement plan. Jeffrey D’Arcy is compensated in a manner consistent with how we compensate sales professionals holding similar positions, including participation in a standard commission plan applicable to his company peer group of sales professionals.

Policy and Procedures for Reviewing Transactions with Related Persons

In February 2001, our board of directors created a committee of independent directors which committee is charged with the authority and duty to consider, negotiate and approve on our behalf, transactions and agreements between us (and our subsidiaries) and Pearson (and its subsidiaries). In February 2007, our board of directors established a written policy and procedures related to the negotiation and approval of related person transactions. Under the policy, a related person transaction is one in which we are a participant, the amount involved exceeds $120,000 and the related person has a direct or indirect material interest. The term “related person” has the same meaning as set forth in Item 404(a) of Regulation S-K. Under our policy, related person transactions that are identified prior to consummation shall be consummated only if (i) in the case of directors, officers and nominees, the transaction is approved by the disinterested members of the audit committee and (ii) in the case of a 5% or more beneficial owner of our common stock (or any affiliate) who does not fall into (i) above, the transaction is approved by the disinterested members of the independent committee. In the event that it is not practicable or desirable to obtain approval of a related person transaction in advance, the transaction with the related person may be preliminarily entered into by management subject to ratification by the appropriate committee. If the applicable committee does not ratify the transaction, then we will have the option to terminate or unwind the transaction.

In February 2007, our board of directors approved an independent committee charter which charter specifies that the independent committee has the authority described above as well as authority, at the committee’s discretion, to approve or ratify, as the case may be, related persons transactions with a 5% or more beneficial owner of our common stock in which the amount is less than $120,000. In addition the charter specifies that the independent committee has the authority, as required by law or as requested by the board of directors from time to time, to review and approve (or ratify, as the case may be) transactions or arrangements involving (or actions to be taken by) our company or any of its affiliates in which any 5% or more beneficial owner of our common stock (or any affiliate) has an interest.

The policy and procedures related to approval of related person transactions are in writing. In its review, the audit committee or independent committee, as applicable, considers the related person’s interest in the transaction, the material terms of the transaction, including the dollar amount involved and the type of transaction, the importance of the transaction to the related person and to us, whether the transaction would impair the judgment of the related person, and any other information the applicable committee deems appropriate. Under our policy, our legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from related persons with respect to identified related person transactions and for then determining, based on the facts and circumstances, whether we or a related person has a direct or indirect material interest in the transaction.

The adoption of our written policy and procedures as described above, as well as the adoption of the independent committee charter, formalized the procedures with respect to transactions with related persons we have in large part followed since the February 2001 formation of the independent committee. To our knowledge, all transactions with Pearson or any of its affiliates have been approved by our independent committee. The employment and compensation of Jeffrey D’Arcy was reviewed by our audit committee.
Report of the Audit Committee of the Board of Directors

The audit committee assists the board of directors in overseeing and monitoring the integrity of our financial reporting process, compliance with the legal and regulatory requirements applicable to the company, the qualifications, independence and performance of our independent registered public accounting firm, and the quality of our internal and external audit processes. The audit committee operates under a written charter that sets forth the audit committee’s role and responsibilities.

Management is responsible for the preparation, presentation, and integrity of the company’s financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the company. Management also has the responsibility for establishing and maintaining effective internal control over financial reporting. In 2008, Ernst & Young LLP was responsible for expressing an opinion on the conformity of the company’s audited financial statements with generally accepted accounting principles. In addition, Ernst & Young LLP expressed its own opinion on the effectiveness of the company’s internal control over financial reporting.

In this context, the audit committee has reviewed and discussed with management and Ernst & Young LLP the company’s audited financial statements for the year ended December 31, 2008, and Ernst & Young LLP’s evaluation of the company’s internal control over financial reporting.

The audit committee has discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, “Communication With Audit Committees.”

In addition, the audit committee has received from Ernst & Young LLP the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP’s communications with the audit committee concerning independence, and discussed with Ernst & Young LLP its independence from the company and its management. The audit committee considered whether the provision of non-audit services by Ernst & Young LLP was compatible with maintaining the firm’s independence and concluded that it was compatible.

Based on the considerations and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements for the year ended December 31, 2008 be included in our Annual Report on Form 10-K for 2008.

Respectfully submitted,

AUDIT COMMITTEE

Robert C. Lamb, Jr., Chairman
Donald P. Greenberg
Carl Spielvogel
Myra R. Drucker
EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of our Compensation Program and Objectives

Our executive compensation program is composed of:

• base salary;
• an annual performance-based cash bonus opportunity;
• equity awards in the form of restricted stock units and stock options;
• retirement benefits; and
• severance benefit opportunities.

We establish cash and equity compensation at levels that are intended to attract, motivate and retain qualified executive managerial talent that is critical to our long-term success and the creation of stockholder value. Using a combination of an annual performance-based cash bonus and equity-based long-term incentive compensation, we strive to create a linkage between pay and both individual and company performance. Individual and company performance targets are set at levels intended to encourage our named executive officers to support our achievement of short- and long-term strategic business objectives. To further align executive interests with those of stockholders, we also require our named executive officers to attain a prescribed level of stock ownership.

Our named executive officer benefit programs generally mirror those available to the overall employee population. However, in order to attract and retain key talent and to enable our named executive officers to receive retirement benefits based on their full salary without being limited by contribution caps imposed by the Internal Revenue Service, the named executive officers (other than Mr. Hepsworth, who participates in separate expatriate arrangements) are eligible for supplemental retirement benefits solely to overcome these limits.

Our Use of Benchmarking and Survey Data

When establishing compensation levels for our named executive officers, the compensation committee and the compensation subcommittee consider information compiled, evaluated and presented by the compensation committee’s independent compensation consultant, FW Cook. This information included proprietary executive compensation survey data regarding large technology companies. FW Cook adjusted this data for each of our named executive officers based on the executive’s responsibilities, and, if applicable, relative revenue responsibilities. The compensation committee and the compensation subcommittee also reviewed information provided by FW Cook collected from proxy filings by publicly traded companies that we, with FW Cook’s assistance, have identified as our peers. Most of the companies selected as our peers operate in our industry or related industries. We generally fall between the 25th and 75th percentile of the identified peer group in terms of number of employees, revenue and market capitalization. Each year, the peer group is reviewed and adjusted, if appropriate, to reflect changes in the marketplace or as a result of mergers, acquisitions, divestitures, changes to our business focus or the business focus of peer companies.

While peer company data provides us with an important point of reference for our named executive officers, we believe considering the large technology company survey data provides us with an additional important point of reference and allows us to obtain a broader perspective of prevailing compensation levels and practices. With respect to some of the named executive officers, we only had comparable individual position data from either the peer company survey or the large technology company survey. In those instances where we had both peer company and large technology company survey data available for a particular named executive officer, we used an average of the median levels of compensation from each data set as our point of comparison.
The compensation committee and the compensation subcommittee use market surveys and analyses prepared by its independent compensation consultant to stay informed of developments in the design of compensation packages generally and to benchmark our named executive officer compensation program against those of companies with whom we may compete for executive talent to help ensure our named executive compensation program is in line with current marketplace standards. The compensation committee and the compensation subcommittee generally target compensation for named executive officers in a range around the median of the pay levels derived from the compensation consultants’ studies. Variations to this general target may occur as dictated by individual circumstances.

With FW Cook’s assistance, the peer group was reviewed at the end of 2008. Based on the review, the compensation committee approved changes to the peer group. The revised peer group will be used for 2009 compensation decisions. The current peer group was used for 2008 compensation decisions. The current and revised peer groups are as set forth below:

**Current Peer Group**
- Acxiom Corporation
- Advent Software, Inc.
- ChoicePoint Inc.
- CME Group, Inc.
- CoStar Group, Inc.
- Dow Jones & Company, Inc.
- The Dun & Bradstreet Corporation
- Equifax Inc.
- FactSet Research Systems Inc.
- Fair Isaac Corporation
- Harris Interactive Inc.
- infoUSA Inc.
- Investment Technology Group, Inc.
- The NASDAQ OMX Group, Inc.
- SEI Investments Company
- TradeStation Group, Inc.

**Revised Peer Group**
- Acxiom Corporation
- Advent Software, Inc.
- CME Group, Inc.
- CoStar Group, Inc.
- The Dun & Bradstreet Corporation
- Equifax Inc.
- FactSet Research Systems Inc.
- Fair Isaac Corporation
- Harris Interactive Inc.
- IHS Inc.
- infoGroup Inc.
- Investment Technology Group, Inc.
- The NASDAQ OMX Group, Inc.
- Morningstar, Inc.
- MSCI Inc.
- RiskMetrics Group, Inc.
- SEI Investments Company
- TradeStation Group, Inc.

**Other Considerations**

In addition to benchmarking, with the assistance of FW Cook, the compensation committee considered the prevalent labor market for executive talent generally, as well as what other companies in our industry with whom we compete for executive talent are paying similar executives. Moreover, the compensation committee evaluated internal pay equity among executives and considered each individual executive’s responsibilities, experience, effectiveness, tenure and ability to impact corporate financial performance, where applicable, when determining compensation levels.
The differences in compensation among our named executive officers are largely attributable to the differences in scope of the roles performed by each individual. Our chief executive officer received the highest levels of compensation because he is responsible for running the overall business and is our most senior decision-maker. His responsibilities far outweigh those of our other named executive officers. Our chief financial officer’s package is based in large part on the supply and demand pressures associated with completing a nationwide search in 2006 to fill this position. The other three named executive officers receive compensation based upon the scope of their responsibilities. The varying salary increase amounts given in 2008 and the assignment of bonus plans to these three named executive officers are reflective of internal equity considerations.

**Elements of Compensation Paid to Named Executive Officers**

Our executive pay is comprised of three main components: base salary, annual performance-based cash bonus and long-term equity awards. The committee reviews the total aggregate cash compensation paid to each executive when considering increases and bonus awards. Equity awards and cash compensation are not weighted relative to a predefined total remuneration package. Rather, the committee considers overall business performance, input from the chief executive officer on the individual performance of his direct reports, changes in the business, external market factors and our financial position each year when determining pay levels and bonus awards, and allocating between long-term and current compensation for the named executive officers.

**Cash Compensation**

**General**

Cash compensation is comprised of base salary and an annual performance-based cash bonus opportunity. The committee generally sets a named executive officer’s targeted total cash compensation opportunity within a range around the market median data, as described above, adjusted as appropriate for individual performance and internal pay equity and labor market conditions.

**Base Salary Increases in 2008**

Fiscal year 2008 base salary increases for our named executive officers ranged from 0% to 7.7% of their 2007 base salaries. These increases were determined based on the considerations outlined above, as well as taking into account our overall budget. The average company-wide base salary increases for all employees in 2008 (excluding our named executive officers) was 3.7%. These increases generally positioned our named executive officers’ base salary levels close to the median of the base salaries of executives in comparable positions as reflected in peer company and general industry compensation survey data.

Base salary increases in 2008 for our named executive officers were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>2007 Base Salary</th>
<th>2008 Increase</th>
<th>2008 Base Salary Effective April 1, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Clark</td>
<td>$567,000</td>
<td>5.8%</td>
<td>$600,000</td>
</tr>
<tr>
<td>Mr. Hajducky</td>
<td>$362,000</td>
<td>0%</td>
<td>$362,000</td>
</tr>
<tr>
<td>Mr. D’Arcy</td>
<td>$340,000</td>
<td>7.4%</td>
<td>$365,000</td>
</tr>
<tr>
<td>Mr. King</td>
<td>$347,000</td>
<td>2.0%</td>
<td>$354,000</td>
</tr>
<tr>
<td>Mr. Hepsworth</td>
<td>$325,000</td>
<td>7.7%</td>
<td>$350,000</td>
</tr>
</tbody>
</table>

**2008 Executive Bonus Plan**

Our 2008 Executive Bonus Plan (established under our Executive Incentive Plan) was intended to establish a direct correlation between the annual cash incentives paid to our named executive officers and our financial and operating performance. Under the 2008 plan, our named executive officers were eligible to receive a cash bonus equal to a percentage of the named executive officer’s base salary based on the attainment of certain financial...
and individual performance goals. In general, our target cash incentive bonus opportunity is positioned in a range around the median of cash incentive bonuses for executives in comparable positions as reflected in peer company data and general industry surveys. Target and maximum cash incentive opportunities for each named executive officer are established as a percentage of base salary. A stretch opportunity was added in 2008 to reward executives if performance exceeded the maximum. The stretch opportunity is intended to incentivize our executives to attain extraordinary performance. The percentage of base salary that could be earned in 2008 varied for each named executive officer as set forth below.

<table>
<thead>
<tr>
<th>Name</th>
<th>2008 At or Below Threshold Bonus Opportunity (as a % of base salary)</th>
<th>2008 Target Bonus Opportunity (as a % of base salary)</th>
<th>2008 Maximum Bonus Opportunity (as a % of base salary)</th>
<th>2008 Stretch Bonus Opportunity (as a % of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Clark</td>
<td>0%</td>
<td>90%</td>
<td>150%</td>
<td>180%</td>
</tr>
<tr>
<td>Mr. Hajducky</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>Mr. D’Arcy</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>Mr. King</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>Mr. Hepsworth</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
</tbody>
</table>

Our compensation committee and compensation subcommittee approved the following performance objectives for the 2008 Executive Bonus Plan: (1) adjusted revenue, (2) adjusted earnings before interest, taxes and amortization, or adjusted EBITA, (3) adjusted free cash flow and (4) individual performance goals. For all named executive officers (except the chief executive officer), the three company performance goals comprised 80% of the total bonus opportunity and were weighted 25%, 40% and 15%, respectively. The individual performance goals comprised 20% of the total bonus opportunity. For the chief executive officer, the three company performance goals comprised 70% of the total bonus opportunity and were weighted 21.875%, 35% and 13.125%, respectively. The individual performance goals comprised 30% of the chief executive officer’s total bonus opportunity. The individual performance goals attainment bonus funding could be reduced by the compensation subcommittee in its sole discretion based on the level of attainment of individual performance goals discussed below.

The compensation committee believes that these four performance measures are consistent with the overall goals and long-term strategic direction that the board of directors has set for our company and are closely related to or reflective of financial performance, operational improvements, growth and return to stockholders. Further, the combination of these performance measures limits the ability of an executive officer to be rewarded for taking excessive risk that may harm our company because performance under all of the measures is required to maximize the payout.

The adjusted revenue, adjusted EBITA, and adjusted free cash flow financial targets are calculated using pre-determined, constant foreign currency exchange rates that eliminates the positive or negative impact that occurs as a result of the normal market fluctuations of foreign currency exchange rates between two time periods. In addition, in calculating the financial targets, we deduct transactional foreign exchange gain or loss. Transactional foreign exchange gain or loss is the foreign exchange gain or loss associated with Euro-related billings and the revaluation of inter-company loans and U.S. dollar and foreign currency bank balances. We believe that measuring our business results by excluding the impact of changing foreign currency exchange rates and transactional foreign exchange gain or loss facilitates more meaningful period-to-period comparisons of the results of our underlying business. Lastly, we also deduct the impact of any acquisitions that closed during the measurement year. While the impact of acquisitions from prior years are included in the determination of each of the financial targets, the impact of current year acquisitions are excluded due to the difficulty of predicting the impact of any acquisitions that may close in the measurement year. In addition to the adjustments related to foreign exchange and current year acquisitions, adjusted EBITA is calculated by adding amortization and stock compensation expenses to income from operations and the adjusted free cash flow measure is calculated by subtracting capital expenditures from net cash provided by operating activities.
The adjusted revenue measure is intended to support our strategy of increasing revenue through organic growth and targeted acquisitions from the prior years. Adjusted EBITA measures our operating profitability. The higher relative weighting of the adjusted EBITA measure supports our emphasis on the attainment of our operating profit goals. The adjusted free cash flow measure focuses attention on the amount of profit that is converted to free cash flow. The committee believes that each of these metrics is important on a stand-alone basis in gauging performance and that the combination of these metrics will help drive our overall success.

As discussed above, the portion of the bonus attributable to the attainment of individual performance goals may be reduced at the sole discretion of the compensation subcommittee based on the attainment of individual performance goals by the named executive officer. The inclusion of the individual performance goals is intended to encourage our named executive officers to focus on initiatives that support our overall long-term strategy. Each named executive officer’s individual performance goals reflect their specific business role within our company. These individual goals were communicated to each of the named executive officers at the beginning of the performance period and include measures such as: (1) successful implementation of key initiatives such as integration of cross-division market facing teams, development of geography growth strategies, development of a company tax strategy; (2) continued development of our image and brand; (3) development of key employees; (4) improvement of administration and general management performance; (5) supporting and coordinating activity with business lines; and (6) management of or participation in the succession process.

The compensation committee and compensation subcommittee strive to set the threshold, target, and maximum company performance goals at levels such that the relative likelihood of achievement remains consistent from year to year. With this in mind, the compensation committee and the compensation subcommittee structured incentive payments under the 2008 Executive Bonus Plan to provide significant reward to named executive officers for reaching or exceeding the maximum performance targets, make smaller payments if performance levels exceeded the threshold level of required performance but did not meet the target levels, and not make any cash incentive payments if we did not achieve the threshold performance levels established at the beginning of the fiscal year. The compensation committee and the compensation subcommittee set company performance goals under the 2008 Executive Bonus Plan based on the following principles:

- Threshold performance goals for the adjusted revenue and adjusted EBITA financial measures were set at levels that reflected a meaningful improvement over our actual results in fiscal 2007. Target performance goals were set at levels that corresponded to our fiscal year 2008 budget amounts for the adjusted revenue and adjusted EBITA financial measures.

- The threshold and target performance goals for adjusted free cash flow were set at levels that are tied to meaningful improvements in our adjusted free cash flow over our actual 2007 results. The committee believed that the threshold and target goals for free cash flow were set at levels that were ambitious but within a range that would be reasonably attainable by our company.

- Maximum performance goals were set at levels that were higher than the budget for each of the financial measures. The committee believed that the maximum performance goals were set at levels that were aggressive and above the threshold and target levels, but within a range that would be achievable by our company provided company performance was at the highest end of the expected range.

- Stretch maximum performance goals were set at levels beyond the maximum goals for each of the financial measures. The committee set these goals at levels that represented extraordinary, outstanding performance.
Under the 2008 Executive Bonus Plan, the threshold, target, maximum and stretch company performance goals recommended by our compensation committee and approved by our compensation subcommittee were as follows (all amounts in the table are in thousands):

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Threshold</th>
<th>Target</th>
<th>Maximum</th>
<th>Stretch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Revenue</td>
<td>$737.1</td>
<td>$752.1</td>
<td>$767.1</td>
<td>$774.7</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>$230.0</td>
<td>$238.3</td>
<td>$246.6</td>
<td>$250.2</td>
</tr>
<tr>
<td>Adjusted Free Cash Flow</td>
<td>$157.5</td>
<td>$162.4</td>
<td>$167.3</td>
<td>$169.7</td>
</tr>
</tbody>
</table>

Payments for performance between the threshold and target, target and maximum, and maximum and stretch maximum levels of attainment are determined on a linear basis, based on actual performance. No bonus was paid with respect to a performance measure if the threshold level of performance for that measure was not attained.

With respect to the individual performance goals, once the threshold performance level of at least one of the financial performance measures (i.e., adjusted revenue, adjusted EBITA or adjusted free cash flow) is attained, the amount of the bonus opportunity payable based on individual performance can range from 0% to 20% (except for the chief executive officer, where it is 0% to 30%) of the total bonus opportunity, and is determined based on the executive’s performance against assigned individual performance goals.

The compensation committee reviewed our 2008 financial results against our 2008 company performance goals and made a recommendation regarding the same to the compensation subcommittee. Based on its review and consistent with the recommendation of the compensation committee, the compensation subcommittee approved 2008 bonus payments based upon the following financial results (amounts in the bulleted list are in thousands):

- Our adjusted revenue for 2008 was $757.8 (100.8% of target);
- Our adjusted EBITA for 2008 was $246.1 (103.3% of target);
- Our adjusted free cash flow for 2008 was $147.4 (90.8% of target (and below the threshold amount of $157.5)); and
- We exceeded target performance in two of our financial performance measures.

In addition, the compensation committee and compensation subcommittee reviewed the performance of each of the named executive officers in relation to the individual performance goals assigned under the 2008 Executive Bonus Plan.

Ms. Fairhead, the chairman of our board of directors, provided the compensation committee with her evaluation of Mr. Clark’s personal performance in 2008, rating his performance as outstanding based on Mr. Clark’s exceeding most of his individual performance goals in 2008. Ms. Fairhead recommended to the compensation committee that Mr. Clark receive 27% of his individual bonus potential and the compensation subcommittee approved the recommended level. In 2008, Mr. Clark successfully restructured the management team in order to best position the company to address the current and evolving challenges in the industry. He also continued his strong management of the company and, once Mr. D’Arcy had been identified as his successor, Mr. Clark played an important, active and strategic role in the company’s CEO succession process, ensuring that the transition was as seamless as possible.

Mr. Clark, our former president and chief executive officer, provided the compensation committee with his evaluation of Mr. D’Arcy’s personal performance in 2008, rating his performance as outstanding based on Mr. D’Arcy exceeding most of his individual performance goals in 2008. Mr. Clark recommended to the compensation committee that Mr. D’Arcy receive 19.5% of his individual bonus potential. In 2008, Mr. D’Arcy successfully integrated the company’s customer and market facing teams, achieved substantial improvement of
the brand and market awareness of the company and its offerings and built a strong group within his organization to ensure a smooth succession process within the sales organization as he assumed the role of president and chief executive officer of the company.

Mr. Clark also provided an evaluation of the individual performance of each of the other named executive officers based on the 2008 performance goals that had previously been communicated to each named executive officer. A summary of Mr. Clark’s input is as follows:

- Mr. Hajducky attained some of his individual performance goals in 2008 and Mr. Clark recommended that he receive 11.5% of his individual bonus potential. In 2008, Mr. Hajducky developed better internal communication processes and improved management and administration within the finance group.

- Mr. King attained most of his individual performance goals in 2008 and Mr. Clark recommended that he receive 16% of his individual bonus potential. In 2008, Mr. King’s organization maintained high standards of data quality and production, and achieved significant targets with regard to the company’s business continuity and disaster recovery program. Mr. King also successfully worked with other members of the management team to separate the technology function from technology operations function so as to enable more effective management of resources related to these critical functions.

- Mr. Hepsworth attained most of his individual performance goals in 2008 and Mr. Clark recommended that he receive 16% of his individual bonus potential. In 2008, Mr. Hepsworth managed the institutional businesses to a successful year, brought in new leaders for the Real-Time Datafeed component of the Real-Time Services business and the Fixed Income Analytics business, and successfully advanced the further integration of the company’s institutionally oriented businesses, with a primary focus on the product development and management.

The recommendations of Ms. Fairhead and Mr. Clark regarding individual personal performance were accepted and, based on the level of personal performance achieved, as well as the company’s 2008 financial results in relation to the company performance goals established under the 2008 Executive Bonus Plan, the following bonuses were approved by the compensation subcommittee and paid to our named executive officers:

<table>
<thead>
<tr>
<th>Name</th>
<th>2008 Bonus Payments</th>
<th>2008 Bonus Payments</th>
<th>2008 Bonus Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollar Amount Payable based on 2008</td>
<td>Percentage of Overall Targeted Bonus</td>
<td>Percentage of Overall Maximum Bonus</td>
</tr>
<tr>
<td></td>
<td>Achievement</td>
<td>Opportunity</td>
<td>Opportunity</td>
</tr>
<tr>
<td>Mr. Clark</td>
<td>$697,414</td>
<td>129.15%</td>
<td>77.49%</td>
</tr>
<tr>
<td>Mr. Hajducky</td>
<td>$254,925</td>
<td>105.63%</td>
<td>70.42%</td>
</tr>
<tr>
<td>Mr. D’Arcy</td>
<td>$286,238</td>
<td>117.63%</td>
<td>78.42%</td>
</tr>
<tr>
<td>Mr. King</td>
<td>$265,222</td>
<td>112.38%</td>
<td>74.92%</td>
</tr>
<tr>
<td>Mr. Hepsworth</td>
<td>$269,225</td>
<td>115.38%</td>
<td>76.92%</td>
</tr>
<tr>
<td>Average</td>
<td>$354,605</td>
<td>116.03%</td>
<td>75.63%</td>
</tr>
</tbody>
</table>

The following table reflects the average bonus payments paid to named executive officers for the period 2006 to 2008 as a percentage of targeted and maximum bonus paid as a result of financial and individual achievements:

<table>
<thead>
<tr>
<th>Bonus Year</th>
<th>Average Payment as a % of Targeted Bonus Opportunity</th>
<th>Average Payment as a % of Maximum Bonus Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>116.03%</td>
<td>75.63%</td>
</tr>
<tr>
<td>2007</td>
<td>127.7%</td>
<td>83.2%</td>
</tr>
<tr>
<td>2006</td>
<td>109.4%</td>
<td>71.6%</td>
</tr>
</tbody>
</table>
Long Term Equity Incentive Compensation

General

We include an equity component as part of our compensation package because we believe that equity-based compensation aligns the long-term interests of our named executive officers with those of stockholders. In 2000, our stockholders approved the 2000 Long Term Incentive Plan, which provides us with the ability to make equity-based awards in various forms, including stock options and stock units. Since 2005, we have awarded our named executive officers both stock options and restricted stock units, or RSUs. The 2000 Long Term Incentive Plan will expire by its terms in 2010 and the board of directors has recommended the approval of the 2009 Long Term Incentive Plan at this meeting. See proposal 3 at page 57 of this proxy statement for the material terms of the 2009 Long Term Incentive Plan.

2008 Long Term Incentive Plan Equity Awards

We evaluate and establish aggregate equity award levels using a process and analysis comparable to that used to establish total cash compensation levels as set forth above. This includes considering a combination of survey and benchmark company data, provided by FW Cook, as well as a review of the named executive officer’s performance during the year and his role in achieving our long term goals and prior awards granted. In considering survey and benchmark company data, the compensation committee considers the value of long term incentive awards granted to similarly situated executives and determines how each named executive officer should be treated with respect to peer executives. Generally, we do not consider a named executive officer’s stock holdings when determining award levels, nor do we have a prescribed formula for determining the balance of stock options and RSUs. Rather, we strive to issue awards that represent an aggregate value that the committee determines to be appropriate based on the considerations described in this paragraph.

In 2008 we continued the practice, first adopted in 2005, of granting all annual equity awards to our named executive officers coincident with our July board of directors meeting. At that time, we also granted awards to selected non-executive employees. The July effective date of these awards was selected primarily as a result of administrative convenience and to provide a consistent schedule of awards. We do not specifically seek to align award dates with the release of material information; RSU and stock option grant dates are set as the date of approval by the compensation subcommittee or a date that is a few days following approval by the compensation subcommittee for reasons of administrative convenience. Our policy is to set the exercise price for stock options at the closing price of our stock on the grant date.

In 2008, the magnitude of equity awards issued to our named executive officers excluding the chief executive officer were approximately the same magnitude as the 2007 equity awards. A regular annual grant was not made to Mr. Clark, our chief executive officer at the time of regular company-wide annual equity grant in July 2008, because of his pending retirement the timing of which was uncertain at that time. The compensation committee did subsequently recommend, and the compensation subcommittee did approve a grant of restricted stock units to Mr. Clark in March 2009. See “2009 Management Changes” at page 32 of this proxy statement. The compensation committee reviewed the total number of equity awards to be granted in 2008, taking into account the impact on overall share dilution as well as the accounting charges associated with the options under FAS 123(R). The compensation subcommittee approved the equity awards granted to each named executive officer in 2008. The primary factors taken into account when approving the level of grant to each named executive officer included (i) peer company group and survey information presented by FW Cook, (ii) the relative scope and significance of the named executive officer’s overall responsibilities and duties (including, without limitation, total revenue responsibility) and (iii) with respect to the non-CEO named executive officers, the recommendations of the chief executive officer and with respect to the chief executive officer, the recommendation of the chairman of our board of directors. When added to 2008 base salary and 2008 bonus earned, equity awards granted in 2008 resulted in 2008 overall compensation for named executive officers being between the 25th percentile and the median of the relevant peer and survey data for comparable positions. The magnitude of 2008 equity grants issued to the named executive officers was at approximately the same magnitude as the 2007 equity grants.
Terms of 2008 Stock Option and Restricted Stock Unit Awards

Our 2000 Long Term Incentive Plan provides the compensation committee and the compensation subcommittee with the broad discretion to set the terms and conditions of our equity awards. Each year, the compensation committee and compensation subcommittee review the terms of the equity awards to be granted, taking into consideration external market trends, historical award terms, regulatory matters and accounting consequences. In July 2008, the compensation committee and the compensation subcommittee determined that it would issue stock options and RSUs with terms that were substantially similar to awards granted in prior years.

Details of awards of stock options and RSUs issued in 2008 under our 2000 Long-Term Incentive Plan to our named executive officers are set forth in the “Grant of Plan-Based Awards Table” of this proxy statement.

Executive Equity Ownership Policy

In 2003, we implemented an executive equity ownership policy to encourage our named executive officers to maintain equity interests in our company. Under this policy, named executive officers are expected to hold a pre-defined level of equity relative to their compensation level, as set by the compensation committee. With the exception of Messrs. Hajducky and Hepsworth, the named executive officers were required to attain the prescribed level of ownership by December 31, 2007. Mr. Hepsworth is required to attain his prescribed ownership level on July 19, 2010, the fifth anniversary of the date he became subject to the policy. Mr. Hajducky is required to attain his prescribed ownership level on the fifth anniversary of his employment, June 15, 2011. The compensation committee reviews our executive equity ownership policy regularly to confirm that it is adequately encouraging share ownership and is consistent with current market practice.

Shares counted toward ownership include:
• shares acquired in open market purchases;
• shares acquired upon the exercise of stock options or settlement of other stock-based awards;
• shares acquired in purchases made under the company’s Employee Stock Purchase Plan;
• shares underlying DSUs and RSUs (vested and unvested);
• shares underlying vested stock-based awards (other than stock options) issued under the 2000 Long Term Incentive Plan; and
• shares owned by a named executive officer’s immediate family members.

Until the targeted share ownership level is attained, executives are prohibited from selling shares that were acquired after the adoption of the policy through the exercise of an option, participation in our Employee Stock Purchase Plan or the grant or settlement of any stock-based awards (including DSUs and RSUs), other than sales to satisfy any tax obligations attributable to an award. The board of directors may make hardship exceptions to the ownership policy to allow for the sale of shares on a case-by-case basis. If the targeted share ownership level is not reached within the prescribed time frame or the level of ownership drops below the targeted level, the named executive officer will be ineligible for future awards under our 2000 Long Term Incentive Plan until the targeted ownership level is attained.

Targeted ownership levels for our named executive officers are summarized below. As of December 31, 2008, each of the named executive officers had met his required ownership target.

<table>
<thead>
<tr>
<th>Name</th>
<th>Ownership Target</th>
<th>Share Equivalent</th>
<th>Shares Credited toward Ownership Target as of January 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Clark</td>
<td>4x base salary</td>
<td>100,000 shares</td>
<td>212,245 shares</td>
</tr>
<tr>
<td>Mr. Hajducky</td>
<td>2x base salary</td>
<td>36,534 shares</td>
<td>40,334 shares</td>
</tr>
<tr>
<td>Mr. D’Arcy</td>
<td>2x base salary</td>
<td>29,524 shares</td>
<td>73,643 shares</td>
</tr>
<tr>
<td>Mr. King</td>
<td>2x base salary</td>
<td>30,952 shares</td>
<td>59,277 shares</td>
</tr>
<tr>
<td>Mr. Hepsworth</td>
<td>1.5x base salary</td>
<td>20,290 shares</td>
<td>40,499 shares</td>
</tr>
</tbody>
</table>

(1) Effective March 2, 2009, concurrent with his assumption of the president and chief executive officer positions, Mr. D’Arcy’s ownership target increased to 4x base salary. He will be required to attain that level of ownership by the fifth anniversary of the effectiveness of the new ownership target (March 2, 2014).
Pearson Equity Awards

Messrs. Clark, D’Arcy and King have outstanding equity awards under various Pearson programs. Prior to the merger of Data Broadcasting Corporation (now known as Interactive Data Corporation) with Interactive Data Corporation (now known as Interactive Data Pricing and Reference Data) in 2000, Interactive Data was an indirect wholly-owned subsidiary of Pearson and Messrs. Clark, D’Arcy and King were employees of Interactive Data. The outstanding awards under the Pearson programs held by these named executive officers were generally made prior to 2001 under the standard compensation arrangements in place for Pearson executives at that time. Pearson equity awards are not considered in determining our compensation.

Beginning in 2000, coincident with the merger, Interactive Data Corporation stockholders approved our 2000 Long Term Incentive Plan and since that time, our named executive officers have been eligible for awards under that plan. At that time, new awards under the Pearson equity plans were discontinued, with the exception of any awards or share entitlements the named executive officers may have earned as a result of their participation in the Pearson plans prior to the merger. Since the merger, we have not borne any of the expenses related to these Pearson equity plan awards. Details of these awards and their terms are outlined in the narrative description following the “Grants of Plan-Based Awards Table” of this proxy statement and in the “Outstanding Equity Awards at Fiscal Year-End Table” of this proxy statement. Amounts paid by Pearson are generally denominated in British Pounds Sterling (£). For purposes of this proxy statement, we converted these amounts into U.S. Dollars using exchange rates in effect as of the applicable conversion date as quoted by our RemotePlusSM service.

Benefits

The cash and equity compensation components of pay are supplemented by various benefit plans that provide health, life, accident, disability and retirement benefits, as well as severance benefits, most of which are the same as the benefits provided to all of our U.S. based employees. However, there are some differences with regard to retirement and severance benefits which are discussed below.

Retirement Benefits

Defined Benefit Pension Plan, Supplemental Retirement Plan and Pearson Group Pension Plan

We do not normally maintain defined benefit pension plans for our employees, including our named executive officers. However, certain of our employees remain eligible to participate in or receive benefits under the Pearson, Inc. Pension Equity Plan, or PEP, and the Pearson, Inc. Supplemental Executive Retirement Plan, or SERP, which were frozen as of December 31, 2001.

Messrs. D’Arcy and King both participate in the PEP, which was generally available to all U.S.-based employees, and the SERP. Despite the plans being frozen, the accrued benefit under these plans is credited with earnings annually. As Mr. Hajducky joined us after the PEP and the SERP were frozen, he was not eligible to participate in these plans. Neither Mr. Clark nor Mr. Hepsworth has participated in the PEP or the SERP, but they both participate in the Pearson Group Pension Plan, the plan maintained for employees resident in the United Kingdom.

Details of the benefits available under these arrangements, and the material terms of the PEP, the SERP and the Pearson Group Pension Plan, are outlined in the “Pension Benefits Table” of this proxy statement and the narrative description following the table.

Pearson 401(k) Retirement Plan & Pearson 401(k) Excess Plan

All of our U.S.-based employees, including our named executive officers (other than Mr. Hepsworth), are also eligible to participate in the Pearson 401(k) Retirement Plan, a qualified 401(k) plan, on the same terms and conditions as all other employees. The 401(k) Plan provides for both employee and employer contributions. We believe that the 401(k) Plan provides market competitive retirement benefits for our employees. Certain U.S.-based senior executives, including our named executive officers (other than Mr. Hepsworth), are also eligible to participate in the unfunded Pearson 401(k) Excess Benefit Plan, which enables participants whose salaries exceed
the statutory limits under the 401(k) Plan to make additional contributions and receive employer contributions. We believe that providing an excess plan provides a competitive retirement savings vehicle that enables us to attract and retain senior level talent who would otherwise have limited retirement savings opportunities.

Details of the accrued benefits available under the 401(k) Excess Plan are outlined in the “Nonqualified Deferred Compensation Table” of this proxy statement. Details of the material terms of both the 401(k) Plan and the 401(k) Excess Benefit Plan are outlined in the narrative that follows the “Nonqualified Deferred Compensation Table”.

**Employee Stock Purchase Plan**

To align employee and stockholder interests, we offer an Employee Stock Purchase Plan, or ESPP. The ESPP allows eligible employees (including eligible executive officers) to purchase our common stock at a discount to the market price, allowing employees to profit when the value of our common stock increases over time. Each year there may be one or more “offering periods” during which employees may set aside, via after-tax payroll deductions, up to $1,000 of compensation each month to purchase shares of common stock under the ESPP. Each offering period lasts six months. An employee cannot purchase more than 6,000 shares under the ESPP in any offering period. At the end of the offering period, each employee’s accumulated deductions will be used to purchase shares of our common stock. The purchase price of the common stock will be 85% of the market price for our common stock either at the beginning or the end of the applicable offering period, whichever is lower. Employees may stop contributing at any time, and any contributed amount that is not invested will be refunded.

**Save As You Earn Plan**

We offer a Save As You Earn Plan, or SAYE, to all eligible U.K. employees. Mr. Hepsworth, as a U.K. employee who is on secondment to the U.S., is eligible to participate in the SAYE. The SAYE allows eligible employees to purchase our common stock at a discount to the market price, allowing employees to profit when the value of our common stock increases over time. Each year an “offering period” begins, during which employees may set aside, via after-tax payroll deductions, up to £250 of compensation each month to purchase shares of common stock under the SAYE. Each offering period will last three years. The purchase price of the common stock is 85% of the market price for our common stock on a named day shortly prior to the starting date of the offering period. At the end of the offering period, each employee’s accumulated deductions are used to purchase shares of our common stock. However, employees may stop contributing and withdraw amounts contributed before or at the end of the three-year period. If an employee remains in the offering period for the entire three years, the employee will receive a bonus contribution equal to approximately two months’ savings. If an employee who has made at least twelve monthly contributions leaves the offering period early, the employee will receive interest at the normal bank rate.

**Perquisites**

We do not have a practice of providing our named executive officers with special benefits and perquisites above what is generally provided to other company employees. However, Mr. Clark receives an annual $10,000 automobile allowance. The allowance was established in 1996 when Mr. Clark was on secondment from the U.K. in accordance with our standard expatriation policy and was continued when he permanently transferred to the U.S. as of January 1, 2002 so as not to constitute a take-away.

In addition, during 2008, Mr. Clark, Mr. D’Arcy and Mr. Hepsworth participated in an all-expense paid trip to host a company-sponsored recognition event to acknowledge, reward and motivate top sales performers. The opportunity to participate in this event is generally available to all of our sales employees. However, only the top performers are invited to attend. The compensation committee believes that Messrs. Clark’s, Mr. D’Arcy’s and Mr. Hepsworth’s attendance was integrally and directly related to their duties as chief executive officer, chief sales executive and president, institutional business respectively. All participants are permitted to invite a guest
to accompany them on the trip and Mr. Clark’s, Mr. D’Arcy’s and Mr. Hepsworth’s spouses accompanied them. The incremental cost to our company for each spouse was $8,018, $9,210 and $8,005, respectively. These amounts include a gross-up payment of $3,047, $3,500 and $3,042, respectively, to cover the federal and state taxes due on this benefit.

In addition, Mr. Hepsworth receives certain expatriate benefits and perquisites under the terms of his employment arrangements, as described below under the heading “Employment Agreements”.

**Severance Benefits**

We believe that it is important, for recruiting and retention, to provide our employees, including our named executive officers, with temporary income to help minimize financial stress in the event of job loss. As a result, we provide severance pay and benefits continuation to all employees to help bridge the time until they secure new employment.

Our severance plan provides our executives (including our named executive officers other than Mr. Hepsworth whose employment arrangement is described below under the heading “Employment Agreements”) with salary continuation benefits of 2 weeks of salary per year of service upon a termination by our company without cause. This is comparable to the benefits provided to our other U.S.-based employees, except that executives are provided with a minimum benefit level of 26 weeks (as compared to the standard employee’s four-week minimum). The plan provides a maximum benefit of 52 weeks to all employees, including the named executive officers. We provide a larger minimum level of benefit to our executives in recognition that job opportunities at the executive level are more limited and therefore it will typically take longer for a named executive officer to secure new employment.

During the salary continuation period, all employees (including our named executive officers other than Mr. Hepsworth whose employment arrangement is described below under the heading “Employment Agreements”) are eligible to continue to participate in our medical, dental and life insurance plans under the same terms as active employees, and are also eligible to receive certain outplacement benefits.

**Employment, Severance and Change in Control Arrangements**

We generally do not have employment, change in control or severance agreements with our employees, including our named executive officers. On June 15, 2006, we entered into a letter agreement with Mr. Hajducky when he commenced his employment as our Executive Vice President, Chief Financial Officer and Treasurer. The agreement provides Mr. Hajducky with a minimum level of severance benefits under our severance plan upon his termination of employment. We believe that Mr. Hajducky’s overall compensation arrangement is appropriate based upon the strong demand in the market for experienced, well-qualified chief financial officers.

In addition, we have entered into an employment agreement with Mr. Hepsworth in connection with his secondment to the United States. The arrangement primarily specifies the benefits Mr. Hepsworth will receive as an expatriate. We believe that Mr. Hepsworth’s overall compensation arrangement is appropriate in light of the competitive nature of the recruiting process for executives and comparative expatriate benefits provided to similar-level employees. Assurances around how repatriation, should it occur, will be handled provide a level of security to Mr. Hepsworth and his family. Mr. Hepsworth’s housing allowance provides Mr. Hepsworth with flexibility in connection with residential properties he owns in the United Kingdom. His car allowance reflects the fact that his compensation in the U.K. included, as is standard, a car allowance, and his assignment in a suburban location of the United States requires automobile transportation. The provision of school tuition fees reflects the need of Mr. Hepsworth’s children to continue in an education system closely resembling that of his children’s education system in the U.K. The provision of tax services ensures that Mr. Hepsworth incurs no additional tax liability as a result of his U.S. assignment.

The terms of the agreements with Messrs. Hajducky and Hepsworth are described below under the heading “Employment Agreements.”
Tax and Accounting Considerations

The financial reporting and income tax consequences to us of individual compensation elements are important considerations for the compensation subcommittee when it is analyzing the overall level of compensation and the mix of compensation. Overall, the compensation subcommittee seeks to balance its objective of ensuring an effective compensation package for the named executive officers with the need to maximize the deductibility of compensation, while ensuring an appropriate (and transparent) impact on reported earnings and other closely monitored financial measures.

Section 162(m) of the U.S. Internal Revenue Code generally disallows a tax deduction to a publicly traded company for certain compensation in excess of $1 million paid to a company’s chief executive officer and its three most highly compensated executive officers (other than the chief financial officer). Some types of compensation, including qualified performance-based compensation, will not be subject to the deduction limit if specified requirements are met. The compensation subcommittee reviews the potential effect of Section 162(m) periodically and uses its judgment to authorize compensation payments that may be subject to the limit when the compensation subcommittee believes such payments are appropriate, after taking into consideration changing business conditions and the performance of our executive officers. The compensation subcommittee believes that tax deductibility is an important consideration in determining compensation for the executive officers; however, it retains the flexibility to pay compensation to senior executives based on other considerations.

In 2008, $1,241,344, $185,466 and $94,219 paid to Mr. Clark, Mr. D’Arcy and Mr. Hepsworth, respectively, was not deductible under Section 162(m). Bonus payments under the 2008 Executive Bonus Plan, which were paid in March 2009, complied with the performance-based compensation exemption under 162(m). The compensation subcommittee intends to have all bonus payments under the 2009 Executive Bonus Plan comply with the performance-based compensation exemption under Section 162(m) to provide a greater likelihood of deductibility of the bonus payments.

2009 Compensation Decisions

2009 Executive Bonus Program

The 2009 Executive Bonus Plan, approved by our compensation subcommittee on February 25, 2009 and established under our Executive Incentive Plan, provides for the payment of cash bonuses to certain of our executive officers, including all of our named executive officers. Under the 2009 Executive Bonus Plan, the compensation subcommittee established a maximum annual cash incentive opportunity of the lesser of (i) $3,000,000 for each of the named executive officers or (ii) 1.25% of the company’s 2009 adjusted operating income for the chief executive officer and 0.625% of the company’s 2009 adjusted operating income for each of the other named executive officers.

The compensation subcommittee will determine the actual cash bonuses, if any, paid to the named executive officers participating in the 2009 Executive Bonus Plan. These cash bonuses will be calculated as a percentage of the named executive officer’s base salary in effect on December 31, 2009 and will be based on the level of attainment of predetermined performance measures that are weighted as follows:

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Percent of Total Company Performance Bonus:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Revenue</td>
<td>25%</td>
</tr>
<tr>
<td>Adjusted EBITA</td>
<td>40%</td>
</tr>
<tr>
<td>Adjusted Free Cash Flow</td>
<td>10%</td>
</tr>
<tr>
<td>Individual Performance Goals</td>
<td>25%</td>
</tr>
</tbody>
</table>

These performance measures were selected because, in the aggregate as described above, they help drive our overall success and support our key strategies which include increasing revenue, attaining profit goals and focusing on the amount of our profits that are converted to free cash flow.
In adopting the 2009 Executive Bonus Plan, consistent with the recommendation of the compensation committee, the compensation subcommittee shifted 5% of the total performance opportunity from the adjusted free cash flow measure to individual performance goals for each of the named executive officers. The compensation subcommittee elected to make this adjustment for the following reasons. First, the compensation subcommittee viewed the shift as enabling the incoming president and chief executive officer greater flexibility to incentivize and reward achievement of the qualitative goals he has established for his executive team in the transition year of his leadership. Second, the shift recognizes that certain of the 2009 individual performance goals assigned to the named executive officers may not impact the company’s financial performance in the short-term, although they are expected to benefit the company and its stakeholders in the longer term. Lastly, the compensation subcommittee believed that in a year in which the turbulence in the global financial markets and the broader uncertainty in many of the major global economies creates an increased level of uncertainty, it is appropriate to shift some of weighting given to the company’s financial performance to the individual performance measure.

The adjusted revenue, adjusted EBITA, and adjusted free cash flow financial targets for 2009 will be calculated in the same manner as described above for the 2008 financial targets except that commencing with fiscal 2009, certain accounts that are included in the determination of net cash provided by operating activities will be excluded when we determine adjusted free cash flow. These accounts include income taxes payable, excess tax benefit from stock compensation, deferred income taxes, amortization of discounts and premiums on marketable securities, interest receivable, deferred revenue, and other retirement accounts (i.e., pension and excess 401(k) for certain individuals). These accounts will be excluded because they are either largely outside of the control of management or because we believe that forecasting the magnitude and timing of applicable cash inflows and outflows is subject to significant variability.

The total bonus potential under the 2009 Executive Bonus Plan for each of our named executive officers is set forth below:

<table>
<thead>
<tr>
<th>Name</th>
<th>2009 At or Below Threshold Bonus Opportunity (as a % of base salary)</th>
<th>2009 Target Bonus Opportunity (as a % of base salary)</th>
<th>2009 Maximum Bonus Opportunity (as a % of base salary)</th>
<th>2009 Stretch Bonus Opportunity (as a % of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. D’Arcy</td>
<td>0%</td>
<td>90%</td>
<td>150%</td>
<td>180%</td>
</tr>
<tr>
<td>Mr. Hajducky</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>Mr. Clark</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>Mr. King</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
<tr>
<td>Mr. Hepsworth</td>
<td>0%</td>
<td>66 2/3%</td>
<td>100%</td>
<td>140%</td>
</tr>
</tbody>
</table>

In exceptional cases, the compensation subcommittee, in its sole discretion, may apply positive or negative adjustments to payouts to individual executive officers, including the chief executive officer, but no annual cash incentive payment may exceed the lesser of: (i) $3,000,000 for each named executive officer or (ii) the amount established by the adjusted operating income formula discussed above for each named executive officer.

2009 Management Changes

Effective as of March 2, 2009, Stuart J. Clark retired as President and Chief Executive Officer of the company. Mr. Clark will remain employed by the company as an advisor, with full retirement expected later this summer. In connection with his retirement from his positions as President and Chief Executive Officer, Mr. Clark executed a term sheet setting forth the material terms of his continuing employment as an advisor to the company. For the duration of his service, Mr. Clark will be paid his base salary at the current annual rate of $600,000. In addition, Mr. Clark will be eligible for a prorated 2009 bonus. The prorated bonus will be for three months or one quarter of his current bonus opportunity, which is described above. Mr. Clark’s 2009 bonus will be determined by the Compensation Subcommittee of the Board of Directors at the same time as the determination is made for other members of the company’s senior management group and paid at the same time as 2009 bonuses earned by other members of the senior management group are paid.
On March 2, 2009, Mr. Clark also received a grant of 61,844 restricted stock units. The equity award is subject to the standard terms applicable to restricted stock unit awards granted to executive officers of the company, except (i) the grant will vest in full on the date of Mr. Clark’s retirement from the company (the “Retirement Date”) and (ii) Mr. Clark will be subject to a two-year non-compete agreement. As of the Retirement Date, with respect to Mr. Clark’s equity awards that are outstanding as of the Retirement Date, Mr. Clark will have (i) the vesting of his equity awards accelerated in full as of the Retirement Date and (ii) the post-termination exercise period of stock options extended from 90 days to two years from the Retirement Date.

Also effective as of March 2, 2009, Raymond L. D’Arcy assumed the positions of President and Chief Executive Officer of the company. In connection with his assumption of the positions of President and Chief Executive Officer of the company, Mr. D’Arcy executed a term sheet setting forth the material terms of his continuing employment. Mr. D’Arcy will receive an annual base salary of $500,000. Mr. D’Arcy will also be eligible to participate in the company’s 2009 Executive Bonus Plan as described previously. On March 2, 2009, Mr. D’Arcy received a grant of 55,071 restricted stock units. The equity award is subject to the standard terms applicable to restricted stock unit awards granted to executive officers of the company, except that Mr. D’Arcy will be subject to a two-year non-compete agreement.

It is not anticipated that Mr. Clark or Mr. D’Arcy will be granted additional restricted stock units in 2009.
Compensation Committee Report on Executive Compensation

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis, or CD&A, for the year ended December 31, 2008 with management. Based on the review and discussion, the compensation committee recommended to the board of directors that the CD&A be included in this proxy statement.

Respectfully submitted,

COMPENSATION COMMITTEE

Philip J. Hoffman, Chairman
Donald P. Greenberg
Myra R. Drucker
SUMMARY COMPENSATION TABLE (1)

The following table sets forth the compensation during the fiscal years ended December 31, 2008, 2007 and 2006 to our chief executive officer, chief financial officer, and our three other most highly compensated executive officers. All of these individuals are collectively referred to as the named executive officers.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Stock Awards ($)</th>
<th>Option Awards ($)</th>
<th>Non-Equity Incentive Plan Compensation ($)</th>
<th>Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark (19)</td>
<td>2008</td>
<td>$591,750</td>
<td>$529,030</td>
<td>$288,322</td>
<td>$697,414</td>
<td>—</td>
<td>(13)</td>
<td>$72,112</td>
</tr>
<tr>
<td>Chief Executive Officer and President</td>
<td>2007</td>
<td>$561,500</td>
<td>$627,118</td>
<td>$470,114</td>
<td>$725,250</td>
<td>$428,366</td>
<td>58,421</td>
<td>$2,870,769</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>$540,000</td>
<td>$552,655</td>
<td>$563,214</td>
<td>$476,385</td>
<td>$108,737</td>
<td>123,415</td>
<td>$2,364,406</td>
</tr>
<tr>
<td>Andrew J. Hajducky III (2)</td>
<td>2008</td>
<td>$362,000</td>
<td>$169,443</td>
<td>$224,021</td>
<td>$254,925</td>
<td>—</td>
<td>37,363</td>
<td>$1,047,752</td>
</tr>
<tr>
<td>Chief Financial Officer, Executive Vice President and Treasurer</td>
<td>2007</td>
<td>$359,000</td>
<td>$100,172</td>
<td>$177,642</td>
<td>$281,383</td>
<td>—</td>
<td>32,447</td>
<td>$ 950,644</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>$184,423</td>
<td>$ 34,844</td>
<td>$ 84,405</td>
<td>$189,315</td>
<td>—</td>
<td>14,442</td>
<td>$ 507,429</td>
</tr>
<tr>
<td>Raymond L. D'Arcy (20)</td>
<td>2008</td>
<td>$358,750</td>
<td>$223,204</td>
<td>$126,084</td>
<td>$286,238</td>
<td>$ 3,824</td>
<td>61,852</td>
<td>$1,059,952</td>
</tr>
<tr>
<td>President, Sales and Marketing</td>
<td>2007</td>
<td>$335,500</td>
<td>$213,306</td>
<td>$188,507</td>
<td>$298,282</td>
<td>$ 3,807</td>
<td>39,205</td>
<td>$1,078,607</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>$319,000</td>
<td>$195,495</td>
<td>$248,392</td>
<td>$238,634</td>
<td>$ 2,825</td>
<td>69,723</td>
<td>$1,074,069</td>
</tr>
<tr>
<td>John L. King ..................</td>
<td>2008</td>
<td>$352,250</td>
<td>$217,573</td>
<td>$122,906</td>
<td>$265,225</td>
<td>$ 4,823</td>
<td>44,977</td>
<td>$1,007,751</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>2007</td>
<td>$344,500</td>
<td>$209,489</td>
<td>$171,505</td>
<td>$269,723</td>
<td>$ 4,773</td>
<td>43,171</td>
<td>$1,043,161</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>$334,000</td>
<td>$202,627</td>
<td>$224,844</td>
<td>$232,901</td>
<td>$ 3,718</td>
<td>68,206</td>
<td>$1,066,296</td>
</tr>
<tr>
<td>Mark Hepsworth ..............</td>
<td>2008</td>
<td>$343,750</td>
<td>$233,047</td>
<td>$134,278</td>
<td>$269,225</td>
<td>$ 24,087</td>
<td>252,539</td>
<td>$1,256,926</td>
</tr>
<tr>
<td>President, Institutional Business</td>
<td>2007</td>
<td>$321,250</td>
<td>$198,414</td>
<td>$218,365</td>
<td>$228,085</td>
<td>$ 66,056</td>
<td>260,049</td>
<td>$1,292,219</td>
</tr>
</tbody>
</table>

(1) All annual cash bonuses paid to our named executive officers are reflected in the non-equity incentive plan compensation column of this table.

(2) Mr. Hajducky’s employment commenced on June 15, 2006.

(3) For 2008, this column includes the dollar amount recognized for financial statement reporting purposes during the 2008 fiscal year in accordance with SFAS 123(R) for stock awards, with 2008 dividend equivalents (January 24, March 31, June 27, September 26, and December 10) specifically excluded as such amounts were factored into the grant date fair value of the underlying RSU and DSU awards. Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 sets forth the relevant assumptions we used to determine the valuation of our stock awards.

(4) The following table shows the components of this column for 2007, which include the dollar amount recognized for financial statement reporting purposes during the 2007 fiscal year in accordance with SFAS 123(R) for stock awards, with 2007 dividend equivalents (March 30, June 27, September 26, and December 20) specifically excluded as such amounts were factored into the grant date fair value of the underlying RSU and DSU awards. The table also includes the dollar amount which would have been recognized by Pearson for financial statement reporting purposes during the 2007 fiscal year in accordance with SFAS 123(R) with respect to stock awards granted by Pearson. Pearson adopted FAS 123(R) as of January 1, 2006 using the modified prospective application method (MPA). We do not reimburse Pearson for any costs relating to the stock awards it has granted to our named executive officers. The amounts included in the table below do not correspond to the value that will actually be recognized by the named executive officers.

<table>
<thead>
<tr>
<th>Name</th>
<th>Expense Related to Interactive Data Stock Awards ($)</th>
<th>Expense Related to Pearson Stock Awards ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>$601,996</td>
<td>$25,122</td>
<td>$627,118</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>$100,172</td>
<td>—</td>
<td>$100,172</td>
</tr>
<tr>
<td>Raymond L. D'Arcy</td>
<td>$204,487</td>
<td>$ 8,819</td>
<td>$213,306</td>
</tr>
<tr>
<td>John L. King</td>
<td>$204,487</td>
<td>$ 5,002</td>
<td>$209,489</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>$198,414</td>
<td>—</td>
<td>$198,414</td>
</tr>
</tbody>
</table>

(a) Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 sets forth the relevant assumptions we used to determine the valuation of our stock awards.
(b) The expenses related to the Pearson stock awards, other than the expenses related to the grants of 990 and 228 Pearson ordinary shares to Mr. Clark and Mr. D'Arcy, respectively, were originally calculated in pounds sterling and were converted into U.S. dollars based on the average exchange rate of £1 = $2.00171, the average exchange rate for the year ending December 31, 2007. The $17,291 expense related to the grant of 990 Pearson ordinary shares to Mr. Clark was originally calculated in pounds sterling and was converted into U.S. dollars based on the exchange rate of £1 = $1.97238, the exchange rate on April 3, 2007, the date of grant. The $3,925 expense related to the grant of 228 Pearson ordinary shares to Mr. D’Arcy was originally calculated in pounds sterling and was converted into U.S. dollars based on the exchange rate of £1 = $1.99841, the exchange rate on April 27, 2007, the date of grant. The relevant assumptions used to determine the valuation of the Pearson stock awards (other than the April 2007 grants to Mr. Clark and Mr. D’Arcy) are as follows:

The following table shows the components of this column for 2006, which include the dollar amount recognized for financial statement reporting purposes during the 2006 fiscal year in accordance with SFAS 123(R) broken out separately between stock awards and the December 5, 2006 dividend equivalent, which is included because it was not factored into the grant date fair value of the underlying RSU and DSU awards. The table also includes the dollar amount which would have been recognized by Pearson for financial statement reporting purposes during the 2006 fiscal year in accordance with SFAS 123(R) with respect to stock awards granted by Pearson. Pearson adopted FAS 123(R) as of January 1, 2006 using the modified prospective application method (MPA). We do not reimburse Pearson for any costs relating to the stock awards it has granted to our named executive officers. The amounts included in the table below do not correspond to the actual value that will be recognized by the named executive officers.

<table>
<thead>
<tr>
<th>Name</th>
<th>Stock Price/Fair Value for Interactive Data Stock Awards (excluding the dividend equivalent awards)(a)</th>
<th>Stock Price/Fair Value for Dividend Equivalent Awards Granted on 12/5/06(b)</th>
<th>Expense Related to Interactive Data Stock Awards (excluding the dividend equivalent awards)(a)</th>
<th>Expense Related to Dividend Equivalent Awards Granted on 12/5/06(b)</th>
<th>Total Recognized in Year 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>$521,522</td>
<td>$4,790</td>
<td>$26,343</td>
<td>$552,655</td>
<td></td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>$3,459</td>
<td>$249</td>
<td>$26,343</td>
<td>$34,844</td>
<td></td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>$172,794</td>
<td>$8,497</td>
<td>$14,204</td>
<td>$195,495</td>
<td></td>
</tr>
<tr>
<td>John L. King</td>
<td>$172,794</td>
<td>$1,586</td>
<td>$28,247</td>
<td>$202,627</td>
<td></td>
</tr>
</tbody>
</table>

(a) Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 sets forth the relevant assumptions we used to determine the valuation of our stock awards.

(b) With respect to the RSUs and DSUs granted as dividend equivalents on outstanding RSU and DSU awards on December 5, 2006, the fair value of each dividend equivalent is also included in the “All Other Compensation” column of the “Summary Compensation Table” because such amounts were not factored into the grant date fair value of the underlying DSU and RSU awards.

(c) The expenses related to the Pearson stock awards, other than the expense related to the grant of 792 Pearson ordinary shares to Mr. King, were originally calculated in pounds sterling and were converted into U.S. dollars based on the average exchange rate of £1 = $1.843, the average exchange rate for the year ending December 31, 2006. The $10,922 expense related to the grant of 792 Pearson ordinary shares granted to Mr. King was originally calculated in pounds sterling and was converted into U.S. dollars based on the exchange rate of £1 = $1.3813, the exchange rate on August 2, 2006, the date of grant. The relevant assumptions used to determine the valuation of the Pearson stock awards (other than the August 2, 2006 grant to Mr. King and the awards under the Pearson Annual Bonus Share Matching Plan or ABSM) are as follows:

<table>
<thead>
<tr>
<th>Plan Name/Grant Date</th>
<th>Stock Price/Fair Value for</th>
<th>Expected Option Life</th>
<th>Volatility</th>
<th>Dividend Yield</th>
<th>Risk-Free Rate</th>
<th>Vesting Period</th>
<th>Fair Value of One Option</th>
<th>Total Recognized in Year 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Long Term Incentive</td>
<td>/ July 27, 2004 Grants</td>
<td>£6.16</td>
<td>0.00</td>
<td>1.75</td>
<td>40.87%</td>
<td>5.09%</td>
<td>1.75</td>
<td>£5.47</td>
</tr>
<tr>
<td>Pearson Long Term Incentive</td>
<td>/ May 17, 2005 Grants</td>
<td>£6.50</td>
<td>0.00</td>
<td>2.00</td>
<td>33.61%</td>
<td>4.23%</td>
<td>2.00</td>
<td>£6.19</td>
</tr>
</tbody>
</table>

36
The expense related to Mr. King’s August 2, 2006 grant is based on the closing price of a Pearson ordinary share on the date of grant.

Under applicable accounting rules, the fair market value of awards granted under the ABSM used to calculate the expense related to these awards must be remeasured at each year-end using the following formula:

\[
\text{Expense} = \frac{\text{Share Price at Year End}}{1 + \text{Dividend Yield}}^5
\]

For Pearson’s financial reporting purposes, Pearson ran its share-based payment model as at November 30, 2006 and then would have adjusted the compensation cost at the year end, if necessary. On December 31, 2006, Pearson determined that changes as of that date were not material and so the model was not rerun on December 31, 2006. With respect to the ABSM awards held by the named executive officers, the assumptions were: share price = £7.51; and dividend yield for 2006 = 3.66%. This resulted in a fair value of £6.27 per share.

(6) Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 sets forth the relevant assumptions we used to determine the valuation of our stock awards.

(7) Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 sets forth the relevant assumptions we used to determine the valuation of our option awards for the fiscal year ended December 31, 2007.

(8) Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 sets forth the relevant assumptions we used to determine the valuation of our option awards for the fiscal year ended December 31, 2006.

(9) All compensation earned in 2008 under our non-equity incentive plan was paid in March 2009.

(10) All compensation earned in 2007 under our non-equity incentive plan was paid in March 2008.

(11) All compensation earned in 2006 under our non-equity incentive plan was paid in March 2007.

(12) All amounts reported in this column represent the aggregate change in the actuarial present value of the named executive officer’s benefits under the Pearson Group Pension Plan, the Pearson, Inc. Pension Plan and the Pearson, Inc. Supplemental Executive Retirement Plan, as applicable. No named executive officer received preferential or above-market earnings on deferred compensation during fiscal year 2006, 2007 or 2008.

(13) For 2008, no value is shown for Mr. Clark because the actuarial present value of his accumulated pension benefit declined by $400,207. The changes in pension value for Messrs. Clark and Hepsworth were originally calculated in pounds sterling and were converted into U.S. dollars based on an exchange rate of £1 = $1.843, which was the average exchange rate for the year ending December 31, 2008.

(14) The changes in pension value for Messrs. Clark and Hepsworth were originally calculated in pounds sterling and were converted into U.S. dollars based on an exchange rate of £1 = $2.00171, which was the average exchange rate for the year ending December 31, 2007.

(15) The change in pension value for Mr. Clark was originally calculated in pounds sterling and was converted into U.S. dollars based on an exchange rate of £1 = $1.843, which was the average exchange rate for the year ending December 31, 2006.

(16) The table below shows the components of this column for 2008, which include our contributions under the Pearson 401(k) Retirement Plan and Pearson 401(k) Excess Plan and perquisites. 2007 dividend equivalents are excluded from “All Other Compensation” as such amounts were factored into the grant date fair value of the underlying RSU and DSU awards.

<table>
<thead>
<tr>
<th>Name</th>
<th>Pearson Retirement Plan Contribution</th>
<th>Pearson 401(k) Excess Plan Contribution</th>
<th>Perquisites</th>
<th>Total-All Other Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>$10,720</td>
<td>$40,327</td>
<td>$21,065(4)</td>
<td>$72,112</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>$10,407</td>
<td>$26,956</td>
<td>—</td>
<td>$37,363</td>
</tr>
<tr>
<td>Raymond L. D'Arcy</td>
<td>$15,525</td>
<td>$33,617</td>
<td>$12,710(3)</td>
<td>$61,852</td>
</tr>
<tr>
<td>John L. King</td>
<td>$12,233</td>
<td>$32,744</td>
<td>—</td>
<td>$44,977</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>—</td>
<td>—</td>
<td>$252,539(2)</td>
<td>$252,539</td>
</tr>
</tbody>
</table>

(a) Includes a $10,000 automobile allowance and $8,018 Presidents Club. This amount also includes an additional $3,047 "gross up payment" to cover the federal and state taxes due on this reimbursement.

(b) Includes $9,210 Presidents Club. This amount also includes an additional $3,500 "gross up payment" to cover the federal and state taxes due on this reimbursement.

(c) Includes (i) a $7,200 automobile allowance, (ii) $16,823 travel allowance, (iii) $49,000 in private school fees for Mr. Hepsworth’s children, (iv) $72,000 housing allowance, and (v) $8,005 Presidents Club. This amount also includes an additional $99,511 "gross up payment" to cover the federal and state taxes due on these allowances and reimbursements.

(17) The table below shows the components of this column for 2007, which include our contributions under the Pearson 401(k) Retirement Plan and Pearson 401(k) Excess Plan and perquisites. Values relating to the 2007 Pearson Retirement Plan Contribution and 2007 Pearson 401(k) Excess Plan Contribution have been adjusted over amounts...
reported in our 2008 proxy statement to reflect the correction of an error that was subsequently identified. The adjustments were not material. 2007 dividend equivalents are excluded from “All Other Compensation” as such amounts were factored into the grant date fair value of the underlying RSU and DSU awards.

<table>
<thead>
<tr>
<th>Name</th>
<th>Pearson Retirement Plan Contribution</th>
<th>Pearson 401(k) Excess Plan Contribution</th>
<th>Perquisites</th>
<th>Total-All Other Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>$12,983</td>
<td>$30,188</td>
<td>$15,250</td>
<td>$58,421</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>$12,381</td>
<td>$20,066</td>
<td>—</td>
<td>$32,447</td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>$15,638</td>
<td>$23,567</td>
<td>—</td>
<td>$39,205</td>
</tr>
<tr>
<td>John L. King</td>
<td>$13,618</td>
<td>$29,553</td>
<td>—</td>
<td>$43,171</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>—</td>
<td>$260,049</td>
<td>$260,049</td>
<td>$260,049</td>
</tr>
</tbody>
</table>

(a) Includes a $10,000 automobile allowance and a $5,250 payment made to KPMG to acquire an enhanced protection certificate for his Pearson Group Pension Plan.

(b) Includes (i) $4,972 for tax services, (ii) a $7,200 automobile allowance, (iii) a $72,000 housing allowance, (iv) a $13,886 travel allowance, and (v) $54,000 in private school fees for Mr. Hepsworth’s children (which includes a $4,000 payment made in 2007 for a 2006 invoice). This amount also includes an additional $107,992 “gross-up payment” to cover the federal and state taxes due on these allowances and reimbursements.

(18) The table below shows the components of this column for 2006, which include our contributions under the Pearson Retirement Plan and Pearson 401(k) Excess Plan. The value relating to the 2007 Pearson 401(k) Excess Plan Contribution has been adjusted over amounts reported in our 2008 proxy statement to reflect the correction of an error that was subsequently identified. The adjustments were not material. The grant date fair value of dividend equivalents paid on outstanding equity awards on December 5, 2006, to the extent dividends were not factored into the grant date fair value of the equity awards, and perquisites.

<table>
<thead>
<tr>
<th>Name</th>
<th>Pearson Retirement Plan Contribution</th>
<th>Pearson 401(k) Excess Plan Contribution</th>
<th>RSUs and DSUs granted as Dividend Equivalents granted on 12/5/06</th>
<th>Perquisites</th>
<th>Total-All Other Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>$15,432</td>
<td>$30,600</td>
<td>$64,743</td>
<td>$12,640</td>
<td>$123,415</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>$ 5,806</td>
<td>$ 656</td>
<td>$ 7,980</td>
<td>—</td>
<td>$ 14,442</td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>$14,175</td>
<td>$24,717</td>
<td>$28,191</td>
<td>$ 2,640</td>
<td>$ 69,723</td>
</tr>
<tr>
<td>John L. King</td>
<td>$14,926</td>
<td>$32,000</td>
<td>$21,280</td>
<td>—</td>
<td>$ 68,206</td>
</tr>
</tbody>
</table>

(a) The grant date fair value of the RSUs and DSUs is calculated as the closing price of our common stock on the date of grant.

(b) Includes a $10,000 automobile allowance.

(c) Includes the incremental value of the attendance of Mr. Clark’s and Mr. D’Arcy’s spouses, as applicable, on a sales incentive trip at a value of $2,640. This amount includes an additional “gross up payment” to cover the federal and state taxes due with respect to this reimbursement.

(19) Mr. Clark served as our President and Chief Executive Officer until March 2, 2009.

(20) On March 2, 2009, Mr. D’Arcy was appointed as our Chief Executive Officer and President.
GRANTS OF PLAN-BASED AWARDS

The following table sets forth a summary of all grants of plan-based awards made to our named executive officers during the fiscal year ended December 31, 2008.

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Date on which Board Took Action(2)</th>
<th>Threshold ($)</th>
<th>Target ($)</th>
<th>Maximum ($)</th>
<th>Stretch ($)</th>
<th>Estimated Payouts Under Non-Equity Incentive Plan Awards(3)</th>
<th>All Other Stock Awards: Number of Shares of Stock or Units (#)(1)</th>
<th>All Other Option Awards: Number of Securities Underlying Options (#)(1)</th>
<th>Exercise or Base Price of Option Awards ($/Sh)</th>
<th>Grant Date Fair Value of Stock and Option Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark . . . . . . .</td>
<td>1/24/2008</td>
<td>12/11/2007</td>
<td>0</td>
<td>$540,000</td>
<td>$900,000</td>
<td>$1,080,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6/27/2008</td>
<td>5/21/2008</td>
<td>499</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$12,470</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9/26/2008</td>
<td>7/15/2008</td>
<td>306</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$7,763</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12/10/2008</td>
<td>9/15/2008</td>
<td>334</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$7,809</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Andrew J. Hajducky III . . . .</td>
<td>1/24/2008</td>
<td>12/11/2007</td>
<td>0</td>
<td>$241,345</td>
<td>$362,000</td>
<td>$506,800</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>113</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$2,849</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>8,000</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$199,520</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9/26/2008</td>
<td>7/15/2008</td>
<td>499</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$167,815</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12/10/2008</td>
<td>9/15/2008</td>
<td>306</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$4,034</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Raymond L. D’Arcy . . . . .</td>
<td>1/24/2008</td>
<td>12/11/2007</td>
<td>0</td>
<td>$243,345</td>
<td>$365,000</td>
<td>$511,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6/27/2008</td>
<td>5/21/2008</td>
<td>228</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$5,748</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>9,500</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$236,930</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>—</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$195,785</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9/26/2008</td>
<td>7/15/2008</td>
<td>159</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$4,034</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12/10/2008</td>
<td>9/15/2008</td>
<td>173</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$4,045</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>John L. King . . . . . . .</td>
<td>1/24/2008</td>
<td>12/11/2007</td>
<td>0</td>
<td>$236,012</td>
<td>$354,000</td>
<td>$495,600</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>8,000</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$199,520</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>—</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$167,815</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9/26/2008</td>
<td>7/15/2008</td>
<td>156</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$3,938</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12/10/2008</td>
<td>9/15/2008</td>
<td>169</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$3,951</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mark Hepsworth . . . . .</td>
<td>1/24/2008</td>
<td>12/11/2007</td>
<td>0</td>
<td>$233,345</td>
<td>$350,000</td>
<td>$490,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>9,500</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$236,930</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7/18/2008</td>
<td>—</td>
<td>—</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$195,785</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9/26/2008</td>
<td>7/15/2008</td>
<td>177</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$4,400</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12/10/2008</td>
<td>9/15/2008</td>
<td>193</td>
<td>1,416</td>
<td>—</td>
<td>—</td>
<td>$4,512</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) All stock and option awards were granted under our 2000 Long-Term Incentive Plan and relate to our common stock. The stock awards were granted in the form of RSUs. The terms of the options and RSUs are described in a narrative immediately following this table.

(2) On December 11, 2007, our board of directors declared a special dividend of $0.50 per share of common stock, and on each of December 11, 2007, May 21, 2008, July 15, 2008 and September 15, 2008, our board of directors declared a dividend of $0.15 per share of common stock, payable to stockholders of record as of January 4, 2008, March 3, 2008, September 5, 2008 and November 12, 2008, respectively. These dividends were paid on January 24, 2008, March 31, 2008, June 27, 2008, September 26, 2008 and December 10, 2008, respectively. The new RSUs and DSUs granted to the named executive officers were awarded as a dividend equivalent with respect to all outstanding RSUs and DSUs (whether or not vested) in connection with the dividend payment. The new RSUs and DSUs are subject to the same terms and conditions as the underlying awards issued to the named executive officers.

(3) The amounts shown represent the range of annual cash incentive opportunities for each named executive officer under our 2008 Executive Bonus Plan. The plan is described in detail in the “Compensation Discussion and Analysis” above. The measures for Mr. Clark are weighted as follows: Adjusted Revenue (21.875%); Adjusted EBITA (35%); Free Cash Flow (13.125%); and individual performance measures (30%). The measures for Messrs. Hajducky, D’Arcy, King, and Hepsworth are weighted as follows: Adjusted Revenue (25%); Adjusted EBITA (40%); Adjusted Free Cash Flow (15%); and individual performance measures (20%). Payment of bonuses under the 2008 Executive Bonus Plan was made in March 2009, and actual payments are reflected in the “Summary Compensation Table” in the column titled “Non-Equity Incentive Plan Compensation.”
Employment Agreements

Hajducky Employment Arrangement

Mr. Hajducky joined our company as Executive Vice President, Chief Financial Officer and Treasurer on June 15, 2006. At that time, we entered into an agreement regarding certain terms of his employment. Under the agreement, Mr. Hajducky is entitled to a base salary of $350,000 (which was increased to $362,000 effective April 1, 2007) and target and maximum bonus opportunities of $222,000 and $362,000 of his base salary, respectively.

Upon commencement of his employment, Mr. Hajducky received a grant of 10,000 RSUs and 100,000 stock options with an exercise price of $19.16, which was the closing price of our stock on the date of grant. The RSUs and options are subject to the standard terms applicable to our 2005 equity award grants.

Under the terms of his agreement, Mr. Hajducky is eligible to participate in our executive severance plan; however, notwithstanding the terms of the plan, he will receive a minimum of 52 weeks of base salary as severance in the event of an involuntary termination without cause, payable in a lump sum within 30 days of termination. We believe that Mr. Hajducky’s overall compensation arrangement is appropriate based on the strong demand in the market for experienced and well-qualified public company chief financial officers.

Hepsworth Employment Arrangement

Mr. Hepsworth currently serves as our President, Institutional Business. Mr. Hepsworth is currently employed by our subsidiary Interactive Data (Europe) Limited under an agreement with the subsidiary, but he has been seconded to us as a U.S. expatriate under an agreement between us and Mr. Hepsworth that has been twice extended, with the current extension effective as of September 1, 2008. The secondment lasts two years unless his employment with Interactive Data (Europe) Limited is terminated or we otherwise terminate the contract on three months’ notice.

Under his arrangements with us, Mr. Hepsworth is entitled to a base salary of $350,000 and target and maximum bonus opportunities of $183,000 and $222,000 (which was increased to $222,000, $362,000 and $400,000 commencing 2008 of his base salary, respectively.

Mr. Hepsworth is also entitled to receive the following secondment allowances:

• a housing allowance of $6,000 per month (grossed up for U.S. federal and state taxes),
• up to $15,500 in costs of transporting his personal effects back to the United Kingdom, his home country, upon repatriation,
• costs of airfare for Mr. Hepsworth and his immediate family members upon repatriation,
• temporary housing reimbursements of up to $1,500 (grossed up for U.S. federal and state taxes) for housing in the United States and £800 (grossed up for U.K. taxes) for housing in the United Kingdom,
• costs of airfare for two home visits to the United Kingdom each year for him and his immediate family members (grossed up for U.S. federal and state taxes),
• costs of airfare to the United Kingdom for him and his immediate family members in the event of a family emergency (grossed up for U.S. federal and state taxes),
• a car allowance of $7,200 per year (grossed up for U.S. federal and state taxes),
• up to $25,000 per year per child for private school fees (grossed up for U.S. federal and state taxes), and
• tax planning and preparation assistance for the tax years covered by the extension contract (grossed up for U.S. federal and state taxes).
Mr. Hepsworth is also permitted to remain a member of the Pearson Group Pension Plan so long as Interactive Data (Europe) Limited permits its United Kingdom employees to participate in the plan, on terms consistent with those offered to other employees of Interactive Data (Europe) Limited in the United Kingdom. The terms of his pension arrangement are summarized below under the heading “Material Terms of the Pearson Group Pension Plan.”

Under the terms of his contract, Mr. Hepsworth will be offered the opportunity to return to a position with Interactive Data (Europe) Limited upon the completion of the contract. If a position comparable with his current position is not available and, as a result, his employment is terminated, Mr. Hepsworth will be entitled to severance in accordance with Interactive Data (Europe) Limited’s U.K. severance policy, with such payments payable in a lump sum no later than March 15th of the year following the year of termination. The U.K. severance policy provides for a severance payment of four weeks pay per year of service or three months basic pay, whichever is greater, capped at a maximum of £100,000.

If Mr. Hepsworth’s employment is terminated by Interactive Data (Europe) Limited during the term of the extension contract without cause, we will pay the repatriation costs summarized above. Mr. Hepsworth will not be entitled to the repatriation costs if he resigns to accept an offer of employment with another company.

Terms of 2008 Stock Option and RSU Awards Granted under our 2000 Long-Term Incentive Plan

All equity awards granted in 2008 were granted pursuant to our 2000 Long-Term Incentive Plan and provide for the following terms, as appropriate.

Stock Options

Twenty-five percent of the stock options will vest on the first anniversary of the grant date and the remaining 75% will vest ratably in 3-month intervals over the next 3 years with 100% vesting occurring on the 4th anniversary of the grant date. Unvested stock options will automatically become 100% vested and exercisable under the following circumstances:

- upon the executive’s death;
- upon the executive’s job elimination;
- upon termination of the executive’s employment by us or our successor within one year following a change in control (other than for cause); and
- upon a voluntary resignation by the executive within one year following a change in control in the event the executive has had a material diminution in authority, duties or responsibilities, or a diminution in annual base salary of more than 10% and we do not cure the condition within thirty days of notice.

In addition, if a named executive officer is employed at the time of a change in control and our common stock will no longer be listed on a recognized national securities exchange and our stockholders will receive a cash payment for each share surrendered as a result of the change in control transaction, our compensation committee may elect to provide that all outstanding options (whether or not vested) will terminate immediately. In exchange, the executive will receive a cash payment equal to the difference between the transaction price per share and the exercise price of each option, multiplied by the number of shares of our common stock subject to the option.

Once vested, stock options remain exercisable until the earliest of (i) the 10th anniversary of the grant date; (ii) 90 days following the executive’s termination of employment for any reason other than death; and (iii) 1 year following death. If an executive’s employment is terminated for cause, all unexercised options (whether or not vested) will be immediately cancelled.
Restricted Stock Units

Each RSU granted in 2008 under our 2000 Long-Term Incentive Plan represents the right to receive one share of our common stock in the future subject to the terms and conditions of the plan and the applicable award agreement. The RSUs will generally become 100% vested on the third anniversary of the grant date. However, upon the occurrence of any of the following events, the RSUs will immediately vest in full:

- the executive’s death;
- the executive’s job elimination;
- termination of the executive’s employment by us within one year following a change in control (other than for cause);
- a voluntary resignation by the executive within one year following a change in control in the event the executive has had a material diminution in authority, duties or responsibilities, or a diminution in annual base salary of more than 10% and we do not cure the condition within thirty days of notice; and
- immediately prior to a change in control if, in connection with the change in control, our stock will no longer be listed on a recognized national securities exchange.

If we terminate the executive’s employment for cause, any RSUs (both unvested and any vested RSUs that have not yet been settled) will be immediately cancelled. In addition, if, prior to the settlement of any RSUs, dividends are declared with respect to our common stock, executives holding RSUs will be granted additional RSUs with a value equal to the dividends the executive would have received if the RSUs had been actual shares of our common stock, based on the fair market value of a share of common stock on the applicable dividend payment date. Any RSUs issued in this manner will have the same restrictions and conditions as the original RSUs with respect to which they relate. For example, on July 15, 2008, our board of directors declared a dividend of $0.15 per share of common stock, payable to stockholders of record as of September 5, 2008. This dividend was paid on September 26, 2008. This resulted in our named executive officers receiving a dividend-equivalent adjustment on September 26, 2008 with respect to all of their DSU or RSU awards, whether vested or unvested, which had not been settled as of March 1, 2007.

Pearson Executive Share Option Plans

Under the Pearson Share Option Plans, options were previously granted to Messrs. Clark, D’Arcy and King at an exercise price equal to the market price of an ordinary share of Pearson on the date of grant. As described above in the “Compensation Discussion and Analysis,” these awards were generally made prior to 2001 when Interactive Data Corporation (now known as Interactive Data Pricing and Reference Data) was a wholly owned subsidiary of Pearson. Options granted under these plans were subject to performance conditions such as growth in Pearson’s and its predecessors’ and consolidated subsidiaries’ adjusted earnings per share over a three year period prior to exercise. Options became exercisable on the third anniversary of the date of grant (when the performance conditions were met) and lapse on the tenth anniversary of the grant date. No additional awards will be made under these plans. As all performance conditions have been satisfied and all stock options have been exercisable since December 31, 2005, Pearson did not recognize any expense with respect to these option awards in 2008.

Pearson Annual Bonus Share Matching Plan

The Pearson Annual Bonus Share Matching Plan, or ABSM, permitted Messrs. Clark, D’Arcy and King to invest up to 50% of any after tax annual bonus in Pearson ordinary shares. If these ordinary shares are held for three years and Pearson and its predecessors and consolidated subsidiaries meet specified earnings per share growth target, Pearson will match the executives’ investment on a gross basis of up to one share for every share held after three years and an additional share for every two shares held after five years.
## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth a summary of all outstanding equity awards granted by us, and held by each of our named executive officers as of December 31, 2008.

<table>
<thead>
<tr>
<th></th>
<th>Option Awards</th>
<th></th>
<th>Stock Awards</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Securities Underlying Exercisable Options Exercisable (#)(1)</td>
<td>Option Exercise Price ($)</td>
<td>Option Exercise Date</td>
<td>Number of Shares or Units of Stock that Have Not Vested (#)</td>
</tr>
<tr>
<td>Stuart J. Clark</td>
<td>500,000(2)(3)</td>
<td>$ 8.80</td>
<td>6/15/2011</td>
<td>27,392 (2)(9)</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>62,500(2)(8)</td>
<td>$19.16</td>
<td>6/15/2016</td>
<td>10,953 (2)(11)</td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>130,000(2)(3)</td>
<td>$ 8.80</td>
<td>6/15/2011</td>
<td>8,762 (2)(9)</td>
</tr>
<tr>
<td>John L. King</td>
<td>200,000(2)(3)</td>
<td>$ 8.80</td>
<td>6/15/2011</td>
<td>8,762 (2)(9)</td>
</tr>
<tr>
<td>Mark Hepworth</td>
<td>75,000(2)(6)</td>
<td>$13.31</td>
<td>3/3/2013</td>
<td>10,953 (2)(11)</td>
</tr>
<tr>
<td></td>
<td>37,500(2)(7)</td>
<td>$17.47</td>
<td>7/1/2014</td>
<td>9,972 (2)(10)</td>
</tr>
<tr>
<td></td>
<td>24,375(2)</td>
<td>$21.39</td>
<td>7/19/2015</td>
<td>9,617 (2)(12)</td>
</tr>
<tr>
<td></td>
<td>19,687(2)</td>
<td>$20.52</td>
<td>7/18/2016</td>
<td>9,617 (2)(12)</td>
</tr>
<tr>
<td></td>
<td>10,312(2)</td>
<td>$27.17</td>
<td>7/16/2017</td>
<td>9,617 (2)(12)</td>
</tr>
</tbody>
</table>

(1) With respect to option grants made under our 2000 Long-Term Incentive Plan, except as otherwise noted, 25% of an option vests on the first anniversary of the grant date and 6.25% of the option vests quarterly thereafter. The exercise price of each option is equal to the closing price of our common stock on the date of grant. Each option has a ten-year term. The grant date of each option is listed in the table below by reference to the expiration date set forth in the above table:

<table>
<thead>
<tr>
<th>Expiration Date</th>
<th>Grant Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/16/2013</td>
<td>6/16/2003</td>
</tr>
<tr>
<td>7/1/2014</td>
<td>7/1/2004</td>
</tr>
<tr>
<td>7/19/2015</td>
<td>7/19/2005</td>
</tr>
<tr>
<td>7/18/2016</td>
<td>7/18/2006</td>
</tr>
<tr>
<td>7/16/2017</td>
<td>7/16/2007</td>
</tr>
<tr>
<td>7/18/2018</td>
<td>7/18/2008</td>
</tr>
</tbody>
</table>

(2) Options, RSUs and DSUs, as applicable, were granted under our 2000 Long-Term Incentive Plan and relate to our common stock.

(3) This option became fully vested on June 15, 2005.

(4) This option became fully vested on June 11, 2006.
This option became fully vested on June 16, 2007.
This option became fully vested on March 3, 2007.
This option became fully vested on July 1, 2008.
These options were issued to Mr. Hajducky upon his hiring on June 15, 2006.
These RSUs will vest in full on 7/18/2009.
These RSUs will vest in full on 7/16/2010.
These RSUs will vest in full on 6/15/2009.
These RSUs will vest in full on 7/18/2011.
For the purpose of this calculation we used a price of $24.66 per share, which was the closing price of our common stock as quoted on the New York Stock Exchange on December 31, 2008, the last trading date during fiscal year 2008.

The following table sets forth a summary of all outstanding equity awards granted by Pearson and held by each of our named executive officers as of December 31, 2008:

<table>
<thead>
<tr>
<th>Name</th>
<th>Option Awards</th>
<th>Stock Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Securities Underlying Exercisable Options (§)(#)</td>
<td>Number of Securities Underlying Unexercised Options (§)</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Stuart J. Clark ..............</td>
<td>7,258(1)</td>
<td>22.03(2)</td>
</tr>
<tr>
<td></td>
<td>7,258(1)</td>
<td>26.44(3)</td>
</tr>
<tr>
<td>Andrew J. Hajducky III .......</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Raymond L. D’Arcy ...........</td>
<td>5,070(1)</td>
<td>22.03(2)</td>
</tr>
<tr>
<td></td>
<td>5,070(1)</td>
<td>26.44(3)</td>
</tr>
<tr>
<td>John L. King .................</td>
<td>13,440(1)</td>
<td>17.34(4)</td>
</tr>
<tr>
<td>Mark Hepsworth ..............</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) Options were granted under Pearson’s Executive Share Option Plan and relate to Pearson ordinary shares. The options were subject to performance conditions, all of which have been satisfied, and were fully vested as of December 31, 2005.
(2) The actual exercise price with respect to this award is £13.724 which has been converted into U.S. dollars based on the exchange rate of £1 = U.S. $1.605, which was the exchange rate on the date of grant.
(3) The actual exercise price with respect to this award is £16.475 which has been converted into U.S. dollars based on the exchange rate of £1 = U.S. $1.605, which was the exchange rate on the date of grant.
(4) The actual exercise price with respect to this award is £10.805 which has been converted into U.S. dollars based on the exchange rate of £1 = U.S. $1.605, the exchange rate on the date of grant.
OPTION EXERCISES AND STOCK VESTED

The following table sets forth the number of shares of our common stock acquired and the value realized by the named executive officers upon the exercise of stock options, vesting of restricted stock and settlement of DSUs during the fiscal year ended December 31, 2008.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Acquired on Vesting</th>
<th>Value Realized on Vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>32,471(1)</td>
<td>809,827(6)</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>157(2)</td>
<td>4,545(7)</td>
</tr>
<tr>
<td></td>
<td>48(2)</td>
<td>1,367(8)</td>
</tr>
<tr>
<td></td>
<td>55(2)</td>
<td>1,387(9)</td>
</tr>
<tr>
<td></td>
<td>10,821(3)</td>
<td>269,876(6)</td>
</tr>
<tr>
<td>John L. King</td>
<td>10,821(4)</td>
<td>269,876(6)</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>9,738(5)</td>
<td>242,866(6)</td>
</tr>
</tbody>
</table>

(1) With respect to the 32,471 RSUs that vested, the net number of shares of our common stock that Mr. Clark received upon settlement was 19,956, as we withheld 12,515 shares to cover taxes payable by Mr. Clark with respect to such award.
(2) These DSUs, which settled on July 1, 2008, were dividend equivalents issued on 1/24/2008 (157), 3/31/2008 (48) and 6/27/2008 (55) in connection with Mr. D’Arcy’s 2004 DSU award, which he deferred settlement on in 2007.
(3) With respect to the 10,821 RSUs vested, the net number of shares of our common stock that Mr. D’Arcy received upon settlement was 7,386, as we withheld 3,435 shares to cover taxes payable by Mr. D’Arcy with respect to such award.
(4) With respect to the 10,821 RSUs that vested, the net number of shares of our common stock that Mr. King received upon settlement was 7,386, as we withheld 3,435 shares to cover taxes payable by Mr. King with respect to such award.
(5) With respect to the 9,738 RSUs that vested, the net number of shares of our common stock that Mr. Hepsworth received upon settlement was 5,566, as we withheld 4,172 shares to cover taxes payable by Mr. Hepsworth with respect to such award.
(6) The amount realized is computed by multiplying the number of DSUs that vested and settled by the closing price of our common stock on the vesting date of July 19, 2008, which was $24.94 (used closing market price on July 18, 2008 as July 19, 2008 was a Saturday).
(7) The amount realized is computed by multiplying the number of DSUs that vested and settled by the closing price of our common stock on the vesting date, 1/24/2008 which was $28.95. The DSUs that settled were dividend equivalents issued in connection with Mr. D’Arcy’s 2004 award, which he deferred settlement on in 2007.
(8) The amount realized is computed by multiplying the number of DSUs that vested and settled by the closing price of our common stock on the vesting date, 3/31/2008 which was $28.47. The DSUs that settled were dividend equivalents issued in connection with Mr. D’Arcy’s 2004 award, which he deferred settlement on in 2007.
(9) The amount realized is computed by multiplying the number of DSUs that vested and settled by the closing price of our common stock on the vesting date, 6/27/2008 which was $25.21. The DSUs that settled were dividend equivalents issued in connection with Mr. D’Arcy’s 2004 award, which he deferred settlement on in 2007.
The following table sets forth a summary of the defined benefit pension benefits for each named executive officer as of December 31, 2008.

<table>
<thead>
<tr>
<th>Name</th>
<th>Plan Name</th>
<th>Number of Years Credited Service (#)(1)</th>
<th>Present Value of Accumulated Benefit ($) (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>Pearson Group Pension Plan</td>
<td>40</td>
<td>$4,751,764(3)</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>Pearson, Inc. Pension Plan</td>
<td>6.33</td>
<td>$64,928</td>
</tr>
<tr>
<td></td>
<td>Pearson, Inc. Supplemental Executive Retirement Plan</td>
<td>6.33</td>
<td>$43,487</td>
</tr>
<tr>
<td>John L. King</td>
<td>Pearson, Inc. Pension Plan</td>
<td>6.33</td>
<td>$69,306</td>
</tr>
<tr>
<td></td>
<td>Pearson, Inc. Supplemental Executive Retirement Plan</td>
<td>6.33</td>
<td>$55,654</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>Pearson Group Pension Plan</td>
<td>5.67</td>
<td>$242,980(3)</td>
</tr>
</tbody>
</table>

(1) Except with respect to Mr. Clark’s and Mr. Hepsworth’s credited years of service, the credited years of service represents years of service beginning September 1, 1995, the date on which our U.S.-based employees first became eligible to participate in the plans, through December 31, 2001 when the plans were frozen. With respect to Mr. Clark, credited years of service under the U.K. Pearson Group Pension Plan includes the years of service Mr. Clark accrued since his commencement of employment with Exel Financial Limited in 1968 which was acquired by Pearson’s Financial Times group in December 1993. With respect to Mr. Hepsworth, credited years of service under the U.K. Pearson Group Pension Plan include the years of service Mr. Hepsworth accrued since May 1, 2003.

(2) Note 11, “Retirement Plans”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 sets forth the relevant assumptions we used to determine the valuation of our pension plan benefits.

(3) The “Present Value of Accumulated Benefit” was originally calculated in pounds sterling and was converted into U.S. dollars based on the exchange rate of £1 = $1.43775, the exchange rate on December 31, 2008.

**Material Terms of the Pearson, Inc. Pension Equity Plan, or PEP**

The PEP is a defined benefit pension plan that provides a retirement benefit based on a formula that takes into account a participant’s age in each year that they work, years of service and final average compensation, including base pay, overtime, sales-related bonuses, commissions and a portion of non-sales-related bonuses. Accruals under the PEP were frozen as of December 31, 2001, although the accrued benefit under the PEP is credited with earnings annually. Messrs. D’Arcy and King participate in the PEP.

**Calculation of the PEP Benefit**

A participant received credit for benefit service for each full and partial year of service with us, Pearson and its subsidiaries between September 1, 1995 (the date we became a participating employer in the PEP) and December 31, 2001. For each year or partial year of benefit service prior to January 1, 2002, a participant earned credits equal to 3% to 8%, depending upon the participant’s age during his or her years of service with us. Such age-based credits were then multiplied by the number of years for which the participant served us to arrive at a total PEP percentage. The participant’s final average compensation is then multiplied by the total PEP percentage to obtain the participant’s PEP lump sum benefit. Final average compensation is equal to the participant’s average compensation during the five consecutive calendar years prior to January 1, 2002 in which he or she received the highest compensation. For periods on or after January 1, 1999, compensation included base pay, overtime, sales-related bonuses, commissions and non-sales-related bonuses (up to 50% of the base salary in effect as of the end of the prior calendar year). For periods prior to January 1, 1999, final compensation was calculated in substantially the same manner, however only 20% of base salary could be included for purposes of calculating the non-sales related bonus.

A participant’s benefit under the PEP vested upon the earlier of the date the participant attained age 65 or completed five years of service, calculated from the participant’s original date of hire. Prior to vesting, if a participant’s employment was terminated, the participant forfeited all rights to benefits under the PEP. All of our named executive officers who were participants in the PEP are vested in their PEP benefit.
PEP Payment Provisions

The benefits in the PEP are payable in a lump sum or a variety of single or joint survivor annuities, as selected by the participant. A participant whose employment with us ends prior to reaching age 55 may elect to receive his or her PEP benefit at any time during the six month period following the date his or her employment with us ends. If the participant does not elect an immediate payment within such six month period, he or she will not be eligible to receive any benefits until age 55. Following termination at or after age 55 and before age 65, a participant may elect to receive his or her benefit as of the first day of any month before turning age 65. A participant whose employment ends on or after age 65 will be required to begin benefit payments upon termination. If a participant under age 65 elects to defer payment, the lump sum benefit payable under the PEP will accrue interest, at a rate equal to the lesser of 5% per annum or the yield rate for 30-year U.S. government bonds, calculated from the participant’s employment termination date through the date he or she begins receiving benefits.

Material Terms of the Pearson, Inc. Supplemental Executive Retirement Plan, or SERP

The SERP is an unfunded, non-qualified defined benefit pension arrangement that provides an opportunity for our named executive officers whose base salary exceeded the statutory limits under the PEP to have his or her actual compensation taken into consideration when determining their pension benefit. The SERP is in compliance with Section 409A of the Internal Revenue Code. Further accruals under the SERP were frozen as of December 31, 2001, although the accrued benefit under the SERP is credited with earnings annually.

Benefits under the SERP are paid from our general assets. A participant’s right to receive the benefits under the SERP is contingent upon our continuing ability to pay such benefits. The PEP payment provisions described in the preceding paragraphs are generally applicable to the SERP, however, any benefits available to a participant under the SERP are subject to forfeiture upon termination of the participant’s employment for cause. A participant generally may elect to receive his or her SERP benefit in the same manner elected under the PEP, but, unlike the election with respect to the timing of payments under the PEP, a participant may elect to receive his or her payment as of the first day of any month after termination of employment with us, but no later than age 65, unless the participant remains employed with us after age 65.

The benefit under the SERP is equal to the difference between the benefit a participant would have received from the PEP if the Internal Revenue Code did not place any statutory limits on the amount of base salary that could be included when determining the benefit under the PEP and the actual benefit received from the PEP.

Material Terms of the Pearson Group Pension Plan

Both Mr. Clark and Mr. Hepsworth participate in the Pearson Group Pension Plan, although the terms under which each participates are different.

Since Mr. Clark participates in the Extel section of the Pearson Group Pension Plan, he is entitled to a pension payable at age 62 calculated as 1/60th of his base salary plus revalued fluctuating earnings at that date for each year of pensionable service. No further salary-based or service-benefit accruals were earned under this plan after January 1, 2002, with the exception of statutory increases as prescribed by U.K. pension regulations. Under this plan, normal retirement benefits are payable at age 62, but retirement is possible on or after age 50 with a reduced amount payable on retirement prior to age 62. On death, either before or after retirement, a spouse’s pension of 50% of Mr. Clark’s pension is payable. Children’s pensions and, in certain circumstances, lump sum death benefit payments may also be made.

Mr. Hepsworth participated in the Final Pay (Executive) Section of the Pearson Group Pension Plan since May 2003. His accrued pension will be calculated as 1/45th of his final pensionable salary for each year of pensionable service, and is payable from the Normal Retirement Age of 62. His pensionable salary is limited to the level of an earnings cap, which is currently £117,600 per annum or $169,079 using a conversion rate of
£1=1.43775, the exchange rate on December 31, 2008 and will increase each year in line with U.K. price inflation. After leaving the Plan, Mr. Hepsworth’s pension will increase at the lower of the change in the U.K. Retail Price Index each year and 5% per annum. Mr. Hepsworth has the option of retiring early, subject to the consent of the Plan Trustee. If he retires early his benefit is reduced with reference to the period that the pension is paid early. On death either before or after retirement, a spouse’s pension of 60% of the member’s pension is payable. Children’s pensions and, in certain circumstances, lump sum death benefit payments, may also be made.

NONQUALIFIED DEFERRED COMPENSATION

The following table sets forth a summary of the non-qualified deferred compensation benefits of each named executive officer as of December 31, 2008.

<table>
<thead>
<tr>
<th>Name</th>
<th>Executive Contributions in Last FY ($)</th>
<th>Registrant Contributions in Last FY ($)</th>
<th>Aggregate Earnings in Last FY ($)</th>
<th>Aggregate Balance at Last FY ($) ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart J. Clark</td>
<td>$116,200</td>
<td>$40,327</td>
<td>$(409,851)</td>
<td>$648,726</td>
</tr>
<tr>
<td>Andrew J. Hajducky III</td>
<td>$29,303</td>
<td>$26,956</td>
<td>$(14,736)</td>
<td>$82,397</td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>$106,758</td>
<td>$33,617</td>
<td>$(249,936)</td>
<td>$780,349</td>
</tr>
<tr>
<td>John L. King</td>
<td>$105,020</td>
<td>$32,744</td>
<td>$(72,992)</td>
<td>$949,546</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

(1) All of the amounts reported in the “Registrant Contributions in Last FY” column are reported in the “All Other Compensation” column in the “Summary Compensation Table.”

(2) All amounts deferred by a named executive officer in prior years have been reported in the Summary Compensation Table in this or our previously filed proxy statements in the year earned to the extent the individual was a named executive officer for purposes of the SEC’s executive compensation disclosure.

(3) As of December 31, 2008, Mr. Hajducky is fully vested in his own contributions to the plan, but is only 66 2/3% vested in company contributions to the plan since he has been our employee for more than two years but less than three years. $70,186 of the $82,397 aggregate balance at December 31, 2008 is vested.

The table above shows information about the Pearson 401(k) Excess Plan. Each of our named executive officers except for Mr. Hepsworth participates in such plan. See below for a narrative description of the material factors necessary to gain an understanding of the Pearson 401(k) Retirement Plan and the Pearson 401(k) Excess Plan.

Pearson 401(k) Retirement Plan

The Pearson 401(k) Retirement Plan permits employees to defer their base salary and bonus up to certain statutory limitations. Employees may invest their contributions (as well as any contributions we provide) in a mix of investment funds. Under the plan, we provide the following contributions to employee accounts:

- an employer match of up to 4.5% of the employee’s contributions if the employee contributes at least 6% of his or her eligible pay, subject to statutory limits;
- a discretionary annual employer contribution of 1.25% of eligible compensation regardless of whether the employee contributes to the plan; and
- individuals who were participants in the PEP defined benefit plan on December 31, 2001 and who met certain age and service levels as of such date are eligible to receive an additional contribution under the Pearson 401(k) Retirement Plan and the Pearson Excess Plan based on their age and service at that time. Messrs. D’Arcy and King are the only named executive officers who were PEP participants that met the age and service qualifications for this benefit.
With respect to contributions to the Pearson 401(k) Retirement Plan, employees are immediately vested in their own contributions but become vested in employer contributions on a graduated vesting schedule as follows:

<table>
<thead>
<tr>
<th>Years of Vesting Service</th>
<th>Vested %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>0%</td>
</tr>
<tr>
<td>1 year but less than 2 years</td>
<td>33 1/3%</td>
</tr>
<tr>
<td>2 years but less than 3 years</td>
<td>66 2/3%</td>
</tr>
<tr>
<td>3 years or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

However, employees who leave our employ on or after age 65, or as a result of total and permanent disability, or who die while employed by us will become 100% vested in any of our contributions regardless of their years of service. Upon termination of employment with us prior to the Pearson 401(k) Retirement Plan’s normal retirement age of 70 1/2, distributions of vested account balances will be made as soon as administratively possible following such employee’s termination, provided, however, that an employee whose vested account balance exceeds $5,000 may elect to defer the distribution until his or her normal retirement date. Generally, employees whose employment is terminated on or after their normal retirement date must receive distributions or commence payments from his or her account no later than April 1 following the year in which his or her employment with us is terminated. Distributions are normally made in a single-sum cash payment.

**Pearson 401(k) Excess Plan**

Each of our named executive officers, aside from Mr. Hepsworth who is not eligible to participate because he is not a U.S. employee, participated in the Pearson 401(k) Excess Plan during 2008. This plan provides an opportunity for selected U.S.-based employees whose base salary exceeds the statutory limits under the Pearson 401(k) Retirement Plan to continue to defer income in excess of the statutory limits. This effectively enables the individual to set aside a portion of his or her full base salary and bonus toward retirement savings without regard to the statutory limits. We apply the same employer contribution formula and vesting schedule on the amounts deferred pursuant to the Pearson 401(k) Excess Plan as we do with respect to the amounts deferred under the Pearson 401(k) Retirement Plan. The amounts deferred pursuant to this plan may be invested in the same funds available under the Pearson 401(k) Retirement Plan. The payment terms of the Pearson 401(k) Excess Plan generally mirror those of the Pearson 401(k) Retirement Plan. However, upon termination of employment with us for any reason, the value of the vested portion of an employee’s account will be distributed in either a lump sum payment or in annual installments over a 3 or 5 year period, at the election of the employee. The excess plan is an unfunded, non-qualified deferred compensation arrangement and is in compliance with Section 409A of the Internal Revenue Code. This means that the contributions to the Pearson 401(k) Excess Plan are not secured through any segregated funding vehicle and an employee’s right to receive benefits under this plan is contingent upon our ability to pay such benefits.
Severance Benefits and Change in Control Arrangements

Effective January 1, 2008, we combined our executive severance plan with the severance plan for all of our employees. We constructed the plan to comply with Section 409A of the Internal Revenue Code of 1986, as amended. The plan applies to all employees generally, and provides employees with salary continuation benefits if we terminate their employment without cause. Benefits include 2 weeks of salary per year of service. Our senior management group will receive a minimum benefit of 26 weeks salary under the plan and the minimum benefit for other employees is 4 weeks salary. In addition, the plan provides that, during the salary continuation period, employees, including the senior management group, are eligible to continue to participate in our medical, dental and life insurance plans and to receive outplacement benefits during the period they are receiving salary continuation benefits.

Pursuant to the terms of his employment agreement, Mr. Hajducky is eligible to participate in our severance plan; however, notwithstanding the terms of the plan, he will receive a minimum of 52 weeks severance in the event of an involuntary termination without cause, payable in a lump sum within 30 days of his termination. The agreement with Mr. Hajducky is described above under the heading “Employment Agreements”.

Pursuant to the terms of his employment arrangement, Mr. Hepsworth will be offered the opportunity to return to a position with Interactive Data (Europe) Limited upon the completion of his secondment agreement with us. If a position comparable with his current position is not available and, as a result, his employment is terminated, Mr. Hepsworth will be entitled to severance in accordance with Interactive Data (Europe) Limited’s U.K. severance policy, with such payments payable in a lump sum no later than March 15th of the year following the year of termination. The U.K. severance policy provides for a severance payment of four weeks pay per year of service or three months basic pay, whichever is greater, capped at a maximum of £100,000. The arrangement with Mr. Hepsworth is described above under the heading “Employment Agreements”.

As of December 31, 2008, we were not party to any other employment, severance or change in control agreements with our named executive officers that provide for benefits upon, or in connection with, the termination of a named executive officer’s employment or a change in control. On a case by case basis, we may negotiate with terminated executives regarding payment of all or a portion of earned bonuses depending on the facts and circumstances of the termination, including timing and contributions to our company prior to termination. In addition, the vesting of certain options, RSUs and DSUs granted to our named executive officers under our 2000 Long-Term Incentive Plan will accelerate in full upon the occurrence of any of the following:

- the executive’s involuntary termination (other than for cause) within one year following a change in control (applies to all awards);
- the executive’s resignation for good reason within one year following a change in control;
- the executive’s resignation after attaining age 55 with a combined age plus years of service equal to at least 75 years (applicable to awards granted in 2005 only);
- the executive’s death (applicable to awards granted in 2005 and later); and
- the executive’s job elimination (applicable to awards granted in 2005 and later).

All stock options, RSUs and DSUs held by our named executive officers that were granted in 2004 and later will accelerate in full immediately prior to any change in control that results in our common stock no longer being listed on a national security exchange. As planned, Mr. Clark stepped down as our president and chief executive officer on March 2, 2009. He remains employed as an advisor to the company, and is expected to remain an employee until sometime in the summer of 2009. In connection with his retirement from his positions as president and chief executive officer, Mr. Clark executed a term sheet, setting forth the material terms of his continuing employment as an advisor to the company. The term sheet is described in the Compensation...
Discussion & Analysis under the heading “2009 Management Changes”. The term sheet provides that the vesting for all of Mr. Clark’s RSUs and stock options outstanding as of the date of his retirement from the company will be accelerated and the exercise period for options will be extended from 90 days post retirement to two years post retirement.

**Potential Payments**

The table that follows summarizes the potential post-employment compensation that would have been payable to each of our named executive officers as a result of a termination of the named executive officer’s employment or a change in control. The table below assumes that the named executive officer’s employment terminated on December 31, 2008 and, if applicable, that the change in control occurred during 2008. In addition, for purposes of the calculations, we assume that the fair market value of our common stock is $24.66, which was the closing price of our common stock as quoted on the New York Stock Exchange on December 31, 2008, the last trading date during fiscal year 2008.

The table below does not include the value of any vested and non-forfeitable payments or other benefits that the named executive officers would have been entitled to receive on December 31, 2008, regardless of whether a termination event occurred on such date (e.g. benefits the executive would have received even if he or she voluntarily resigned on December 31, 2008), including the following:

- **Defined Benefit Plans.** With the exception of Mr. Hajducky, who was hired after the defined benefit plans were frozen, and Mr. Hepsworth, who still actively participates in the Pearson Group Pension Plan, all of the named executive officers are fully vested in their benefits under PEP, SERP and the Pearson Group Pension Plan, as applicable, and none of the named executive officers will receive an enhanced or additional benefit under these plans as a result of a termination event. The value of each named executive officer’s accumulated benefits under the applicable plans is set forth in the “Pension Benefits Table” above.

- **Defined Contribution Plans.** With the exception of Mr. Hajducky, all of the named executive officers’ account balances under the Pearson 401(k) Retirement Plan and the Pearson 401(k) Excess Plan, including any company contributions, were fully vested as of December 31, 2008. As of December 31, 2008, Mr. Hajducky is fully vested in his own contributions to the plans, but is only 66⅔% vested in company contributions to the plans since he has been our employee for more than two years but less than three years. Mr. Hepsworth does not participate in the Pearson 401(k) Excess Plan or the Pearson 401(k) Retirement Plan because he is not a U.S. employee. The value of each named executive officer’s account balances under the 401(k) Excess Plan as of December 31, 2008 is set forth above in the “Nonqualified Deferred Compensation Table”. As of December 31, 2008, Messrs. Clark, D’Arcy, Hajducky, King and Hepsworth had the following account balances under the Pearson 401(k) Retirement Plan, respectively: $137,233, $653,896, $58,653 (of which $52,080 is vested), $828,319 and $0.

- **Vested Equity Awards.** Once vested, options, DSUs and RSUs are not forfeitable unless the named executive officer is terminated for cause. The number and fair market value of all options, DSUs and RSUs that were vested as of December 31, 2008 are set forth in the “Outstanding Equity Awards at Fiscal Year End Table” above.

- **Life Insurance.** Except for Mr. Hepsworth, a U.K. employee whose life insurance benefits are detailed below, each of the named executive officers is entitled to receive group term life insurance of two times his or her base salary up to a maximum of $1,000,000. This plan is applicable to all of our employees on a nondiscriminatory basis. As of December 31, 2008, Messrs. Clark, Hajducky, D’Arcy and King were eligible to receive the following life insurance benefits, respectively: $1,000,000, $724,000, $680,000, and $694,000. Mr. Hepsworth is eligible to receive four times his pensionable salary under the Pension Group Pension Plan, which amount is equal to £470,400 or $676,318 using a conversion rate of £=1.43775, the exchange rate on December 31, 2008.
The amounts shown in the table below represent summary estimates of the payments to be made upon each specified termination event and do not reflect any actual payments to be received by the named executive officers.

<table>
<thead>
<tr>
<th>Name</th>
<th>Compensation Element</th>
<th>Voluntary Resignation</th>
<th>Death(3)</th>
<th>Involuntary Termination within 12 months</th>
<th>Involuntary Termination for Good Reason Within 12 Months(4)</th>
<th>The Common Stock is no Longer Publicly Traded(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Without Cause</td>
<td>For Cause</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Job Elimination(6)</td>
<td>For Cause</td>
<td></td>
</tr>
<tr>
<td>Stuart J. Clark(11)</td>
<td>Severance Pay(1)</td>
<td>0</td>
<td>0</td>
<td>600,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Accelerated Vesting of Stock Options, &amp; RSUs(3)</td>
<td>61,313</td>
<td>1,521,145</td>
<td>0</td>
<td>1,521,145</td>
<td>1,521,145</td>
</tr>
<tr>
<td></td>
<td>Benefits Continuation(4)</td>
<td>0</td>
<td>13,347</td>
<td>13,347</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>61,313</td>
<td>1,521,145</td>
<td>613,347</td>
<td>2,134,492</td>
<td>1,521,145</td>
</tr>
<tr>
<td>Andrew J. Hajducky</td>
<td>Severance Pay(1)</td>
<td>0</td>
<td>362,000</td>
<td>362,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Accelerated Vesting of Stock Options, &amp; RSUs(3)</td>
<td>0</td>
<td>883,142</td>
<td>0</td>
<td>883,142</td>
<td>883,142</td>
</tr>
<tr>
<td></td>
<td>Benefits Continuation(4)</td>
<td>0</td>
<td>9,855</td>
<td>0</td>
<td>9,855</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>0</td>
<td>883,142</td>
<td>371,855</td>
<td>1,254,997</td>
<td>883,142</td>
</tr>
<tr>
<td>Raymond L. D’Arcy</td>
<td>Severance Pay(1)</td>
<td>0</td>
<td>365,000</td>
<td>365,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Accelerated Vesting of Stock Options, &amp; RSUs(3)</td>
<td>21,461</td>
<td>774,934</td>
<td>0</td>
<td>774,934</td>
<td>774,934</td>
</tr>
<tr>
<td></td>
<td>Benefits Continuation(4)</td>
<td>0</td>
<td>9,855</td>
<td>0</td>
<td>9,855</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>21,461</td>
<td>774,934</td>
<td>374,855</td>
<td>1,149,789</td>
<td>774,934</td>
</tr>
<tr>
<td>John L. King</td>
<td>Severance Pay(1)</td>
<td>0</td>
<td>354,000</td>
<td>354,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Accelerated Vesting of Stock Options, &amp; RSUs(3)</td>
<td>21,461</td>
<td>737,476</td>
<td>0</td>
<td>737,476</td>
<td>737,476</td>
</tr>
<tr>
<td></td>
<td>Benefits Continuation(4)</td>
<td>0</td>
<td>9,855</td>
<td>0</td>
<td>9,855</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>21,461</td>
<td>737,476</td>
<td>363,855</td>
<td>1,101,331</td>
<td>737,476</td>
</tr>
<tr>
<td>Mark Hepsworth</td>
<td>Severance Pay(1)</td>
<td>0</td>
<td>143,775</td>
<td>143,775</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Accelerated Vesting of Stock Options, &amp; RSUs(3)</td>
<td>0</td>
<td>834,955</td>
<td>0</td>
<td>834,955</td>
<td>834,955</td>
</tr>
<tr>
<td></td>
<td>Benefits Continuation(4)</td>
<td>0</td>
<td>13,157</td>
<td>0</td>
<td>13,157</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>0</td>
<td>834,955</td>
<td>156,932</td>
<td>991,887</td>
<td>834,955</td>
</tr>
</tbody>
</table>

(1) Based on their service, Messrs. Clark, D’Arcy and King are eligible for the maximum of 52 weeks base salary, payable in semi-monthly installments. Mr. Hajducky is entitled to 52 weeks base salary payable in a lump sum within 30 days following his termination of employment. Mr. Hepsworth is entitled to severance equal to four weeks of pay per year of service or three months basic pay, whichever is greater, capped at £100,000. Mr. Hepsworth’s service qualifies him for the capped payment, which was originally calculated in pounds sterling and was converted into U.S. dollars based on the exchange rate of £1 = 1.43775, the exchange rate on December 31, 2008.

(2) The value attributable to the accelerated vesting of unvested options is equal to the option “spread” which is the difference between the closing price of our common stock on December 31, 2008 ($24.66), and the exercise price of each option. The number of outstanding options and the exercise price of each option are set forth in the “Outstanding Equity Awards at Fiscal Year End” table.
The value attributable to the accelerated vesting of each unvested RSU is equal to the closing price of our common stock on December 31, 2008 ($24.66). The number of outstanding RSUs is set forth in the “Outstanding Equity Awards at Fiscal Year End Table” above.

(3) Messrs. Clark, D’Arcy and King’s unvested 2005 stock option award automatically vests as a result of their having satisfied ‘retirement’ criteria (termination of employment after attaining age 55 with a combined age plus years of service equal to at least 75 years). The options will remain exercisable for 90 days.

(4) This amount represents our company’s share of the costs associated with the continuation of medical, dental and vision benefits based on the named executive officer’s coverage selections as of December 31, 2008 and the 2009 premium rates for continued coverage during the applicable period. Messrs. Clark, Hajducky, D’Arcy, King, and Hepsworth are each eligible for 52 weeks of benefit continuation. Other than Hajducky whose employment agreement provides for continued benefits notwithstanding a lump sum payment of severance pay, should a named executive officer elect to receive a lump sum cash payment of their severance pay, they would give up the right to receive continued medical, dental and vision benefits and the amount included in this column would be forfeited.

(5) All unvested 2005, 2006, 2007 and 2008 option awards and all 2006, 2007 and 2008 RSU awards automatically vest upon death. The options will remain exercisable for 90 days and 12 months, respectively, and the RSUs will settle as soon as administratively practical after the executive’s death.

(6) All unvested 2005, 2006, 2007 and 2008 option awards and all 2006, 2007 and 2008 RSU awards automatically vest upon an involuntary termination of employment as a result of a reduction in force, job elimination or redundancy. The options will remain exercisable for 90 days and the RSUs will settle as soon as administratively practical after the executive’s termination. There is no acceleration of vesting of options or RSU awards if an executive is otherwise terminated without cause.

(7) All vested and unvested options, and unvested RSUs are forfeited.

(8) At the discretion of the compensation committee, all outstanding stock options (whether or not vested) may be terminated and exchanged for a cash payment equal to the difference between the December 31, 2008 closing price of $24.66 and the exercise price of each option. For the purposes of this table, it is assumed that the cash payment was made with respect to all unvested options. As stated above, payments in respect of vested options is not included in the amount shown.

(9) All unvested RSUs will automatically vest and be settled in shares. Assumes our stockholders surrender all shares and received a cash payment for each share surrendered as a result of the change in control transaction on December 31, 2008 equal to the closing price of our common stock on December 31, 2008 of $24.66.

(10) All unvested options and RSU awards automatically vest upon an involuntary termination of employment without cause or resignation for good reason within 12 months following a change in control. The options will remain exercisable for 90 days and the RSUs will settle as soon as administratively practicable after the executive’s termination.

(11) Stuart J. Clark retired as the President and Chief Executive Officer of the company as of March 2, 2009. He remains employed by the company as an advisor. In connection with his retirement from those positions, Mr. Clark executed a term sheet setting forth the material terms of his continuing employment as an advisor to the company, which term sheet is described in the Compensation Discussion & Analysis under the heading “2009 Management Changes”.
**DIRECTOR COMPENSATION**

The following table summarizes the compensation paid to our directors during 2008.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash</th>
<th>Stock Awards ($)(2)(3)</th>
<th>Option Awards ($)(2)(4)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myra R. Drucker(5)</td>
<td>$82,000</td>
<td>$109,433</td>
<td>—</td>
<td>$191,443</td>
</tr>
<tr>
<td>Donald P. Greenberg(5)</td>
<td>$82,000</td>
<td>$112,704</td>
<td>—</td>
<td>$194,704</td>
</tr>
<tr>
<td>Robert C. Lamb, Jr.(5)</td>
<td>$85,500</td>
<td>$107,304</td>
<td>—</td>
<td>$192,804</td>
</tr>
<tr>
<td>Carl Spielvogel(5)</td>
<td>$68,500</td>
<td>$112,704</td>
<td>—</td>
<td>$181,204</td>
</tr>
</tbody>
</table>

(1) Messrs. Clark, Ethridge, Hobbs, and Hoffman and Ms. Fairhead, have been omitted from this table since they received no compensation for serving on our board.

(2) Note 7, “Stock-Based Compensation”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 sets forth the relevant assumptions used to determine the valuation of our RSUs and options, as applicable.

(3) The values in this column represent the dollar amount recognized for financial reporting purposes during the 2008 fiscal year in accordance with SFAS 123(R). In addition to the amounts reported in this table, the directors also received dividend equivalents in connection with the 2008 quarterly dividend payments. Amounts are not included in a director’s compensation table as such amounts were factored into the grant date fair value of the underlying RSU and DSU awards. As of December 31, 2008, the dividend equivalents granted in 2008 have been reported in the consolidated balance sheet in retained earnings. The following table details the grant-date fair value of the dividend equivalents granted in 2008 to each director:

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant date</th>
<th>Stock awards</th>
<th>Grant-date fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myra R. Drucker</td>
<td>1/24/2008</td>
<td>72</td>
<td>2,084</td>
</tr>
<tr>
<td></td>
<td>3/31/2008</td>
<td>22</td>
<td>626</td>
</tr>
<tr>
<td></td>
<td>6/27/2008</td>
<td>50</td>
<td>1,261</td>
</tr>
<tr>
<td></td>
<td>9/26/2008</td>
<td>50</td>
<td>1,269</td>
</tr>
<tr>
<td></td>
<td>12/10/2008</td>
<td>57</td>
<td>1,333</td>
</tr>
<tr>
<td>Donald P. Greenberg</td>
<td>1/24/2008</td>
<td>152</td>
<td>4,400</td>
</tr>
<tr>
<td></td>
<td>3/31/2008</td>
<td>46</td>
<td>1,310</td>
</tr>
<tr>
<td></td>
<td>6/27/2008</td>
<td>77</td>
<td>1,941</td>
</tr>
<tr>
<td></td>
<td>9/26/2008</td>
<td>77</td>
<td>1,953</td>
</tr>
<tr>
<td></td>
<td>12/10/2008</td>
<td>87</td>
<td>2,034</td>
</tr>
<tr>
<td>Robert C. Lamb, Jr.</td>
<td>1/24/2008</td>
<td>74</td>
<td>2,142</td>
</tr>
<tr>
<td></td>
<td>3/31/2008</td>
<td>22</td>
<td>626</td>
</tr>
<tr>
<td></td>
<td>6/27/2008</td>
<td>51</td>
<td>1,286</td>
</tr>
<tr>
<td></td>
<td>9/26/2008</td>
<td>51</td>
<td>1,294</td>
</tr>
<tr>
<td></td>
<td>12/10/2008</td>
<td>57</td>
<td>1,333</td>
</tr>
<tr>
<td>Carl Spielvogel</td>
<td>1/24/2008</td>
<td>113</td>
<td>3,271</td>
</tr>
<tr>
<td></td>
<td>3/31/2008</td>
<td>22</td>
<td>626</td>
</tr>
<tr>
<td></td>
<td>6/27/2008</td>
<td>51</td>
<td>1,286</td>
</tr>
<tr>
<td></td>
<td>9/26/2008</td>
<td>51</td>
<td>1,294</td>
</tr>
<tr>
<td></td>
<td>12/10/2008</td>
<td>57</td>
<td>1,333</td>
</tr>
</tbody>
</table>

As of December 31, 2008, each of our non-employee directors had the following number of outstanding RSUs and DSUs: Ms. Drucker: 9,051, Mr. Greenberg: 13,890, Mr. Lamb: 9,126 and Amb. Spielvogel: 9,126.

(4) As of December 31, 2008, each of our non-employee directors had the following number of outstanding options: Ms. Drucker: 12,500, Mr. Greenberg: 60,000, Mr. Lamb: 12,500, Amb. Spielvogel: 60,000.

(5) The grant date fair value of the 2008 stock award is $124,973.

**Cash Compensation**

We compensate members of our board of directors who are not our employees, employees of Pearson or any significant stockholder, who we refer to as non-employee directors, with a mixture of cash and equity-based compensation. Directors who are our employees or employees of Pearson or another significant stockholder do not receive any compensation for their service as a member of our board of directors or any committee. Each non-employee director receives an annual retainer of $30,000 for his or her service as a director and $2,000 for
each board meeting attended in person and for all telephonic meetings attended in excess of 1 hour. In addition, the chair of our audit committee, should the chair be eligible, is entitled to an annual retainer of $20,000, each other non-employee member of the audit committee receives an annual retainer of $7,500 and, beginning with the sixth meeting of the audit committee, $1,500 for each committee meeting attended in person or telephonically. The chairman of our compensation committee, should the chair be eligible, is entitled to an annual retainer of $10,000, each other non-employee member of our compensation committee receives an annual retainer of $5,000 and, beginning with the sixth meeting of our compensation committee, $1,000 for each committee meeting attended in person or telephonically. The chairman of our compensation committee subcommittee, should the chair be eligible, is entitled to an annual retainer of $1,000, and each other non-employee member of the compensation committee subcommittee receives an annual retainer of $1,000. The chair of each of our nominating and corporate governance and independent committees, should the chair be eligible, is entitled to an annual retainer of $5,000 and each other non-employee member of each such committee receives an annual retainer of $3,000. Our policy also provides for reimbursement of normal travel expenses incurred by our directors to attend board and committee meetings.

Equity Compensation

For 2008, each non-employee director was granted RSUs pursuant to the terms of our 2000 Long-Term Incentive Plan on the date of the annual meeting of our stockholders. On May 21, 2008, each of Dr. Greenberg, Mr. Lamb, Ms. Drucker and Amb. Spielvogel was granted 4,528 RSUs.

Each RSU represents the right to receive one share of our common stock in the future without payment of an exercise or purchase price, subject to the terms and conditions set forth in the plan and the applicable award agreement. The RSUs generally vest on the first anniversary of the grant date. However, unvested RSUs awards will automatically become partially or fully vested upon the following circumstances: (1) upon the director’s death or resignation due to disability the RSUs will vest on a pro-rata basis based on the number of months of completed service as a director; (2) In the event the first anniversary of the grant date is a date after the annual meeting in that year and a director is not re-nominated so that the director’s term ends on the date of that annual meeting, the RSUs will vest in full on the date of that annual meeting.; or (3) 100% of any unvested awards will vest upon a change in control if, in connection with such change in control, our common stock is no longer listed on a recognized national securities exchange. In addition, if, prior to the settlement of any RSUs, dividends are declared with respect to our common stock, non-employee directors holding RSUs will be granted additional RSUs with a value equal to the dividends the director would have received if the RSUs had been actual shares of our common stock, based on the fair market value of a share of common stock on the applicable dividend payment date. Any RSUs issued in this manner will have the same restrictions and conditions as the original units with respect to which they were granted RSUs.

Non-Employee Director Equity Ownership Policy

In December 2003, our compensation committee adopted an equity ownership policy applicable to non-employee directors to be administered by the board. The policy guidelines state that not later than December 31, 2007 (or five years after a future director becomes subject to the policy, as the case may be), each independent director must hold at least the number of shares of our common stock (including vested and unvested DSUs and RSUs, but excluding vested but unexercised options) specified pursuant to the policy. The number of shares of our common stock that an independent director must hold was determined by dividing the annual retainer as of the date the director became subject to the policy by the closing price of our common stock as of such date and multiplying the result by a factor of three. For Mr. Greenberg and Amb. Spielvogel, the applicable annual retainer was $25,000 and the closing price was $16.58. Subsequently, the compensation committee made a determination to adjust the ownership amount to take into account a change in the share price and elected to adjust the required amount by reference to a deemed share price of $21.00 per common share. This resulted in an adjusted ownership requirement of 3,571 shares for each of Mr. Greenberg and Amb. Spielvogel. With respect to Mr. Lamb and Ms. Drucker, the requirement is 4,541 and 3,797 shares, respectively, based on a
The compensation committee believes that an equity ownership policy is important to encourage ownership of our common stock by independent directors in order to directly tie the interests of these board members to the interests of the stockholders and to minimize negative speculation in the marketplace that may result from the sale of our common stock by our independent directors. Our independent directors have satisfied their requirements under the equity ownership policy.

**PROPOSAL 2: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee has appointed Ernst & Young LLP as our independent registered public accounting firm for 2009, subject to ratification by a majority of the shares represented at our 2009 annual meeting of stockholders. Ernst & Young LLP served as our independent registered public accounting firm for 2008. The decision of the audit committee was based on a review of the qualifications, independence, past performance and quality controls of the independent registered public accounting firm. The decision also took into account the proposed audit scope, staffing and approach, including coordination of the external auditor’s efforts with those of our internal auditors, as well as the estimated audit fees for the coming year. Ernst & Young LLP is considered by management to be well qualified. Although not required by current law, rules, regulations or the charter of the audit committee, our board is submitting the selection of our independent registered public accounting firm to our stockholders for ratification because we value our stockholders’ views on our independent registered public accounting firm and as a matter of good corporate practice. If the selection of Ernst & Young LLP is not ratified by the majority of the shares present and entitled to vote on the matter, our audit committee will review its future selection of the independent registered public accounting firm in the light of that vote result.

Representatives of Ernst & Young LLP are expected to be present at the annual meeting of stockholders and will be given the opportunity to make a statement, if they desire, and to respond to appropriate questions.

**Principal Accountant Fees and Services**

The aggregate fees billed for professional services by (i) Ernst & Young LLP with respect to services performed in 2008 and (ii) Ernst & Young LLP with respect to services performed in 2007 were:

<table>
<thead>
<tr>
<th>Type of Fees</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$1,801,800</td>
<td>$1,939,600</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>$225,000</td>
<td>126,000</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,026,800</strong></td>
<td><strong>$2,065,600</strong></td>
</tr>
</tbody>
</table>

In the above table:

- “audit fees” are fees for professional services for the audit of our consolidated financial statements included in our Annual Report on Form 10-K and reviews of financial statements included in our Quarterly Reports on Form 10-Q, or for services that are normally provided by the registered independent public accounting firm in connection with statutory and regulatory filings or engagements;
- “audit-related fees” are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and which are not reported under audit fees. • “tax fees” are fees for tax compliance, tax advice, and tax planning services. Tax advice and tax planning services relate to certain international and domestic tax planning advice or tax return review. In 2008, the tax fees relate to research and development for a tax credit and a meals and entertainment review. In 2007, all of the tax fees related to research and development for a tax credit; and
- “all other fees” are fees for any services not included in the first three categories.
The fees for 2008 in the above table have not yet all been billed by Ernst & Young LLP and reflect Ernst & Young LLP’s estimate of fees for 2008.

The audit committee has reviewed the fees paid (or estimated to be paid) to Ernst & Young LLP as part of its review of Ernst & Young LLP’s independence.

Pre-Approval Policies

Our audit committee has established written policies and procedures related to the pre-approval of all audit and non-audit services that are to be performed by our registered independent public accounting firm. Under these policies, no audit or non-audit services may be undertaken by our independent registered public accounting firm unless the engagement is specifically approved in advance by our audit committee or the services are included within a category of services which has been pre-approved by our audit committee. The maximum dollar amount for services is established by the audit committee on an annual or per project basis when the specific engagement or the category of services is approved or pre-approved. Fee amounts are updated to the extent necessary at each quarterly meeting of the audit committee. In certain circumstances, the chair of our audit committee may pre-approve the services, which pre-approval must be ratified by the full audit committee at its next regularly scheduled meeting.

Our audit committee will not approve engagements of our independent registered public accounting firm to perform non-audit services for us if doing so will cause our registered independent public accounting firm to cease to be independent within the meaning of applicable SEC or NYSE rules and regulations. In other circumstances, our audit committee considers, among other things, whether our independent registered public accounting firm is able to provide the required services in a more or less effective and efficient manner than other available service providers.

In 2008 and 2007, all services for which we engaged our auditors were pre-approved by our audit committee (or pre-approved by the chair of the audit committee and ratified by the audit committee as permitted under our pre-approval policies) and no fees were provided under the de minimis exception to the audit committee pre-approval requirements in accordance with applicable NYSE and SEC rules and regulations. Our audit committee approved the engagement of Ernst & Young to provide these services because they determined that Ernst & Young’s providing these services would not compromise its independence and that its familiarity with our record keeping and accounting systems would permit it to provide these services with equal or higher quality, quicker and at a lower cost than we could obtain these services from other providers.

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

The shares represented by returned proxy cards will be voted FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm unless an instruction to the contrary is indicated on the proxy card.

PROPOSAL 3: APPROVAL OF OUR 2009 LONG-TERM INCENTIVE PLAN

Our board of directors has recommended and asks that you approve the terms of the 2009 Interactive Data Corporation Long-Term Incentive Plan (the “2009 LTIP”). The purpose of the 2009 LTIP is to attract, retain and motivate our key personnel. The 2009 LTIP, which provides for the grant of stock options, stock appreciation rights (“SARs”), restricted stock and units, deferred stock and units, bonus stock, dividend equivalents, and other stock-based awards to our directors, officers, employees and consultants, is an integral part of the company’s compensation philosophy. This philosophy is more fully described in the “Compensation Discussion and Analysis” section beginning on page 19 of this proxy statement.
The total number of shares that may be issued for awards under the 2009 LTIP is six million (6,000,000). The total number of shares that may be issued for awards to any single participant during a calendar year for stock options and SARs is one million (1,000,000) and for other stock-based awards (excluding stock options and SARs) is one million (1,000,000). No awards may be granted under the 2009 LTIP after March 17, 2019, the 10th anniversary of its adoption by our board of directors.

The 2009 LTIP permits stock options and other performance-based awards to be considered “qualified performance-based compensation” as defined under regulations interpreting Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”). Section 162(m) of the Code limits the deductibility of compensation in excess of $1 million paid by a publicly traded corporation to certain “covered employees” unless it is qualified performance-based compensation.

Upon stockholder approval of the 2009 LTIP, no further awards will be made under the 2000 Long-Term Incentive Plan.

The following is a general description of the 2009 LTIP. This summary is qualified in its entirety by reference to the terms of the 2009 LTIP, a copy of which is included as Appendix A to this proxy statement.

**Material Features of the 2009 Long-Term Incentive Plan**

**Awards.** Awards under the 2009 LTIP may include: (1) options to purchase shares of our common stock, including incentive stock options, or ISOs, non-qualified stock options or both; (2) SARs; (3) restricted stock; (4) deferred stock; (5) bonus stock and awards in lieu of cash compensation; (6) dividend equivalents, consisting of a right to receive cash, other awards, or other property equal in value to dividends paid with respect to a specified number of shares of common stock, or other periodic payments; or (7) other awards not otherwise provided for, the value of which are based in whole or in part upon the value of the common stock. The flexible terms of the 2009 LTIP are intended to, among other things, permit the company to impose performance conditions with respect to any award, thereby requiring forfeiture of all or part of any award if performance objectives are not met, or linking the time of exercisability or settlement of an award to the achievement of performance conditions.

**Eligibility.** Awards under the 2009 LTIP may be granted to our directors, officers, employees and consultants or the directors, officers, employees or consultants of our parent or subsidiaries.

**Administration.** The compensation committee (the “Committee”) or such other committee as may be designated by our board, will administer the 2009 LTIP and will have the authority to make all decisions and determinations under the 2009 LTIP including the authority to: (1) select the directors, officers and other employees and consultants entitled to receive awards under the 2009 LTIP; (2) determine the form of awards, or combinations of awards, and whether such awards are to operate on a tandem basis or in conjunction with other awards; (3) determine the number of shares of common stock or units or rights covered by an award; and (4) determine the terms and conditions of any awards granted under the 2009 LTIP, including any restrictions or limitations on transfer, any vesting schedules or the acceleration of vesting schedules and any forfeiture provision or waiver of same. The exercise price at which shares of common stock may be purchased pursuant to the grant of stock options under the 2009 LTIP is to be determined by the committee at the time of grant in its sole discretion, provided that in no event may the exercise price be less than the fair market value of the stock on the date the stock option is granted.

**Number of Shares of Common Stock Subject to the 2009 LTIP.** The maximum number of shares of our common stock that may be issued for all purposes under the 2009 LTIP is six million (6,000,000). In addition, the total number of awards that may be granted to any single participant during a calendar year for stock options and SARs is one million (1,000,000) and for other stock-based awards (excluding stock options and SARs) is one million (1,000,000). On March 27, 2009, the record date, the closing market price of our common stock on the New York Stock Exchange was $24.24.
Adjustments or Changes in Capitalization. In the event of any change in the outstanding shares of common stock by reason of a stock split, stock dividend or other non-recurring dividends or distributions, recapitalization, merger, consolidation, spin-off, combination, repurchase or exchange of stock, reorganization, liquidation, dissolution or other similar corporate transaction that affects our common stock, the aggregate number of shares of common stock available under the 2009 LTIP or subject to outstanding awards (including the exercise price of any awards) will be adjusted as the Committee deems necessary or appropriate. In addition, the Committee may adjust the terms and conditions of awards in recognition of unusual or nonrecurring events affecting us, our parent or subsidiaries or in response to changes in applicable laws, regulations or accounting principles.

Stock Options. Stock options granted under the 2009 LTIP may be non-qualified stock options or incentive stock options for federal income tax purposes. The exercise price or purchase price per share of common stock underlying an option will be determined by the Committee, but may not be less than 100% of the fair market value of a share on the date of grant. The Committee will determine the time or times at which a stock option may be exercised and the methods by which the exercise price will be paid. The Committee will also determine the period, if any, during which the stock options will be exercisable following a participant’s termination of employment. Unless otherwise determined by the Committee, (x) during any period that a stock option is exercisable following termination of a participant’s employment or service, it will be exercisable only to the extent it was exercisable upon such termination of employment or service, and (y) if such termination of employment or service is for cause, as determined in the discretion of the Committee, all stock options held by a participant will immediately terminate.

Stock Appreciation Rights. SARs granted under the 2009 LTIP confer on participants the right to receive, upon the exercise of the SAR, the excess of (A) the fair market value of one share of stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee as of the date of grant (which will not be less than the fair market value of one share of stock on the date of grant). The Committee will determine the time or times at which a SAR may be exercised and the method of exercise, method of settlement, form of consideration payable in settlement, method by which shares of stock will be delivered or deemed to be delivered and any other terms and conditions of any SAR.

Restricted Stock. The Committee is authorized to grant stock that is subject to restrictions based on continued employment or service. The restrictions on transferability and any other restrictions are set by the Committee. Unless determined otherwise, a participant granted a restricted stock will have the right to vote and the right to receive dividends with respect to restricted stock. Unless determined otherwise by the Committee, upon termination of employment or service during the applicable restricted period, any restricted stock that is subject to restrictions at that time will be forfeited and reacquired by the company. The Committee has the discretion to waive any restrictions or forfeiture conditions relating to the restricted stock.

Dividend Equivalents. The Committee is authorized to grant awards entitling participants to receive cash, stock or other awards or other property equal in value to dividends paid with respect to a specified number of shares of stock. Dividend equivalents may be granted on a free-standing basis or in connection with another award.

Other Stock-Based Awards. The Committee may also grant other forms of equity-based or equity-related awards not specifically described in the 2009 LTIP. Such awards may be denominated or payable, valued in whole or in part by reference to, or otherwise based on, or related to, stock and factors that may influence the value of stock, as deemed by the Committee to be consistent with the purposes of the 2009 LTIP. The Committee will determine the terms and conditions of these awards.

Performance-Based Awards. The Committee may designate any award, the exercisability or settlement of which is subject to the achievement of performance conditions, as a performance-based award that is intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code. In order to qualify as performance-based compensation, the performance objective(s) used for the performance-based award
must be from the list of performance objectives set forth in the 2009 LTIP. The performance objectives set forth in the 2009 LTIP are: net income; cash flow; cash flow on investment; pre-tax or post-tax profit levels or earnings; operating income or earnings; return on investment; earned value added; expense reduction levels; free cash flow; free cash flow per share; earnings per share; net earnings per share; net earnings from continuing operations; sales growth; sales volume; economic profit; expense reduction; controlled expenses; return on assets; return on net assets; return on equity; return on capital; return on sales; return on invested capital; organic revenue; growth in managed assets; total stockholder return; stock price; stock price appreciation; EBITA; adjusted EBITA; EBITDA; adjusted EBITDA; return in excess of cost of capital; profit in excess of cost of capital; net operating profit after tax; operating margin; profit margin; adjusted revenue; revenue; net revenue; operating revenue; net cash provided by operating activities; net cash provided by operating activities per share; cash conversion percentage; new sales; net new sales; cancellations; gross margin; gross margin percentage; and revenue before deferral. The Committee may select any number of performance objectives from this list of performance objectives when establishing the performance measures of a performance-based award, but such objectives must be set no later than 90 days after the beginning of the applicable performance period. The 2009 LTIP allows performance objectives to be described in terms of objectives that are related to an individual participant or objectives that are company-wide or related to a subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of company performance (or performance of the applicable subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index.

**Transferability.** Except as otherwise provided by the Committee, awards granted under the 2009 LTIP are generally not assignable or transferable except by the laws of descent and distribution or pursuant to a domestic relations order.

**Amendment and Termination.** The 2009 LTIP will terminate on the earlier to occur of (i) termination by our board of directors and (ii) March 17, 2019. The 2009 LTIP may be amended, altered, suspended, discontinued, or terminated by our board of directors without stockholder approval unless such approval is required by law or regulation or under the rules of any stock exchange or automated quotation system on which our common stock is then listed or quoted. Participant consent is required to amend the terms of an outstanding award that will materially impair the rights of such participant.

**Prohibition on Repricing.** The company may not lower the exercise price of outstanding stock options or SARs. In addition, a stock option or SAR may not be surrendered as consideration in exchange for the grant of a new stock option or SAR with a lower exercise price.

**Federal Tax Consequences**

The following is a brief description of the federal income tax consequences generally arising with respect to certain awards that may be granted under the 2009 LTIP based on the current tax laws. This discussion is intended for the information of stockholders considering how to vote at the annual meeting and not as tax guidance to individuals who participate in the 2009 LTIP.

**Nonqualified Stock Options.** There will be no federal income tax consequences to a participant or to us upon the grant of a nonqualified stock option. When the participant exercises a nonqualified option, however, the participant will realize ordinary income in an amount equal to the excess of the fair market value of the option shares that the participant receives upon exercise of the stock option at the time of exercise over the exercise price, and the company will be allowed a corresponding deduction, subject to any applicable limitations under Section 162(m). Any gain that a participant realizes when the participant later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the participant held the shares. Nonqualified stock options granted with an exercise price at least equal to 100% of the fair market value of the underlying stock at the date of grant may qualify as “performance-based compensation.”
**Incentive Stock Options.** There typically will be no federal income tax consequences to a participant or to us upon the grant or exercise of an incentive stock option, or ISO. If the participant holds the option shares for the required holding period of at least two years after the date the ISO was granted or one year after exercise of the ISO, the difference between the exercise price and the amount realized upon sale or disposition of the option shares will be long-term capital gain or loss, and the company will not be entitled to a federal income tax deduction. If the participant disposes of the option shares in a sale, exchange or other disqualifying disposition before the required holding period ends, the participant will realize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise (or the sale price of the shares sold in the disqualifying disposition, if less) over the exercise price, and the company will be allowed a federal income tax deduction equal to such amount, subject to any applicable limitations under Section 162(m). While the exercise of an ISO does not result in current taxable income, the excess of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the participant's alternative minimum tax. ISOs granted with an exercise price at least equal to 100% of the fair market value of the underlying stock at the date of grant may qualify as "performance-based compensation."

**Stock Appreciation Rights.** The participant will not recognize income, and the company will not be allowed a tax deduction, at the time a SAR is granted. When the participant exercises the SAR, the fair market value of any shares of common stock received will be taxable as ordinary income, and the company will be allowed a federal income tax deduction equal to such amount, subject to any applicable limitations under Section 162(m).

**Restricted Stock.** Unless a participant makes an election to accelerate recognition of the income to the date of grant as described below, the participant will not recognize income, and the company will not be allowed a tax deduction, at the time a restricted stock award is granted. When the participant exercises the restricted stock, the participant will recognize ordinary income equal to the fair market value of the common stock as of that date, less any amount paid for the stock, and the company will be allowed a corresponding tax deduction at that time, subject to any applicable limitations under Section 162(m). If the participant files an election under Section 83(b) of the Code within 30 days after the date of grant of the restricted stock, the participant will recognize ordinary income as of the date of grant equal to the fair market value of the stock as of that date, less any amount the participant paid for the stock, and the company will be allowed a corresponding tax deduction at that time, subject to any applicable limitations under Section 162(m) of the Code. Any future appreciation in the stock will be taxable to the participant at capital gains rates. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to his Section 83(b) election.

**Performance-Based Shares.** A participant will not recognize income, and the company will not be allowed a tax deduction, at the time performance shares are granted. When the participant receives payment under the performance shares, the amount of cash and the fair market value of any shares of stock received will be ordinary income to the participant, and the company will be allowed a corresponding tax deduction at that time, subject to any applicable limitations under Section 162(m).

**2009 LTIP Benefits.** Because awards under the 2009 LTIP are determined by the Committee in its sole discretion, the company cannot determine the benefits or amounts that will be received or allocated in the future under the 2009 LTIP.

The 2009 LTIP, as is set forth as Appendix A to this Proxy Statement, and the description of the 2009 LTIP contained herein is qualified in its entirety by reference to Appendix A.
EQUITY COMPENSATION PLAN INFORMATION

The following provides certain aggregate information with respect to our equity compensation plans in effect as of December 31, 2008.

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights(3)</th>
<th>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</th>
<th>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in First Column)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Compensation Plans Approved by Securityholders(1)</td>
<td>10,820,744</td>
<td>$18.38</td>
<td>8,840,095(2)</td>
</tr>
<tr>
<td>Equity Compensation Plans not Approved by Securityholders</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>10,820,744</td>
<td>$18.38</td>
<td>8,840,095(2)</td>
</tr>
</tbody>
</table>

(1) Includes our 2000 Long-Term Incentive Plan, as amended, the Data Broadcasting Corporation Stock Option Plan, as amended, our 2001 Employee Stock Purchase Plan, as amended, and our U.K. Savings Related Share Option Plan.

(2) Represents 954,451 shares of common stock reserved for issuance under our 2001 Employee Stock Purchase Plan and our U.K. Savings Related Share Option Plan as well as 7,885,644 shares available for future issuance under our 2000 Long-Term Incentive Plan. Under the terms of our 2000 Long-Term Incentive Plan, the Compensation Committee of our Board of Directors is able to grant stock-based awards representing up to 20% of the total number of shares of our common stock outstanding at the date of grant. Accordingly, the number of shares of common stock available for stock-based awards under our 2000 Long-Term Incentive Plan varies from time to time.

(3) Includes the number of shares of common stock issuable upon the settlement of outstanding deferred and restricted stock units.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE 2009 LONG TERM INCENTIVE PLAN.

The shares represented by returned proxy cards will be voted FOR approval of the 2009 Long Term Incentive Plan unless an instruction to the contrary is indicated on the proxy card.

SELECTION OF CANDIDATES FOR DIRECTOR

Our board of directors has established corporate governance guidelines which, among other matters, set forth the qualifications for service on our board of directors. These guidelines may be modified from time to time by our board of directors at its discretion. Among the established criteria to be considered are the following: (1) a reputation for integrity, honesty and adherence to high ethical standards; (2) a demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to our current and long-term objectives and a willingness to contribute positively to our decision-making processes; (3) a commitment to understand our company, our business, and our industry, and to regularly attend and participate in meetings of our board of directors and its committees; and (4) the value of diversity on the board of directors. Our nominating and corporate governance committee is responsible for identifying individuals qualified to become independent directors and recommending nominations to the board of directors with respect to independent directors to be elected by stockholders. Our full board of directors is responsible for identifying director nominees other than independent director nominees. Our board feels that this is appropriate because we are a company controlled by Pearson. Our board of directors also appoints directors to fill board vacancies of directors that may occur from time to time. In the case of independent director vacancies, such appointments are made in accordance with recommendations made by the nominating and corporate governance committee.

In considering candidates to serve as independent directors, our nominating and corporate governance committee’s policy is to seek individuals who have qualities that the committee believes may be effective in serving our long-term best interests. We also have an equity ownership policy applicable to independent directors described under “Non-Employee Director Equity Ownership Policy” on page 55 of this proxy statement.
Stockholder recommendations for independent director nominations that meet the requirements set forth herein will be considered using the same criteria as other independent candidates considered by our nominating and corporate governance committee. A stockholder who wants to recommend a candidate to be a nominee should send such recommendation to our nominating and corporate governance committee using the procedures described above under “Board of Directors — Communications with Our Board of Directors.” Such recommendations must describe why such candidate is independent and meets the criteria described above, set forth the candidate’s and recommender’s names and addresses and provide biographical information about the recommended candidate that would be required if the candidate were to be nominated. The recommending stockholder must also include the proposed nominee’s written consent to serve as a nominee, if nominated, and as a director, if elected.

We did not receive any stockholder recommendations or nominations to our board of directors for the 2009 annual meeting. All nominations were made by our board of directors which includes members who represent Pearson, our majority stockholder.

STOCKHOLDER NOMINATION OF DIRECTORS

In addition to the ability to submit independent director recommendations to the nominating and corporate governance committee, stockholders also have the right under our by-laws to directly nominate director candidates, without any action or recommendation on the part of the nominating and corporate governance committee or the board. Such nominations must be in writing and delivered to our corporate secretary at our principal executive offices at 32 Crosby Drive, Bedford, Massachusetts, 01730 no later than 10 days after the date on which notice of the annual meeting is first given to the stockholders, or 60 days prior to the annual meeting, whichever is later. Any nomination must include the information regarding the person advancing the nomination as well as information about the nominee as required by our by-laws. Nominations not made according to these procedures will be disregarded.

STOCKHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS

A stockholder who intends to present a proposal at the 2010 annual meeting of stockholders for inclusion in our proxy materials relating to that meeting must submit the proposal by December 17, 2009. In order for the proposal to be included in the proxy statement, the stockholder submitting the proposal must meet certain eligibility standards and comply with the requirements as to form and substance established by applicable laws and regulations. The proposal must be mailed to Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts, 01730, and should be directed to the attention of our corporate secretary.

Proposals of stockholders intended to be included in the proxy statement and proxy card relating to the 2010 Annual Meeting of Stockholders and to be presented at such meeting must be received by the company for inclusion in the proxy statement and proxy card no later than December 17, 2009. In addition, our bylaws include an advance notice provision that requires stockholders desiring to bring proposals before an annual meeting (which proposals are not to be included in the company’s proxy statement and thus are submitted outside the processes of Rule 14a-8 under the Exchange Act) to do so in accordance with the terms of such advance notice provision. The advance notice provision requires that, among other things, stockholders give timely written notice to the corporate secretary regarding their proposals. To be timely, notices must be delivered to the corporate secretary at the principal executive office of the company not less than 60, nor more than 90, days prior to the first anniversary of the date on which the Company mailed its proxy materials for the preceding year’s annual meeting of stockholders. Accordingly, a stockholder who intends to present a proposal at the 2010 Annual Meeting of Stockholders without inclusion of the proposal in the company’s proxy materials must provide written notice of such proposal to the corporate secretary at the address listed above no earlier than January 9, 2010, and no later than February 8, 2010. Proposals received at any other time will not be voted on at the meeting. If a stockholder makes a timely notification, the proxies that management solicits for the meeting may still exercise discretionary voting authority with respect to the stockholder’s proposal under circumstances consistent with the proxy rules of the SEC.
HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers and other nominee record holders may participate in the practice of “householding” proxy statements and annual reports. This means that unless stockholders give contrary instructions, multiple stockholders in each household will receive a single envelope containing the Notices of Internet Availability of Proxy Materials. The Notice for each stockholder will include that stockholder’s unique control number needed to vote his or her shares. This procedure will reduce our printing costs and postage fees.

For those stockholders who request to receive a printed copy of our proxy statement and annual report by mail, we will send only one copy of such materials to each address unless one or more of those stockholders notifies us, in the manner described below, that they wish to receive a printed copy for each stockholder at that address. We will promptly deliver a separate copy of the proxy materials to you if you call or write to us at the following address or telephone number: Investor Relations, Interactive Data Corporation, 32 Crosby Drive, Bedford, Massachusetts, 01730, telephone (781) 687-8500.

If in the future, you want to receive your Notice in a separate envelope, or separate copies of our proxy statement or annual report, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other record holder, or you may contact us at the above address or telephone number.

CODE OF BUSINESS CONDUCT AND ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. Our Code of Business Conduct and Ethics is posted on our website, www.interactiveData.com, under the heading “About Us — Corporate Governance.” A printed copy of our Code of Business Conduct and Ethics is also available free of charge to any stockholder who requests a copy. We intend to satisfy all disclosure requirements required by law or NYSE listing standards regarding any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics by posting such information on our website.

OTHER MATTERS

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to above. If any other matter is properly brought before the meeting for action by stockholders, any proxies issued in connection with the annual meeting will be voted in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

By order of the Board of Directors.

Andrea H. Loew
Executive Vice President, General Counsel and Corporate Secretary

April 9, 2009
INTERACTIVE DATA CORPORATION
2009 LONG-TERM INCENTIVE PLAN

1. Purpose. The purpose of this 2009 Long-Term Incentive Plan of Interactive Data Corporation, a Delaware corporation, and any successors thereto, is to advance the interests of the Company and its stockholders by providing a means to attract, retain and motivate directors, officers, employees and consultants of and service providers to the Company and its affiliates and to enable such persons to acquire or increase a proprietary interest in the Company, thereby promoting a closer identity of interests between such persons and the Company’s stockholders.

2. Definitions. The definitions of awards under the Plan, including Options, SARs (including Limited SARs), Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of other awards, Dividend Equivalents and Other Stock-Based Awards as are set forth in Section 6 of the Plan. Such awards, together with any other right or interest granted to a Participant under the Plan, are termed “Awards.” For purposes of the Plan, the following additional terms shall be defined as set forth below:

a. “Award Agreement” means any written agreement, contract, notice or other instrument or document evidencing an Award.

b. “Beneficiary” shall mean the person, persons, trust or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Plan upon such Participant’s death or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

c. “Board” means the Board of Directors of the Company.

d. “Code” means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include regulations thereunder and successor provisions and regulations thereto.

e. “Committee” means the committee appointed by the Board to administer the Plan, or if no committee is appointed, the Board.

f. “Company” means Interactive Data Corporation, a Delaware corporation, and any successors thereto.

g. “EBITA” means the Company’s earnings before interest, taxes and amortization.

h. “EBITDA” means the Company’s earnings before interest, taxes, depreciation and amortization.


j. “Fair Market Value” means, with respect to Stock, Awards, or other property, the fair market value of such Stock, Awards, or other property determined by such methods or procedures as shall be established from time to time by the Committee, provided, however, that if the Stock is listed on a national securities exchange or quoted in an interdealer quotation system, the Fair Market Value of such Stock on a given date shall be based upon the last sales price at the end of regular trading or, if unavailable, the average of the closing bid and asked prices per share of the Stock at the end of regular trading on such date (or, if there was no trading or quotation in the Stock on such date, on the next preceding date on which there was trading or quotation) as provided by one of such organizations.
k. “GAAP” means the United States Generally Accepted Accounting Principles.

l. “ISO” means any Option that is designated as an incentive stock option within the meaning of Section 422 of the Code and qualifies as such.

m. “Parent” means any “person” (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) that controls the Company, either directly or indirectly through one or more intermediaries.

n. “Participant” means a person who, at a time when eligible under Section 5 hereof, has been granted an Award under the Plan.

o. “Plan” means the 2009 Long-Term Incentive Plan of Interactive Data Corporation

p. “Rule 16b-3” means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

q. “Stock” means the Company’s Common Stock, and such other securities or other consideration as may be substituted for Stock pursuant to Section 4.

r. “Subsidiary” means each entity that is controlled by the Company or a Parent, either directly or indirectly through one or more intermediaries

3. Administration.

a. Authority of the Committee. Except as otherwise provided below, the Plan shall be administered by the Committee. The Committee shall have final, binding and conclusive authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

i. to select Participants;

ii. to determine the type or types of Awards to be granted to each such person;

iii. to determine the number of Awards to be granted, the number of shares of Stock to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability or settlement of an Award, and waivers or accelerations thereof, performance objectives and goals relating to an Award (including performance objectives relating to Awards not intended to be governed by Section 7(e) and waivers and modifications thereof), based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

iv. to determine whether, to what extent and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

v. to determine whether, to what extent and under what circumstances cash, Stock, other Awards or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee or at the election of the Participant;

vi. to determine the restrictions, if any, to which Stock received upon exercise or settlement of an Award shall be subject (including lock-ups and other transfer restrictions), may condition the delivery of such Stock upon the execution by the Participant of any agreement providing for such restrictions;

vii. to prescribe the form of each Award Agreement, which need not be identical for each Participant;
viii. to adopt, amend, suspend, waive and rescind such rules and regulations and appoint or engage such agents as the Committee may deem necessary, appropriate or advisable to administer the Plan;

ix. to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement or other instrument hereunder; and

x. to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary, appropriate or advisable for the administration of the Plan.

Other provisions of the Plan notwithstanding, the Board shall perform the functions of the Committee for purposes of granting awards to directors who serve on the Committee, and the Board may perform any function of the Committee under the Plan for any other purpose, including without limitation for the purpose of ensuring that transactions under the Plan by Participants who are then subject to Section 16 of the Exchange Act in respect of the Company are exempt under Rule 16b-3. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board, except where the context otherwise requires. Awards granted to Participants who are subject to Section 162(m) of the Code that are intended to qualify as performance-based compensation for the purposes of Section 162(m) of the Code shall be granted by the Committee or a subcommittee thereof, that consists of at least two individuals, each of whom shall be qualified as an “outside director” (or shall satisfy any successor standard thereto) for purposes of Section 162(m) of the Code; provided, however, that an inadvertent failure of any member of the Committee, or a subcommittee thereof, to be so qualified shall not invalidate any action or determination made by the Committee or subcommittee.

b. Manner of Exercise of Committee Authority. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons, including the Company, its Parent and Subsidiaries, Participants, any person claiming any rights under the Plan from or through any Participant and stockholders, except to the extent the Committee may subsequently modify, or take further action not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee (subject to Section 8(e)). The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. Except as provided under Section 7(e), the Committee may delegate to officers or managers of the Company, its Parent or Subsidiaries the authority, subject to such terms as the Committee shall determine, to perform such functions as the Committee may determine, to the extent permitted under applicable law.

c. Limitation of Liability; Indemnification. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company, its Parent or Subsidiaries, the Company’s independent certified public accountants or any executive compensation consultant, legal counsel or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, or any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on its behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

4. Stock Subject to Plan.

a. Plan Limit. Subject to adjustment in accordance with Section 4(d) below, the maximum aggregate number of shares of Stock that may be issued for all purposes under the Plan shall be six million (6,000,000) (the “Plan Limit”). Shares of Stock to be issued under the Plan may be authorized and unissued shares of Stock, issued shares of Stock that have been reacquired by the Company (in the open market or in private transactions) and that are being held in treasury, or a combination of issued and unissued shares of Stock. All of the shares of Stock
subject to the Plan Limit may be issued pursuant to ISOs, except that in calculating the number of shares of Stock that remain available for Awards of ISOs, the rules set forth in this Section 4 shall not apply to the extent not permitted under Section 422 of the Code.

b. Rules Applicable for Determining Shares Available for Issuance. The number of shares of Stock remaining available for issuance shall be reduced by the number of shares of Stock subject to outstanding Awards and, for Awards that are not denominated by shares of Stock, by the number of shares of Stock actually delivered upon settlement or payment of the Award. For purposes of determining the number of shares of Stock that remain available for issuance under the Plan, the number of shares of Stock corresponding to Awards under the Plan that are forfeited or cancelled or otherwise expire for any reason without having been exercised or settled or that are settled through issuance of consideration other than shares of Stock (including, without limitation, cash) shall be added back to the Plan Limit and again be available for the grant of Awards.

c. Annual Per-Participant Limitations. Notwithstanding anything to the contrary in Section 4(a) above, but subject to adjustment under Section 4(d), the following individual limits shall apply to shares of Stock available for Awards under the Plan:

i. the maximum number of shares of Stock that may be issued pursuant to Options and SARs granted to any Participant in any calendar year shall equal 1,000,000 shares of Stock; and

ii. the maximum amount of Awards (other than those Awards set forth in Section 4(c)(i)) that may be awarded to any Participant in any calendar year is $3,000,000 measured as of the date of grant (with respect to Awards denominated in cash) or 1,000,000 shares of Stock measured as of the date of grant (with respect to Awards denominated in shares of Stock).

d. Adjustments. In the event that any recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or exchange of Stock or other securities, Stock dividend or other special, large and non-recurring dividend or distribution (whether in the form of cash, securities or other property), liquidation, dissolution, or other similar corporate transaction or event, affects the Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock or other consideration reserved and available for Awards under Sections 4(a), 4(b) and 4(c), including shares of Stock or other consideration reserved for ISOs, (ii) the number and kind of shares of outstanding Restricted Stock or other outstanding Awards in connection with which shares of Stock or other consideration have been issued, (iii) the number and kind of shares of Stock or other consideration that may be issued in respect of other outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award). In addition, except with respect to Awards that are intended to qualify for the performance-based exception under Section 162(m) of the Code to the extent any adjustments would result in such Awards failing to so qualify, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including, without limitation, cancellation of unexercised or outstanding Awards, or substitution of Awards using stock of a successor or other entity) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company, its Parent or any Subsidiary or the financial statements of the Company, its Parent or any Subsidiary, or in response to changes in applicable laws, regulations, or accounting principles.

5. Eligibility. Directors, officers and employees of the Company or its Parent or any Subsidiary, and persons who provide consulting or other services to the Company, its Parent or any Subsidiary deemed by the Committee to be of substantial value to the Company or its Parent and Subsidiaries, are eligible to be granted Awards under the Plan. In addition, persons who have been offered employment by, or agreed to become a director of, the Company, its Parent or any Subsidiary, and persons employed by an entity that the Committee reasonably expects to become a Subsidiary of the Company, are eligible to be granted an Award under the Plan.
6. Specific Terms of Awards.

a. General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service of the Participant. Except as expressly provided by the Committee (including for purposes of complying with the requirements of the Delaware General Corporation Law relating to lawful consideration for the issuance of shares), no consideration other than services will be required as consideration for the grant (but not the exercise) of any Award.

b. Options. The Committee is authorized to grant options to purchase Stock on the following terms and conditions (“Options”):

i. Exercise Price. The exercise price per share of Stock purchasable under an Option shall be determined by the Committee; provided, however, that in no event shall the exercise price per share of Stock be less than the Fair Market Value of the Stock on the date the Option is granted.

ii. Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Stock, other Awards or awards granted under other Company plans or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis, such as through “cashless exercise” arrangements, to the extent permitted by applicable law), and the methods by which Stock will be delivered or deemed to be delivered to Participants.

iii. Termination of Employment or Service. The Committee shall determine the period, if any, during which Options shall be exercisable following a Participant’s termination of his employment or service with the Company, its Parent or any Subsidiary. For this purpose, unless otherwise determined by the Committee, any sale of a Subsidiary of the Company pursuant to which it ceases to be a Subsidiary of the Company shall be deemed to be a termination of employment or service by any Participant employed by or providing services to such Subsidiary. Unless otherwise determined by the Committee, (x) during any period that an Option is exercisable following termination of the Participant’s employment or service, it shall be exercisable only to the extent it was exercisable upon such termination of employment or service, and (y) if such termination of employment or service is for cause, as determined in the discretion of the Committee, all Options held by the Participant shall immediately terminate.

iv. Sale of the Company. Upon the consummation of any transaction whereby the Company (or any successor to the Company or substantially all of its business) becomes a wholly-owned Subsidiary of any corporation, all Options outstanding under the Plan shall terminate, unless such other corporation shall continue or assume the Plan as it relates to Options then outstanding (in which case such other corporation shall be treated as the Company for all purposes hereunder, and, pursuant to Section 4(d), the Committee of such other corporation shall make appropriate adjustment in the number and kind of shares of Stock subject thereto and the exercise price per share thereof (if applicable) to reflect consummation of such transaction). If the Plan is not to be so assumed, the Company shall notify the Participant of consummation of such transaction at least ten days in advance thereof.

v. Options Providing Favorable Tax Treatment. The Committee may grant Options that may afford a Participant with favorable treatment under the tax laws applicable to such Participant, including, but not limited to ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, as amended from time to time. If Stock acquired by exercise of an ISO is sold or otherwise disposed of within two years after the date of grant of the ISO or within one year after the transfer of such Stock to the Participant, the holder of the Stock immediately prior to the disposition shall promptly notify the Company in writing of the date and terms of the disposition and shall provide such other information regarding the disposition as the Company may reasonably require in order to secure any deduction then available against the Company’s or any other...
corporation’s taxable income. The Company may impose such procedures as it determines may be necessary to ensure that such notification is made. Each Option granted as an ISO shall be designated as such in the Award Agreement relating to such Option.

c. Stock Appreciation Rights. The Committee is authorized to grant stock appreciation rights on the following terms and conditions (“SARs”):

i. Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, if the Committee shall so determine in the case of any such right other than one related to an ISO, the Fair Market Value of one share at any time during a specified period before or after the date of exercise), over (B) the grant price of the SAR as determined by the Committee as of the date of grant of the SAR, shall be not less than the Fair Market Value of one share of Stock on the date of grant.

ii. Other Terms. The Committee shall determine the time or times at which an SAR may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Limited SARs that may only be exercised upon the occurrence of a change in control of the Company may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. Limited SARs may be either freestanding or in tandem with other Awards.

d. Restricted Stock. The Committee is authorized to grant Stock that is subject to restrictions based on continued employment or service on the following terms and conditions (“Restricted Stock”):

i. Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee may determine. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock or the right to receive dividends thereon.

ii. Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service (as determined under criteria established by the Committee) during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of termination resulting from specified causes.

iii. Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates may bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, the Company may retain physical possession of the certificate, in which case the Participant shall be required to have delivered a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

iv. Dividends. Dividends paid on Restricted Stock shall be either paid at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Stock, other Awards, or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed, unless otherwise determined by the Committee.
e. Deferred Stock. The Committee is authorized to grant units representing the right to receive Stock at a
future date subject to the following terms and conditions (“Deferred Stock”):

i. Award and Restrictions. Delivery of Stock will occur upon expiration of the deferral period specified
for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the
Participant). In addition, Deferred Stock shall be subject to such restrictions as the Committee may impose,
if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times,
separately or in combination, in installments or otherwise, as the Committee may determine.

ii. Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or
service (as determined under criteria established by the Committee) during the applicable deferral period or
portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the
Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be
forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award
Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to
Deferred Stock will be waived in whole or in part in the event of termination resulting from specified
causes.

iii. Applicable Law. The terms of all Deferred Stock shall comply with the applicable provisions of
Section 409A and 162(m) of the Code.

f. Bonus Stock and Awards in Lieu of Cash Obligations. The Committee is authorized to grant Stock as a
bonus, or to grant Stock or other Awards in lieu of Company obligations to pay cash under other plans or
compensatory arrangements.

g. Dividend Equivalents. The Committee is authorized to grant awards entitling the Participant to receive
cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number
of shares of Stock (“Dividend Equivalents”). Dividend Equivalents may be awarded on a free-standing basis or in
connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or
distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards or other
investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee
may specify.

h. Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to
grant such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or
otherwise based on, or related to, Stock and factors that may influence the value of Stock, as deemed by the
Committee to be consistent with the purposes of the Plan, including, without limitation, convertible or
exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock,
Awards with value and payment contingent upon performance of the Company or any other factors designated by
the Committee and Awards valued by reference to the book value of Stock or the value of securities of or the
performance of specified Subsidiaries (“Other Stock Based Awards”). The Committee shall determine the terms
and conditions of such Awards. Stock issued pursuant to an Award in the nature of a purchase right granted
under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in
such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall
determine. Cash awards, as an element of or supplement to any other Award under the Plan, may be granted
pursuant to this Section 6(h).


a. Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under the Plan may, in the
discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any
other Award granted under the Plan or any award granted under any other plan of the Company, its Parent or
Subsidiaries or any business entity to be acquired by the Company or a Subsidiary, or any other right of a
Participant to receive payment from the Company its Parent or Subsidiaries. Awards granted in addition to or in tandem with other Awards may be granted either as of the same time as or a different time from the grant of such other Awards.

b. Term of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided, however, that (i) in no event shall the term of any ISO or an SAR granted in tandem therewith exceed a period of ten years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code), and (ii) the term of any Option granted to a resident of the United Kingdom shall not exceed a period of ten years from the date of its grant.

c. Form of Payment Under Awards. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company, its Parent or Subsidiaries upon the grant, exercise or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments or on a deferred basis. Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments denominated in Stock.

d. Rule 16b-3 Compliance. With respect to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company, the Committee shall implement transactions under the Plan and administer the Plan in a manner that will ensure that each transaction by such a Participant is exempt from liability under Rule 16b-3, except that such a Participant may be permitted to engage in a non-exempt transaction under the Plan if written notice has been given to the Participant regarding the non-exempt nature of such transaction. The Committee may authorize the Company to repurchase any Award or shares of Stock resulting from any Award in order to prevent a Participant who is subject to Section 16 of the Exchange Act from incurring liability under Section 16(b). Unless otherwise specified by the Participant, equity securities, including derivative securities, acquired under the Plan which are disposed of by a Participant shall be deemed to be disposed of in the order acquired by the Participant.

e. Performance-Based Awards.

(1) The Committee may, in its discretion, designate any Award, the exercisability or settlement of which is subject to the achievement of performance conditions as a performance-based Award subject to this Section 7(e), in order to qualify such Award as “qualified performance-based compensation” within the meaning of Section 162(m) and regulations thereunder. If the Committee determines to designate an award as a performance-based Award pursuant to this Section 7(e), then no later than 90 days after the beginning of the applicable performance period (or such earlier or later date as may be required under Section 162(m)), the Committee shall (i) designate each Participant who will receive an Award, (ii) select the performance objectives to be applicable with respect to the Award, (iii) establish the specific performance targets related to such performance objectives for the specified performance period with sufficient specificity to satisfy the requirements of Section 162(m) and (iv) specify the relationship between the specified performance targets for each objective and the amount of the Award to be earned by each Participant for the performance period. Following the completion of each performance period, the Committee shall certify in writing whether the applicable performance targets have been achieved for each performance objective and the amount of the Award, if any, payable to or earned by the Participant for the performance period. The Committee may, in its discretion, reduce the amount of a payment otherwise to be made in connection with an Award subject to this Section 7(e), but may not exercise discretion to increase such amount, and the Committee may consider other performance criteria in exercising such discretion.

(2) The performance objectives for an Award subject to this Section 7(e) shall relate to the achievement of financial goals based on the attainment of specified levels of one or more business criteria and a targeted level of performance with respect to such criteria, as specified by the Committee in accordance with this Section 7(e).
Performance objectives shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(c) of the Code. The business criteria used by the Committee in establishing performance objectives for Awards subject to this Section 7(e) shall be selected from among the following as the Committee deems appropriate: net income; cash flow; cash flow on investment; pre-tax or post-tax profit levels or earnings; operating income or earnings; return on investment; earned value added; expense reduction levels; free cash flow; free cash flow per share; earnings per share; net earnings per share; net earnings from continuing operations; sales growth; sales volume; economic profit; expense reduction; controlled expenses; return on assets; return on net assets; return on equity; return on capital; return on sales; return on invested capital; organic revenue; growth in managed assets; total stockholder return; stock price; stock price appreciation; EBITA; adjusted EBITA; EBITDA; adjusted EBITDA; return in excess of cost of capital; profit in excess of cost of capital; net operating profit after tax; operating margin; profit margin; adjusted revenue; revenue; net revenue; operating revenue; net cash provided by operating activities; net cash provided by operating activities per share; cash conversion percentage; new sales; net new sales; cancellations; gross margin; gross margin percentage; and revenue before deferral, in each case as defined by the Committee on the date the Award is granted with such specificity as required by Section 162(m) of the Code.

(3) The performance objectives may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index. Performance objectives may differ for Awards to different Participants and from grant to grant. The Committee shall specify the weighting to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. All determinations by the Committee as to the achievement of performance objectives shall be in writing. To the extent that any member of the Committee does not qualify as an “outside director” for purposes of Section 162(m), the Award made pursuant to this Section 7(e) shall be granted and administered by a subcommittee consisting solely of two or more directors who satisfy such qualifications.

(4) At the time the Committee determines the terms of the Award in accordance with Section 7(e)(1), the Committee may specify adjustments to be applied to the calculation of the performance targets with respect to the relevant performance period to take into account certain events, including, without limitation, any one or more of the following:

i. the impact of transactional foreign exchange gain or loss. Transactional foreign exchange gain or loss is the foreign exchange gain or loss associated with the settlement of our functional currency against any other currency;

ii. the impact of changes in GAAP and statutory tax rates that become effective after the commencement of the performance period;

iii. the gain, loss, income and/or expense reported publicly by the Company with respect to the performance period that are extraordinary or unusual in nature or infrequent in occurrence as defined by GAAP;

iv. the gains or losses resulting from, and the direct expenses incurred in connection with, the disposition of a business, in whole or in part, or the sale of investments or non-core assets;

v. the gain or loss or expenses from all or certain claims, litigation and/or regulatory proceedings or inquiries and all or certain insurance recoveries relating to claims or litigation;

vi. the impact of impairment of long-term tangible or intangible assets;

vii. the impact of restructuring or business recharacterization activities, including but not limited to reductions in force, that are reported publicly by the Company; and

viii. the impact of acquisitions or dispositions made during the year.

a. Compliance with Laws, Restrictions and Obligations. The Company shall not be obligated to issue or deliver Stock in connection with any Award or take any other action under the Plan in a transaction subject to the requirements of any applicable securities law, any requirement under any listing agreement between the Company and any national securities exchange or automated quotation system or any other law, regulation or contractual obligation of the Company until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. To the extent that certificates representing shares of Stock are issued under the Plan, the certificates will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

b. Limitations on Transferability. Awards and other rights under the Plan shall not be transferable by a Participant except by will or the laws of descent and distribution, to a Beneficiary in the event of the Participant’s death or pursuant to a domestic relations order, shall not be pledged, mortgaged, hypothecated or otherwise encumbered, or otherwise subject to the claims of creditors, and, in the case of ISOs and SARs in tandem therewith, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative; provided, however, that such Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant to the extent and on such terms as then may be permitted by the Committee.

c. No Right to Continued Employment or Service. Neither the Plan nor any action taken hereunder shall be construed as giving any employee, director or other person the right to be retained in the employ or service of the Company, its Parent or any Subsidiary, nor shall it interfere in any way with the right of the Company, its Parent or any Subsidiary to terminate any employee’s employment or other person’s service at any time or with the right of the Board or stockholders to remove any director.

d. Taxes. The Company, its Parent or a Subsidiary, as appropriate, may require any individual entitled to receive a payment of an Award to remit to the Company, prior to payment, an amount sufficient to satisfy any applicable tax withholding requirements. In the case of an Award payable in shares of Stock, the Company, its Parent or a Subsidiary, as appropriate, may permit or require a Participant to satisfy, in whole or in part, the obligation to remit taxes by directing the Company to withhold shares of Stock that would otherwise be received by the individual, or may repurchase shares of Stock that were issued to the Participant, to satisfy the minimum statutory withholding rates for any applicable tax withholding purposes, in accordance with any applicable law and pursuant to any rules that the Committee may establish from time to time. The Company, its Parent or a Subsidiary, as appropriate, shall also have the right to deduct from all cash payments made to a Participant (whether or not the payment is made in connection with an Award) any applicable taxes required to be withheld with respect to payments under the Plan.

e. Changes to the Plan and Awards. The Board may amend, alter, suspend, discontinue or terminate the Plan or the Committee’s authority to grant Awards under the Plan without the consent of stockholders or Participants. However, if, such action requires stockholder approval pursuant to any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, then such action shall be subject to the approval of the Company’s stockholders at or before the next annual meeting of stockholders for which the record date is after such Board action. In addition, the Board may otherwise, in its discretion, determine to submit other such changes to the Plan to stockholders for approval; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under any Award theretofore granted to him (as such rights are set forth in the Plan and the Award Agreement). The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under such Award (as such rights are set forth in the Plan and the Award Agreement). The Board or the
Committee shall also have the authority to establish separate sub-plans under the Plan with respect to Participants resident in a particular jurisdiction (the terms of which shall not be inconsistent with those of the Plan) if necessary or desirable to comply with the applicable laws of such jurisdiction.

f. No Rights to Awards; No Stockholder Rights. No person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants and employees. Except as otherwise expressly provided herein or in an Award Agreement, no Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Stock is duly issued or transferred and delivered to the Participant in accordance with the terms of the Award or, in the case of an Option, the Option is duly exercised.

g. Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company’s obligations under the Plan to deliver cash, Stock, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the “unfunded” status of the Plan unless the Committee otherwise determines.

h. Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor any submission of the Plan or amendments thereto to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

i. No Limitation on Corporate Actions. Nothing contained in the Plan shall be construed to prevent the Company, its Parent or any Subsidiary from taking any corporate action, whether or not it would have an adverse effect on any Awards made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company, its Parent or any Subsidiary as a result of any corporate action.

j. No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

k. Award Clawback. Notwithstanding anything in this Plan to the contrary, the Board reserves the right to cancel or adjust the amount of any Award if the financial statements of the Company on which the calculation or determination of the Award was based are subsequently restated due to error or misconduct and, in the judgment of the Board, the financial statements as so restated would have resulted in a smaller or no Award if such information had been known at the time the Award had originally been calculated or determined. In addition, in the event of such a restatement, the Company may require a Participant, to repay to the Company the amount by which the Award as originally calculated or determined exceeds the Award as adjusted pursuant to the preceding sentence.

l. Repricing of Options and SARs. Notwithstanding anything in the Plan to the contrary, an Option or SAR shall not be granted in substitution for a previously granted Option or SAR being cancelled or surrendered as a condition of receiving a new Award, if the new Award would have a lower exercise price than the Award it replaces, nor shall the exercise price of an Option or SAR be reduced once the Option or SAR is granted.

m. Award Agreement. In the event of any conflict or inconsistency between the Plan and any Award Agreement, the Plan shall govern and the Award Agreement shall be interpreted to minimize or eliminate any such conflict or inconsistency.
n. Effective Date; Plan Termination. The Plan shall become effective as of the date of its adoption by the Board, and shall continue in effect until the earlier to occur of: (i) termination by the Board or (ii) the tenth anniversary of the date of adoption by the Board of Directors; provided, however, that if approval of such adoption by the Company’s shareholders is not obtained within 12 months of the date of such adoption, the Plan shall terminate ab initio, and any Awards then outstanding shall be canceled.

o. Governing Law. The validity, construction and effect of the Plan, any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware and applicable federal law.