UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☑	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended *June 30, 2009*

or

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___

Commission File Number 1-1204

HESS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization)

13-4921002
(I.R.S. Employer Identification Number)

1185 AVENUE OF THE AMERICAS, NEW YORK, N.Y.
(Address of Principal Executive Offices)

10036
(Zip Code)
(Registrant's Telephone Number, Including Area Code is (212) 997-8500)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No o

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

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

At June 30, 2009, there were 327,052,233 shares of Common Stock outstanding.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)
(In millions, except per share data)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
REVENUES AND NON-OPERATING INCOME				
Sales (excluding excise taxes) and other operating revenues	$ 6,751	$ 11,711	$ 13,666	$ 22,358
Equity in income (loss) of HOVENSA L.L.C.	(75)	(19)	(116)	(29)
Other, net	79	37	77	100
Total revenues and non-operating income	6,755	11,729	13,627	22,429
COSTS AND EXPENSES				
Cost of products sold (excluding items shown separately below)	4,705	8,337	9,887	16,042
Production expenses	444	494	853	918
Marketing expenses	245	267	502	500
Exploration expenses, including dry holes and lease impairment	312	158	505	310
Other operating expenses	43	47	91	92
General and administrative expenses	136	156	296	308
Interest expense	95	65	172	132
Depreciation, depletion and amortization	558	482	1,044	934
Total costs and expenses	6,538	10,006	13,350	19,236
INCOME BEFORE INCOME TAXES	217	1,723	277	3,193
Provision for income taxes	115	812	192	1,530
NET INCOME	102	911	85	1,663
Less: Net income attributable to noncontrolling interests	2	11	44	4
NET INCOME ATTRIBUTABLE TO HESS CORPORATION	$ 100	$ 900	$ 41	$ 1,659
NET INCOME PER SHARE ATTRIBUTABLE TO HESS CORPORATION				
BASIC	$ .31	$ 2.81	$ .13	$ 5.20
DILUTED	.31	2.76	.13	5.11
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (DILUTED)	325.8	326.2	325.7	325.0
COMMON STOCK DIVIDENDS PER SHARE	$ .10	$ .10	$ .20	$ .20

See accompanying notes to consolidated financial statements.

Table of Contents

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In millions of dollars, thousands of shares)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,063	$ 908
Accounts receivable	4,097	4,297
Inventories	1,358	1,308
Other current assets	990	819
Total current assets	7,508	7,332
INVESTMENTS IN AFFILIATES		
HOVENSA L.L.C.	804	919
Other	209	208
Total investments in affiliates	1,013	1,127
PROPERTY, PLANT AND EQUIPMENT		
Total — at cost	28,387	27,437
Less reserves for depreciation, depletion, amortization and lease impairment	11,966	11,166
Property, plant and equipment — net	16,421	16,271
GOODWILL	1,225	1,225
DEFERRED INCOME TAXES	2,413	2,292
OTHER ASSETS	336	342
TOTAL ASSETS	$ 28,916	$ 28,589

LIABILITIES AND EQUITY

	June 30, 2009	December 31, 2008
CURRENT LIABILITIES		
Accounts payable	$ 5,331	$ 5,045
Accrued liabilities	1,679	1,905
Taxes payable	468	637
Current maturities of long-term debt	135	143
Total current liabilities	7,613	7,730
LONG-TERM DEBT	4,178	3,812
DEFERRED INCOME TAXES	2,235	2,241
ASSET RETIREMENT OBLIGATIONS	1,249	1,164
OTHER LIABILITIES	1,263	1,251
Total liabilities	16,538	16,198
EQUITY		
Hess Corporation Stockholders' Equity		
Common stock, par value $1.00		
Authorized — 600,000 shares		
Issued 327,052 shares at June 30, 2009; 326,133 shares at December 31, 2008	327	326
Capital in excess of par value	2,415	2,347
Retained earnings	11,617	11,642
Accumulated other comprehensive income (loss)	(2,100)	(2,008)
Total Hess Corporation stockholders' equity	12,259	12,307
Noncontrolling interests	119	84
Total equity	12,378	12,391
TOTAL LIABILITIES AND EQUITY	$ 28,916	$ 28,589

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
STATEMENT OF CONSOLIDATED CASH FLOWS (UNAUDITED)
(In millions of dollars)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 85	$ 1,663
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	1,044	934
Exploratory dry hole costs and lease impairment	304	105
Benefit for deferred income taxes	(304)	(112)
Equity in (income) loss of HOVENSA L.L.C., net of distributions	116	79
Changes in operating assets and liabilities and other	(4)	246
Net cash provided by operating activities	1,241	2,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,389)	(2,005)
Other, net	32	39
Net cash used in investing activities	(1,357)	(1,966)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of debt with maturities of 90 days or less	(850)	(3)
Debt with maturities of greater than 90 days		
Borrowings	1,247	—
Repayments	(39)	(32)
Cash dividends paid	(98)	(97)
Distributions to noncontrolling interests	(1)	(48)
Employee stock options exercised, including income tax benefits	12	103
Net cash provided by (used in) financing activities	271	(77)
NET INCREASE IN CASH AND CASH EQUIVALENTS	155	872
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	908	607
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,063	$ 1,479

See accompanying notes to consolidated financial statements.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The financial statements included in this report reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of Hess Corporation's (the Corporation) consolidated financial position at June 30, 2009 and December 31, 2008 and the consolidated results of operations for the three and six-month periods ended June 30, 2009 and 2008 and the consolidated cash flows for the six month periods ended June 30, 2009 and 2008. The unaudited results of operations for the interim periods reported are not necessarily indicative of results to be expected for the full year.

The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by U.S. generally accepted accounting principles (GAAP) have been condensed or omitted from these interim financial statements. These statements, therefore, should be read in conjunction with the consolidated financial statements and related notes included in the Corporation's Form 10-K for the year ended December 31, 2008.

Effective January 1, 2009, the Corporation adopted Financial Accounting Standards Board (FASB) Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, *an amendment of ARB No. 51* (FAS 160), which changes the accounting for and reporting of noncontrolling interests in a consolidated subsidiary. As required, the Corporation retrospectively applied the presentation and disclosure requirements of FAS 160. At June 30, 2009 and December 31, 2008 noncontrolling interests of $119 million and $84 million, respectively, have been classified as a component of equity. Previously the noncontrolling interests had been classified in other liabilities. Net income attributable to the noncontrolling interests of $2 million for the three months ended and $44 million for the six months ended June 30, 2009 and $11 million for the three months ended and $4 million for the six months ended June 30, 2008 are included in net income. Certain amounts in the consolidated financial statements and footnotes have been reclassified to conform with the presentation requirements of FAS 160.

Effective January 1, 2009, the Corporation also adopted FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, which expands the disclosure requirements for an entity's use of derivative instruments. See Note 8, Derivative Instruments, Hedging, and Trading Activities, for these disclosures.

The Corporation adopted FASB Staff Position FAS No. 157-2, *Effective Date of FASB Statement No. 157*, effective January 1, 2009, which requires the application of the fair value measurement and disclosure provisions of FAS 157 to nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis. The impact of adoption was not material to the Corporation's consolidated financial statements.

Effective June 30, 2009, the Corporation adopted FASB Statement No. 165 (FAS 165), *Subsequent Events*. FAS 165 provides guidance on the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of FAS 165 did not impact the Corporation's existing practice of evaluating subsequent events through the date the financial statements are filed with the SEC. These financial statements were evaluated for subsequent events through August 7, 2009.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In June 2009, the FASB issued Statements No. 166, *Accounting for Transfers of Financial Assets- an amendment of FASB Statement No. 140* (FAS 166) and No. 167, *Amendments to FASB Interpretation No. FIN 46(R)* (FAS 167). FAS 166 eliminates the concept of a qualifying special-purpose entity, which did not require consolidation under existing GAAP, and limits the circumstances in which transferred financial assets should be derecognized. FAS 167 requires additional analysis of variable interest entities to determine if consolidation is necessary. The Corporation is currently evaluating the impact of FAS 166 and FAS 167 on its financial statements and, as required, will adopt the provisions of these standards effective January 1, 2010.

2. Inventories

Inventories consist of the following (in millions):

	June 30, 2009	December 31, 2008
Crude oil and other charge stocks	$ 396	$ 383
Refined products and natural gas	1,193	988
Less: LIFO adjustment	(664)	(500)
	925	871
Merchandise, materials and supplies	433	437
Total inventories	$ 1,358	$ 1,308

3. Refining Joint Venture

The Corporation accounts for its investment in HOVENSA L.L.C. (HOVENSA) using the equity method. Summarized financial information for HOVENSA follows (in millions):

	June 30, 2009	December 31, 2008
Summarized balance sheet		
Cash and short-term investments	$ 201	$ 75
Other current assets	683	664
Net fixed assets	2,089	2,136
Other assets	53	58
Current liabilities	(996)	(679)
Long-term debt	(356)	(356)
Deferred liabilities and credits	(107)	(104)
Members' equity	$ 1,567	$ 1,794

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Summarized income statement				
Total revenues	$ 2,640	$ 5,446	$ 4,663	$ 9,757
Cost and expenses	(2,787)	(5,482)	(4,891)	(9,811)
Net loss	$ (147)	$ (36)	$ (228)	$ (54)
Hess Corporation's share, before income taxes	$ (75)	$ (19)	$ (116)	$ (29)

During the first half of 2008, the Corporation received a cash distribution of $50 million from HOVENSA.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. Capitalized Exploratory Well Costs

The following table discloses the net changes in capitalized exploratory well costs pending determination of proved reserves for the six months ended June 30, 2009 (in millions):

Beginning balance at January 1	$ 1,094
Additions to capitalized exploratory well costs pending the determination of proved reserves	162
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	(10)
Capitalized exploratory wells charged to expense	(54)
Ending balance at June 30	$ 1,192

The preceding table excludes costs related to exploratory dry holes of $131 million which were incurred and subsequently expensed in 2009. Capitalized exploratory well costs greater than one year old after completion of drilling were $665 million as of June 30, 2009 and $381 million as of December 31, 2008. This increase is primarily related to the Pony and Tubular Bells projects in the deepwater Gulf of Mexico, where development options are being evaluated.

5. Long-Term Debt

In February 2009, the Corporation issued $250 million of 5 year senior unsecured notes with a coupon of 7% and $1 billion of 10 year senior unsecured notes with a coupon of 8.125%. The majority of the proceeds were used to repay revolving credit debt and outstanding borrowings on other credit facilities.

6. Foreign Currency

Pre-tax foreign currency gains amounted to the following (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Foreign currency gains	$ 35	$ 11	$ 31	$ 44

The pre-tax amount of foreign currency gains is included in other, net within revenues and non-operating income.

7. Retirement Plans

Components of net periodic pension cost consisted of the following (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Service cost	$ 10	$ 10	$ 20	$ 20
Interest cost	20	20	40	40
Expected return on plan assets	(15)	(20)	(30)	(40)
Amortization of net loss	14	3	28	6
Pension expense	$ 29	$ 13	$ 58	$ 26

In 2009, the Corporation expects to contribute approximately $100 million to its pension plans. Through June 30, 2009, the Corporation had contributed $43 million to its pension plans.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. Derivative Instruments, Hedging, and Trading Activities

The Corporation utilizes derivative instruments for both non-trading and trading activities. In non-trading activities, the Corporation uses futures, forwards, options and swaps individually or in combination, to mitigate its exposure to fluctuations in prices of crude oil, natural gas, refined products and electricity, and changes in foreign currency exchange rates. In trading activities, the Corporation, principally through a consolidated partnership (in which the Corporation has a 50% voting interest), trades energy commodities and energy derivatives, including futures, forwards, options and swaps, based on expectations of future market conditions. The following information includes 100% of the trading partnership's accounts.

The Corporation maintains a control environment under the direction of its chief risk officer and through its corporate risk policy, which the Corporation's senior management has approved. Controls include volumetric, term and value-at-risk limits. Risk limits are monitored daily and exceptions are reported to business units and to senior management. The Corporation's risk management department also performs independent verifications of sources of fair values and validations of valuation models. These controls apply to all of the Corporation's non-trading and trading activities, including the consolidated trading partnership.

The table below shows the total volume of the Corporation's trading and non-trading derivative instruments outstanding at June 30, 2009:

	Volume*
Commodity Contracts	
Crude oil, refined products, and natural gas liquids (millions of barrels)	2,149
Natural gas (millions of mcf)	9,282
Electricity (millions of megawatt hours)	191
Other Contracts	
Foreign exchange (millions of U.S. dollars)	2,116

* *Gross notional amounts represent both long and short positions, including long and short positions that offset in a closed position that has not reached contractual maturity. Gross notional amounts do not quantify risk or represent assets or liabilities of the Corporation, but are used in the calculation of cash settlements under the contracts.*

The Corporation records all derivative instruments on the balance sheet at fair value (see Note 9, Fair Value Measurements). The table below reflects the gross and net fair values of the Corporation's derivative instruments as of June 30, 2009 (in millions):

	Accounts Receivable	Accounts Payable
Derivative contracts designated as hedging instruments		
Commodity	$ 1,118	$ (1,940)
Derivative contracts not designated as hedging instruments*		
Commodity	11,881	(13,106)
Foreign exchange	78	(39)
Other	12	(13)
Total derivative contracts not designated as hedging instruments	11,971	(13,158)
Gross fair value of derivative contracts	13,089	(15,098)
Master netting arrangements	(11,270)	11,270
Cash collateral (received) posted	(281)	94
Net fair value of derivative contracts	$ 1,538	$ (3,734)

* *Includes trading derivatives and derivatives used for risk management.*

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Corporation generally enters into master netting arrangements to mitigate counterparty credit risk. Master netting arrangements are standardized contracts that govern all specified transactions with the same counterparty and allow the Corporation to terminate all contracts upon occurrence of certain events, such as a counterparty's default or bankruptcy. Because these arrangements provide the right of offset, and the Corporation's intent and practice is to offset amounts in the case of contract terminations, the Corporation records fair value on a net basis in accordance with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*.

Non-trading activities

Cash Flow Hedges**:** The Corporation uses commodity contracts to hedge variability of expected future cash flows and forecasted transactions (cash flow hedges). At June 30, 2009, the Corporation used cash flow hedges principally to fix the cost of supply in its energy marketing business. The length of time over which the Corporation hedges exposure to variability in future cash flows is predominantly two years or less. For contracts outstanding at June 30, 2009, the maximum length of time was five years.

The Corporation records the effective portion of changes in the fair value of cash flow hedges as a component of other comprehensive income. Amounts recorded in accumulated other comprehensive income are reclassified into cost of products sold in the same period that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized immediately in cost of products sold.

The Corporation may use futures and swaps to hedge crude oil and natural gas production in its Exploration and Production business. In October 2008, the Corporation closed its Brent crude oil cash flow hedges by entering into offsetting contracts with the same counterparty, covering 24,000 barrels per day from 2009 through 2012. As a result, the Corporation no longer accounts for these contracts as cash flow hedges. Because the underlying cash flows from the originally hedged production are still probable, the deferred losses within accumulated other comprehensive income as of the date the contracts were closed will be recorded in sales and other operating revenues as the contracts mature. There were no open hedges of crude oil or natural gas production at June 30, 2009.

At June 30, 2009, the after-tax deferred losses in accumulated other comprehensive income relating to cash flow hedges were $1,591 million. The Corporation estimates that approximately $715 million of this amount will be reclassified into earnings over the next twelve months.

Other Risk Management Derivatives: The Corporation mitigates certain risks in its energy marketing business using commodity contracts that it does not designate as hedges. Changes in fair value of the commodity contracts, which include forward purchases and sales of energy marketing products, are recognized currently in earnings. Revenues from the sales contracts are recognized in sales and other operating revenues and supply contract purchases are recognized in cost of products sold. The Corporation also uses foreign exchange contracts that it does not designate as hedges with the intent to reduce its exposure to fluctuations in foreign exchange rates. Changes in the fair value of the foreign exchange contracts are recognized currently in other non-operating income. Net pretax gains on these derivative contracts amounted to the following (in millions):

	Three months ended June 30, 2009	Six months ended June 30, 2009
Commodity	$ 7	$ 89
Foreign exchange	110	107
Total	$ 117	$ 196

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Trading Activities

In trading activities, the Corporation is primarily exposed to changes in crude oil, natural gas, and refined product prices. Pre-tax gains (losses) recorded in sales and other operating revenues from trading activities amounted to the following (in millions):

	Three months ended June 30, 2009	Six months ended June 30, 2009
Commodity	$ 10	$ 100
Foreign exchange	23	30
Other	7	15
Total	$ 40	$ 145

Credit Risk

The Corporation is exposed to credit risks that may at times be concentrated with certain counterparties or groups of counterparties. Accounts receivable are generated from a diverse domestic and international customer base. The Corporation reduces its risk related to certain counterparties by using master netting arrangements and requiring collateral, generally cash or letters of credit. The Corporation records the cash collateral received or posted as an offset of the fair value of derivatives executed with the same counterparty.

At June 30, 2009, the Corporation had a total of $4,290 million of outstanding letters of credit, primarily issued to satisfy margin and collateral requirements. Certain of the Corporation's agreements also contain contingent collateral provisions that could require the Corporation to post additional collateral if the Corporation's credit rating declines. As of June 30, 2009, the net liability related to derivatives with contingent collateral provisions was approximately $2,960 million before cash collateral posted of approximately $65 million. At June 30, 2009, all three major credit rating agencies that rate the Corporation's debt had assigned an investment grade rating. If two of the three agencies were to downgrade the Corporation's rating to below investment grade, the Corporation would be required as of June 30, 2009 to post additional collateral of approximately $334 million.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. Fair Value Measurements

The Corporation measures fair value in accordance with the provisions of FASB Statement No. 157, *Fair Value Measurements*, (FAS 157). FAS 157 establishes a hierarchy for the inputs used to measure fair value based on the source of the input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value, however, the level of fair value for each financial asset or liability presented below is based on the lowest significant input level within this fair value hierarchy. The following table provides the fair value of the Corporation's financial assets and (liabilities) based on this hierarchy (in millions):

	Level 1	Level 2	Level 3	Collateral and counterparty netting	Balance at June 30, 2009
Supplemental pension plan investments	$ 54	$ —	$ 14	$ —	$ 68
Derivative contracts					
Assets	160	1,338	468	(428)	1,538
Liabilities	(166)	(3,112)	(697)	241	(3,734)

The following table provides changes in financial assets and liabilities that are measured at fair value based on Level 3 inputs (in millions):

	Three months ended June 30, 2009	Six months ended June 30, 2009
Balance at beginning of period	$ (165)	$ 149
Unrealized gains (losses)		
Included in earnings	(12)	50
Included in other comprehensive income (loss)	(19)	(224)
Purchases, sales or other settlements during the period	16	16
Net transfers in to (out of) Level 3	(35)	(206)
Balance at end of period	$ (215)	$ (215)

The carrying amounts of the Corporation's financial instruments generally approximate their fair values at June 30, 2009 except fixed rate long term debt, which had a carrying value of $4,313 million and a fair value of $4,611 million.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

10. Weighted Average Common Shares

The weighted average numbers of common shares used in the basic and diluted earnings per share computations are as follows (thousands of shares):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Common shares – basic	323,975	320,936	323,676	319,167
Effect of dilutive securities				
Restricted common stock	986	1,515	1,128	1,945
Stock options	818	3,192	885	3,343
Convertible preferred stock	—	534	—	534
Common shares – diluted	325,779	326,177	325,689	324,989

The Corporation issued 3,050,250 stock options and 1,022,050 shares of restricted stock in the first six months of 2009. The table above excludes the effect of out-of-the-money options on 3,546,000 shares and 4,073,000 shares for the quarter and six months ended June 30, 2009, respectively.

11. Equity and Comprehensive Income

The table below summarizes changes in equity (amounts in millions):

	Hess Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance January 1, 2009	$ 12,307	$ 84	$ 12,391
Net Income	41	44	85
Deferred gains (losses) on cash flow hedges, after tax			
Effect of hedge losses recognized in income	419	—	419
Net change in fair value of cash flow hedges	(532)	—	(532)
Change in foreign currency translation adjustments and other	2	(8)	(6)
Change in post retirement plan liabilities, after tax	19	—	19
Comprehensive income (loss)	(51)	36	(15)
Activity related to restricted common stock awards, net	27	—	27
Employee stock options, including income tax benefits	42	—	42
Cash dividends declared	(66)	—	(66)
Distributions to non-controlling interests	—	(1)	(1)
Balance June 30, 2009	$ 12,259	$ 119	$ 12,378
Balance January 1, 2008	$ 9,774	$ 226	$ 10,000
Net Income	1,659	4	1,663
Deferred gains (losses) on cash flow hedges, after tax			
Effect of hedge losses recognized in income	187	—	187
Net change in fair value of cash flow hedges	(653)	—	(653)
Change in foreign currency translation adjustments and other	29	4	33
Change in post retirement plan liabilities, after tax	5	—	5
Comprehensive income (loss)	1,227	8	1,235
Activity related to restricted common stock awards, net	32	—	32
Employee stock options, including income tax benefits	130	—	130
Cash dividends declared	(65)	—	(65)
Distributions to non-controlling interests	—	(48)	(48)
Balance June 30, 2008	$ 11,098	$ 186	$ 11,284

Comprehensive income was $248 million ($239 million attributable to Hess Corporation) for the three months ended June 30, 2009 and $290 million ($279 million attributable to Hess Corporation) for the three months ended June 30, 2008.

PART I — FINANCIAL INFORMATION (CONT'D.)

HESS CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

12. Segment Information

The Corporation's results by operating segment were as follows (in millions):

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Operating revenues				
Exploration and Production	$ 1,825	$ 3,234	$ 3,027	$ 5,886
Marketing and Refining	4,952	8,558	10,693	16,621
Less: Transfers between affiliates	(26)	(81)	(54)	(149)
Total*	$ 6,751	$ 11,711	$ 13,666	$ 22,358
Net income (loss) attributable to Hess Corporation				
Exploration and Production	$ 215	$ 1,025	$ 151	$ 1,849
Marketing and Refining	(30)	(52)	72	(36)
Corporate, including interest	(85)	(73)	(182)	(154)
Total	$ 100	$ 900	$ 41	$ 1,659

* Operating revenues exclude excise and similar taxes of approximately $500 million and $550 million in the second quarter of 2009 and 2008, respectively, and $1,000 million and $1,050 million during the first half of 2009 and 2008, respectively.

Identifiable assets by operating segment were as follows (in millions):

	June 30, 2009	December 31, 2008
Identifiable assets		
Exploration and Production	$ 20,637	$ 19,506
Marketing and Refining	6,371	6,680
Corporate	1,908	2,403
Total	$ 28,916	$ 28,589

PART I — FINANCIAL INFORMATION (CONT'D.)

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Overview

Hess Corporation (the Corporation) is a global integrated energy company that operates in two segments, Exploration and Production (E&P) and Marketing and Refining (M&R). The E&P segment explores for, develops, produces, purchases, transports and sells crude oil and natural gas. The M&R segment manufactures refined petroleum products and purchases, trades and markets refined petroleum products, natural gas and electricity. The Corporation reported net income of $100 million in the second quarter of 2009, compared with $900 million in the second quarter of 2008.

Exploration and Production: E&P reported income of $215 million for the second quarter of 2009, compared with income of $1,025 million in the second quarter of 2008. The decrease in earnings mainly reflects significantly lower average oil and gas selling prices.

In the second quarter of 2009, the Corporation's average worldwide crude oil selling price, including the effect of hedging, was $49.27 per barrel compared with $104.29 per barrel in the second quarter of 2008. The Corporation's average worldwide natural gas selling price was $4.56 per thousand cubic feet (mcf) in the second quarter of 2009 compared with $7.81 per mcf in the second quarter of 2008.

Worldwide crude oil and natural gas production was 407,000 barrels of oil equivalent per day (boepd) in the second quarter of 2009 compared with 393,000 boepd in the same period of 2008. The Corporation now anticipates that its production for the full year of 2009 will average between 390,000 and 400,000 boepd.

The following is an update of Exploration and Production activities during the second quarter of 2009.

- Production increased during the second quarter at the Shenzi Field (Hess 28%) in the deepwater Gulf of Mexico, which commenced production at the end of the first quarter of 2009. Net production averaged 21,000 boepd for the quarter.
- In July, the Corporation announced that the Guarani well on the BM-S-22 (Hess 40%) license in the Santos Basin offshore Brazil has been completed and no notice of discovery was filed with the Brazilian government by the field operator. The Corporation's portion of the well costs was expensed in the second quarter. The next steps are to analyze the significant amount of log and core data gathered from the first two wells, and to plan the location of a third well to further evaluate the BM-S-22 license.
- The Corporation commenced a planned 12 well program on permit WA-390-P (Hess 100%) offshore Western Australia designed to further appraise the block.

Marketing and Refining: M&R reported a loss of $30 million for the second quarter of 2009, compared with a loss of $52 million in the second quarter of 2008, primarily reflecting improved energy marketing and trading results, partially offset by lower refining and retail margins.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations

The after-tax results by major operating activity were as follows (in millions, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Exploration and Production	$ 215	$ 1,025	$ 151	$ 1,849
Marketing and Refining	(30)	(52)	72	(36)
Corporate	(26)	(33)	(75)	(72)
Interest expense	(59)	(40)	(107)	(82)
Net income (loss) attributable to Hess Corporation	$ 100	$ 900	$ 41	$ 1,659
Net income (loss) per share (diluted)	$ .31	$ 2.76	$ .13	$ 5.11

Items Affecting Comparability Between Periods

The following table summarizes, on an after-tax basis, items of income (expense) that are included in net income and affect comparability between periods (amounts in millions). The items in the table below are explained and the pre-tax amounts are shown on pages 17 and 19.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Exploration and Production	$ (31)	$ —	$ (44)	$ —
Corporate	—	—	(16)	—
Total	$ (31)	$ —	$ (60)	$ —

In the discussion that follows, the financial effects of certain transactions are disclosed on an after-tax basis. Management reviews segment earnings on an after-tax basis and uses after-tax amounts in its review of variances in segment earnings. Management believes that after-tax amounts are preferable to pre-tax amounts for explaining variances in earnings, since they show the entire effect of a transaction. After-tax amounts are determined by applying the appropriate income tax rate in each tax jurisdiction to pre-tax amounts.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Comparison of Results

Exploration and Production

Following is a summarized income statement of the Corporation's E&P operations (in millions):

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Sales and other operating revenues*	$ 1,699	$ 3,075	$ 2,830	$ 5,682
Non-operating income	57	22	65	69
Total revenues and non-operating income	1,756	3,097	2,895	5,751
Cost and expenses				
Production expenses, including related taxes	444	494	853	918
Exploration expenses, including dry holes and lease impairment	312	158	505	310
General, administrative and other expenses	61	73	117	136
Depreciation, depletion and amortization	538	462	1,003	896
Total costs and expenses	1,355	1,187	2,478	2,260
Results of operations before income taxes	401	1,910	417	3,491
Provision for income taxes	186	885	266	1,642
Results of operations attributable to Hess Corporation	$ 215	$ 1,025	$ 151	$ 1,849

* Amounts differ from E&P operating revenues in Note 12 "Segment Information" primarily due to the exclusion of sales of hydrocarbons purchased from unrelated third parties.

After considering the items affecting comparability between periods, the remaining changes in E&P earnings are primarily attributable to changes in selling prices, sales volumes and exploration expenses as discussed below.

Selling prices: Lower average realized selling prices of crude oil and natural gas decreased E&P revenues by approximately $1,860 million and $3,060 million in the second quarter and first half of 2009 compared with the corresponding periods of 2008. The Corporation's average selling prices were as follows:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Average selling prices				
Crude oil — per barrel (including hedging)				
United States	$55.53	$120.23	$49.56	$ 106.42
Europe	47.41	104.98	41.09	93.32
Africa	47.16	97.32	40.29	88.44
Asia and other	55.84	120.59	51.50	106.28
Worldwide	49.27	104.29	42.62	93.75
Crude oil — per barrel (excluding hedging)				
United States	$55.53	$120.23	$49.56	$ 106.42
Europe	47.41	104.98	41.09	93.32
Africa	57.13	117.49	51.58	105.98
Asia and other	55.84	120.59	51.50	106.28
Worldwide	54.03	113.79	47.84	101.66
Natural gas liquids — per barrel				
United States	$31.03	$ 76.60	$30.12	$ 70.71
Europe	36.51	92.67	36.61	85.78
Asia and other	35.92	—	35.92	—
Worldwide	32.97	81.52	32.25	74.90

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Natural gas — per mcf (including hedging)				
United States	$3.26	$11.00	$3.61	$9.69
Europe	4.53	10.33	5.56	9.61
Asia and other	4.82	5.23	4.76	5.12
Worldwide	4.56	7.81	4.82	7.43
Natural gas — per mcf (excluding hedging)				
United States	$3.26	$11.00	$3.61	$9.69
Europe	4.53	10.84	5.56	9.90
Asia and other	4.82	5.23	4.76	5.12
Worldwide	4.56	8.01	4.82	7.55

In October 2008, the Corporation closed its Brent crude oil cash flow hedges by entering into offsetting contracts with the same counterparty, covering 24,000 barrels per day from 2009 through 2012. The deferred after tax loss as of the date the hedge positions were closed will be recorded in earnings as the contracts mature. The estimated annual after-tax loss from the closed positions will be approximately $335 million from 2009 through 2012. Crude oil hedges reduced E&P earnings by $83 million and $165 million in the second quarter and first half of 2009 ($133 million and $264 million before income taxes). Crude oil and natural gas hedges reduced E&P earnings by $144 million and $239 million in the second quarter and first half of 2008 ($234 million and $386 million before income taxes).

Sales and production volumes: The Corporation's crude oil and natural gas production was 407,000 boepd in the second quarter of 2009 compared with 393,000 boepd in the same period of 2008. Production in the first half of 2009 was 398,000 boepd compared with 392,000 boepd for the same period in 2008. The Corporation anticipates that its full year production will average between 390,000 and 400,000 boepd.

The Corporation's net daily worldwide production by region was as follows (in thousands):

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Crude oil (barrels per day)				
United States	58	36	45	36
Europe	76	83	82	83
Africa	124	128	125	123
Asia and other	16	12	16	15
Total	274	259	268	257
Natural gas liquids (barrels per day)				
United States	10	11	10	11
Europe	3	4	3	4
Asia and other	1	—	—	—
Total	14	15	13	15
Natural gas (mcf per day)				
United States	92	83	85	88
Europe	160	267	170	282
Asia and other	459	364	449	353
Total	711	714	704	723
Barrels of oil equivalent per day*	407	393	398	392

* Natural gas production is converted assuming six mcf equals one barrel.

United States: Crude oil production in the United States was higher in the second quarter and first half of 2009 compared to the corresponding periods in 2008, primarily due to the Shenzi field which commenced production at the end of the first quarter of 2009.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Europe: Crude oil production in Europe in the second quarter and first half of 2009 was lower than the same periods in 2008, primarily due to an unplanned 75 day shutdown at the Valhall field in Norway and natural decline in the U.K. North Sea, partly offset by increased production in Russia. Natural gas production in the second quarter and first half of 2009 was lower than the same periods in 2008, primarily due to decline at the Atlantic and Cromarty fields in the U.K. North Sea and the shutdown at the Valhall field in Norway.

Asia and Other: The increase in natural gas production in the second quarter and first half of 2009 compared to the corresponding periods in 2008 was principally due to Phase 2 gas sales from Block A-18 of the Joint Development Area of Malaysia and Thailand (JDA), which commenced in November 2008.

Sales Volumes: Higher crude oil and natural gas sales volumes increased revenue by approximately $480 million in the second quarter of 2009 and $200 million in the first half of 2009, compared with the corresponding periods of 2008. During the second quarter of 2009, the Corporation's sales volumes exceeded production volumes which resulted in an increase in second quarter after tax income of approximately $50 million.

Operating costs and depreciation, depletion and amortization: Cash operating costs, consisting of production expenses and general and administrative expenses, decreased by $87 million and $109 million in the second quarter and first half of 2009 compared with the corresponding periods of 2008, excluding the impact of items affecting comparability discussed below. The decrease in expenses reflects lower commodity price-driven production taxes, the cessation of production at two fields in the U.K. North Sea, the favorable impact of foreign exchange rates and cost saving initiatives.

Depreciation, depletion and amortization expenses increased by $50 million and $55 million in the second quarter and first half of 2009 compared with the corresponding periods of 2008, excluding the impact of items affecting comparability discussed below. The increase was primarily due to production increases in the U.S. and the JDA, partly offset by lower production in Norway and the U.K. North Sea.

In the second quarter of 2009, after-tax charges of $31 million ($51 million before income taxes) were recorded to reduce the carrying values of production equipment in the U.K. North Sea and materials inventory in Equatorial Guinea and the United States. In the first quarter of 2009, the Corporation recorded an after-tax charge of $13 million ($26 million before income taxes) to reduce the carrying values of two short-lived fields in the U.K. North Sea. The pre-tax amount of the reductions in carrying value of production equipment and the short-lived fields is reflected in depreciation, depletion and amortization and the reduction in carrying values of inventory of $25 million is reflected in production expenses in the statement of consolidated income.

Excluding the impact of items affecting comparability discussed above, E&P cash operating costs for full year 2009 are expected to be in a range of $14 to $15 per boe and total production unit costs (cash operating costs plus depreciation, depletion, and amortization) are anticipated to be in the range of $27 to $29 per boe.

Exploration expenses: Exploration expenses were higher by $154 million and $195 million in the second quarter and first half of 2009 compared with the same periods in 2008. The increases principally reflect higher dry hole expense and lease impairment.

Income taxes*:* The effective income tax rate for the six months ended June 30, 2009 for E&P operations was 60% compared to 47% for the six months ended June 30, 2008, excluding the impact of items affecting comparability discussed above. The higher rate in 2009 primarily reflects the impact of Libyan taxes in a lower commodity price environment. The effective tax rate for the full year 2009 is estimated to be in the range of 53% to 57%.

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Foreign Exchange: The after-tax foreign currency gain relating to E&P activities was $1 million in the second quarter of 2009 and 2008. The after-tax foreign currency loss was $5 million for the six months ended June 30, 2009, compared to a gain of $12 million for the same period in 2008.

The Corporation's future E&P earnings may be impacted by external factors, such as political risk, volatility in the selling prices of crude oil and natural gas, reserve and production changes, industry cost inflation, exploration expenses, the effects of weather and changes in foreign exchange and income tax rates.

Marketing and Refining

Results from M&R activities amounted to a loss of $30 million in the second quarter of 2009 compared with a loss of $52 million in the second quarter of 2008. M&R generated income of $72 million for the six months ended June 30, 2009 compared to a loss of $36 million for the six months ended June 30, 2008. The Corporation's downstream operations include HOVENSA L.L.C. (HOVENSA), a 50% owned refining joint venture with a subsidiary of Petroleos de Venezuela S.A. (PDVSA), which is accounted for using the equity method. Additional M&R activities include a fluid catalytic cracking facility in Port Reading, New Jersey, as well as retail gasoline stations, energy marketing and trading operations.

Refining: Refining operations generated losses of $26 million and $44 million in the second quarter and the first half of 2009, compared with income of $3 million in the second quarter and a breakeven result in the first half of 2008. The Corporation's share of HOVENSA's results, after income taxes, amounted to losses of $46 million and $71 million in the second quarter and first half of 2009 compared with losses of $12 million and $18 million in the second quarter and first half of 2008. These decreases primarily reflect lower refining margins. Port Reading's after-tax earnings were $19 million in the second quarter and $27 million in the first half of 2009 compared with $14 million and $16 million for the same periods in 2008, reflecting improved margins.

The following table summarizes refinery capacity and utilization rates:

	Refinery capacity (thousands of barrels per day)	Refinery utilization			
		Three months ended June 30,		Six months ended June 30,	
		2009	2008	2009	2008
HOVENSA					
Crude	500	88.4%	94.2%	85.2%	91.6%
Fluid catalytic cracker	150	71.2%	73.1%	71.3%	73.7%
Coker	58	91.2%	99.5%	85.9%	95.5%
Port Reading	70	93.0%	91.3%	90.6%	89.2%

Marketing: Marketing results, which consist principally of energy marketing and retail gasoline operations, were losses of $13 million in the second quarter of 2009 compared with losses of $40 million in the same period of 2008, reflecting improved energy marketing results. Earnings were $88 million in the first half of 2009 compared to a loss of $8 million for the six months ended June 30, 2008, reflecting improved energy marketing results. Total refined product sales volumes were 455,000 barrels per day and 478,000 barrels per day in the second quarter and first half of 2009, compared with 454,000 barrels per day and 475,000 barrels per day in the second quarter and first half of 2008. Total energy marketing natural gas sales volumes were approximately 1.7 million mcf per day and 2.1 million mcf per day in the second quarter and first half of 2009, which were comparable to the volumes in the corresponding 2008 periods. In addition, energy marketing sold electricity volumes at the rate of 4,500 megawatts (round the clock) and 4,100 megawatts (round the clock) in the second quarter and first half of 2009 compared with 3,100 megawatts (round the clock) in the second quarter and first half of 2008.

Results of Operations (continued)

The Corporation has a 50% voting interest in a consolidated partnership that trades energy commodities and energy derivatives. The Corporation also takes trading positions for its own account. The Corporation's after-tax results from trading activities, including its share of the results of the trading partnership, amounted to income of $9 million and $28 million in the second quarter and first half of 2009 compared with losses of $15 million and $28 million in the second quarter and first half of 2008.

Marketing expenses decreased by 8% in the second quarter of 2009 compared with the same period in 2008 due to lower retail expenses. Marketing expenses were comparable for the first six months of 2009 and 2008.

The Corporation's future M&R earnings may be impacted by volatility in margins, competitive industry conditions, government regulatory changes, credit risk and supply and demand factors, including the effects of weather.

Corporate

The following table summarizes corporate expenses (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Corporate expenses (including the item described below)	$ 34	$ 48	$ 117	$ 106
Income tax benefits	(8)	(15)	(42)	(34)
	26	33	75	72
Items affecting comparability between periods, after-tax	—	—	(16)	—
Net corporate expenses	$ 26	$ 33	$ 59	$ 72

After-tax corporate expenses were lower in the second quarter and first half of 2009 compared with the same periods in 2008, mainly due to higher income from pension related investments and lower costs as a result of cost saving initiatives. In the first half of 2009, a charge of $25 million before income taxes ($16 million after tax) relating to retirement benefits and employee severance costs was recorded in general and administrative expenses. After-tax corporate expenses in 2009 are estimated to be in the range of $155 to $165 million, excluding items affecting comparability.

Interest

Interest expense was as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Total interest incurred	$ 97	$ 66	$ 175	$ 134
Less: capitalized interest	2	1	3	2
Interest expense before income taxes	95	65	172	132
Income tax benefits	(36)	(25)	(65)	(50)
After-tax interest expense	$ 59	$ 40	$ 107	$ 82

PART I — FINANCIAL INFORMATION (CONT'D.)

Results of Operations (continued)

Increased interest expense for the second quarter and first half of 2009 principally reflects higher average debt resulting from the Corporation's $1.25 billion debt offering in February 2009 (see Note 5, Long-Term Debt) and higher fees relating to letters of credit.

Sales and Other Operating Revenues

Sales and other operating revenues decreased by 42% and 39% in the second quarter and first half of 2009 compared with the corresponding periods of 2008, primarily due to lower crude oil, natural gas and refined product selling prices. The decrease in cost of products sold principally reflects lower prices of refined products and purchased natural gas.

Liquidity and Capital Resources

The following table sets forth certain relevant measures of the Corporation's liquidity and capital resources (in millions, except ratios):

	June 30, 2009	December 31, 2008
Cash and cash equivalents	$ 1,063	$ 908
Current portion of long-term debt	135	143
Total debt	4,313	3,955
Total equity	12,378	12,391
Debt to capitalization ratio*	25.8%	24.2%

* Total debt as a percentage of the sum of total debt plus total equity.

Cash Flows

The following table sets forth a summary of the Corporation's cash flows (in millions):

	Six months ended June 30, 2009	Six months ended June 30, 2008
Net cash provided by (used in):		
Operating activities	$ 1,241	$ 2,915
Investing activities	(1,357)	(1,966)
Financing activities	271	(77)
Net increase in cash and cash equivalents	$ 155	$ 872

Operating Activities: Net cash provided by operating activities decreased in the first half of 2009 compared with 2008, principally reflecting decreased earnings.

Investing Activities: The following table summarizes the Corporation's capital expenditures (in millions):

	Six months ended June 30, 2009	Six months ended June 30, 2008
Exploration and Production	$ 1,328	$ 1,938
Marketing, Refining and Corporate	61	67
Total	$ 1,389	$ 2,005

PART I — FINANCIAL INFORMATION (CONT'D.)

Liquidity and Capital Resources (continued)

Financing Activities: In the first half of 2009, net borrowings totaled $358 million. In February 2009, the Corporation issued $250 million of 5 year senior unsecured notes with a coupon of 7% and $1 billion of 10 year senior unsecured notes with a coupon of 8.125%. The majority of the proceeds were used to repay outstanding borrowings. Dividends paid were $98 million in the first half of 2009 compared with $97 million in the first half of 2008. Additional proceeds from financing activities were $11 million in the first half of 2009 and $55 million in the same period of 2008, primarily reflecting the exercise of employee stock options, partially offset by distributions to noncontrolling interests.

Future Capital Requirements and Resources

The Corporation anticipates investing a total of approximately $3.2 billion in capital and exploratory expenditures during 2009, of which $3.1 billion relates to Exploration and Production operations. The Corporation has the ability to fund its 2009 operations, including capital expenditures, dividends, pension contributions and required debt repayments, with existing cash on-hand, cash flow from operations and its available credit facilities. Crude oil and natural gas prices are volatile and difficult to predict. In addition, unplanned increases in the Corporation's capital expenditure program could occur. The Corporation will take steps as necessary to protect its financial flexibility and may pursue other sources of liquidity, including the issuance of debt securities, the issuance of equity securities, and/or asset sales.

The table below summarizes the capacity, usage, and remaining availability of the Corporation's borrowing and letter of credit facilities at June 30, 2009 (in millions):

	Expiration Date	Capacity	Borrowings	Letters of Credit Issued	Total Used	Remaining Capacity
Revolving credit facility	May 2012*	$ 3,000	$ —	$ 36	$ 36	$ 2,964
Asset backed credit facility	October 2009	500	—	500	500	—
Committed lines	Various**	1,665	—	1,596	1,596	69
Uncommitted lines	Various**	2,158	—	2,158	2,158	—
Total		$ 7,323	$ —	$ 4,290	$ 4,290	$ 3,033

* *$75 million expires in May 2011.*

** *Committed and uncommitted lines have expiration dates primarily through 2010.*

The Corporation maintains a $3.0 billion syndicated, revolving credit facility, of which $2,925 million is committed through May 2012. This facility can be used for borrowings and letters of credit. At June 30, 2009, available capacity under the facility was $2,964 million.

The Corporation has a 364-day asset-backed credit facility securitized by certain accounts receivable from its Marketing and Refining operations. At June 30, 2009, under the terms of this financing arrangement, the Corporation has the ability to borrow or issue letters of credit of up to $500 million, subject to the availability of sufficient levels of eligible receivables. At June 30, 2009, outstanding letters of credit under this facility were collateralized by $921 million of accounts receivable, which are held by a wholly owned subsidiary. These receivables are not available to pay the general obligations of the Corporation before satisfaction of the outstanding obligations under the asset backed facility. In July 2009, the Corporation amended the asset-backed facility to increase the capacity to $1.0 billion, subject to the availability of eligible receivables, and to extend the expiration date to July 2010.

The Corporation also has a shelf registration under which it may issue additional debt securities, warrants, common stock or preferred stock.

At June 30, 2009, a loan agreement covenant based on the Corporation's debt to capitalization ratio permitted the Corporation to borrow up to an additional $16.3 billion for the construction or acquisition of assets. Under a separate loan agreement covenant, the Corporation has the ability to borrow up to $3.5 billion of additional secured debt at June 30, 2009.

Liquidity and Capital Resources (continued)

The Corporation's $4,290 million of letters of credit outstanding at June 30, 2009 were primarily issued to satisfy margin and collateral requirements. See also Note 8 "Derivative Instruments, Hedging, and Trading Activities".

Off-Balance Sheet Arrangements

The Corporation has leveraged leases not included in its balance sheet, primarily related to retail gasoline stations that the Corporation operates. The net present value of these leases was $486 million at June 30, 2009. The Corporation's June 30, 2009 debt to capitalization ratio would increase from 25.8% to 27.9% if the leases were included as debt.

The Corporation guarantees the payment of up to 50% of HOVENSA's crude oil purchases from suppliers other than PDVSA. At June 30, 2009, the guarantee amounted to $134 million. This amount fluctuates based on the volume of crude oil purchased and related prices. In addition, the Corporation has agreed to provide funding up to a maximum of $15 million to the extent HOVENSA does not have funds to meet its senior debt obligations.

Change in Accounting Policies

Effective January 1, 2009, the Corporation adopted Financial Accounting Standards Board (FASB) Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (FAS 160), which changes the accounting for and reporting of noncontrolling interests in a consolidated subsidiary. As required, the Corporation retrospectively applied the presentation and disclosure requirements of FAS 160. At June 30, 2009 and December 31, 2008, noncontrolling interests of $119 million and $84 million, respectively, have been classified as a component of equity. Previously the noncontrolling interests had been classified in other liabilities. Net income attributable to the noncontrolling interests of $2 million for the three months ended and $44 million for the six months ended June 30, 2009 and $11 million for the three months ended and $4 million for the six months ended June 30, 2008 are included in net income. Certain amounts in the consolidated financial statements and footnotes have been reclassified to conform with the presentation requirements of FAS 160.

Effective January 1, 2009, the Corporation also adopted FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, which expands the disclosure requirements for an entity's use of derivative instruments. See Note 8, Derivative Instruments, Hedging, and Trading Activities, for these disclosures.

The Corporation adopted FASB Staff Position FAS No. 157-2, *Effective Date of FASB Statement No. 157*, effective January 1, 2009, which requires the application of the fair value measurement and disclosure provisions of FAS 157 to nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis. The impact of adoption was not material to the Corporation's consolidated financial statements.

Effective June 30, 2009, the Corporation adopted FASB Statement No. 165 (FAS 165), *Subsequent Events*. FAS 165 provides guidance on the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of FAS 165 did not impact the Corporation's existing practice of evaluating subsequent events through the date the financial statements are filed with the SEC. These financial statements were evaluated for subsequent events through August 6, 2009.

Recently Issued Accounting Standards

In June 2009, the FASB issued Statements No. 166, *Accounting for Transfers of Financial Assets- an amendment of FASB Statement No. 140* (FAS 166) and No. 167, *Amendments to FASB Interpretation No. FIN 46(R)* (FAS 167). FAS 166 eliminates the concept of a qualifying special-purpose entity, which did not require consolidation under existing GAAP, and limits the circumstances in which transferred financial assets should be derecognized. FAS 167 requires additional analysis of variable interest entities to determine if consolidation is necessary. The Corporation is currently evaluating the impact of FAS 166 and FAS 167 on its financial statements and, as required, will adopt the provisions of these standards effective January 1, 2010.

Market Risk Disclosure

In the normal course of its business, the Corporation is exposed to commodity risks related to changes in the prices of crude oil, natural gas, refined products and electricity, as well as to changes in interest rates and foreign currency values. In the disclosures that follow, these operations are referred to as non-trading activities. The Corporation also has trading operations, principally through a 50% voting interest in a trading partnership. These trading operations are also exposed to commodity risks primarily related to the prices of crude oil, natural gas and refined products.

Instruments: The Corporation primarily uses forward commodity contracts, foreign exchange forward contracts, futures, swaps, options and energy securities in its non-trading and trading activities.

Value-at-Risk: The Corporation uses value-at-risk to monitor and control commodity risk within its trading and non-trading activities. The value-at-risk model uses historical simulation and the results represent the potential loss in fair value over one day at a 95% confidence level. The model captures both first and second order sensitivities for options. The potential change in fair value based on commodity price risk is presented in the non-trading and trading sections below.

Non-Trading: The Corporation's non-trading activities may include hedging of crude oil and natural gas production. Futures and swaps are used to fix the selling prices of a portion of the Corporation's future production and the related gains or losses are an integral part of the Corporation's selling prices. In October 2008, the Corporation closed its Brent crude oil hedges by entering into offsetting positions with the same counterparty covering 24,000 barrels per day from 2009 through 2012. The estimated annual after-tax loss that will be reflected in earnings related to the closed crude oil positions will be $335 million from 2009 to 2012. There were no open hedges of crude oil or natural gas production at June 30, 2009.

The Corporation also markets energy commodities including refined petroleum products, natural gas, and electricity. The Corporation uses futures, swaps, and options to manage the risk in its marketing activities. The Corporation estimates that at June 30, 2009, the value-at-risk for commodity related derivatives that are settled in cash and used in non-trading activities was $10 million compared with $13 million at December 31, 2008. The results may vary from time to time as hedge levels change.

The Corporation uses foreign exchange contracts to reduce its exposure to fluctuating foreign exchange rates by entering into forward contracts for various currencies, including the British pound, the Norwegian krone, the Danish krone, and the Thai baht.

PART I — FINANCIAL INFORMATION (CONT'D.)

Market Risk Disclosure (continued)

Trading: In trading activities, the Corporation is primarily exposed to changes in crude oil, natural gas and refined product prices. The trading partnership in which the Corporation has a 50% voting interest trades energy commodities and derivatives. The accounts of the partnership are consolidated with those of the Corporation. The Corporation also takes trading positions for its own account. The information that follows represents 100% of the trading partnership and the Corporation's proprietary trading accounts.

Total net realized gains for the first half of 2009 amounted to $528 million compared with losses of $259 million for the first six months of 2008. The following table provides an assessment of the factors affecting the changes in fair value of trading activities (in millions):

	2009	2008
Fair value of contracts outstanding at January 1	$ 864	$ 154
Change in fair value of contracts outstanding at the beginning of the year and still outstanding at June 30	40	511
Reversal of fair value for contracts closed during the period	(498)	22
Fair value of contracts entered into during the period and still outstanding	(79)	(339)
Fair value of contracts outstanding at June 30	$ 327	$ 348

The Corporation measures fair value in accordance with FAS 157. The following table summarizes the sources of fair values of derivatives used in the Corporation's trading activities at June 30, 2009 (in millions):

		Instruments Maturing			
Source of Fair Value	Total	2009	2010	2011	2012 and beyond
Level 1	$ (41)	$ 17	$ (174)	$ 128	$ (12)
Level 2	341	114	189	(17)	55
Level 3	27	2	3	26	(4)
Total	$ 327	$ 133	$ 18	$ 137	$ 39

The Corporation estimates that at June 30, 2009, the value-at-risk for trading activities, including commodities, was $10 million compared with $17 million at December 31, 2008. The results may change from time to time as strategies change to capture potential market rate movements.

The following table summarizes the fair values of net receivables relating to the Corporation's trading activities and the credit ratings of counterparties at June 30, 2009 (in millions):

Investment grade determined by outside sources	$ 177
Investment grade determined internally*	74
Less than investment grade	47
Fair value of net receivables outstanding at end of period	$ 298

* Based on information provided by counterparties and other available sources.

PART I — FINANCIAL INFORMATION (CONT'D.)

Forward-Looking Information

Certain sections of Management's Discussion and Analysis of Results of Operations and Financial Condition, including references to the Corporation's future results of operations and financial position, liquidity and capital resources, capital expenditures, oil and gas production, tax rates, debt repayment, hedging, derivative and market risk disclosures and off-balance sheet arrangements include forward-looking information. Forward-looking disclosures are based on the Corporation's current understanding and assessment of these activities and reasonable assumptions about the future. Actual results may differ from these disclosures because of changes in market conditions, government actions and other factors.

PART I — FINANCIAL INFORMATION (CONT'D.)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item is presented under Item 2, "Management's Discussion and Analysis of Results of Operations and Financial Condition – Market Risk Disclosure."

Item 4. Controls and Procedures

Based upon their evaluation of the Corporation's disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15(e) and 15d — 15(e)) as of June 30, 2009, John B. Hess, Chief Executive Officer, and John P. Rielly, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of June 30, 2009.

There was no change in internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 in the quarter ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II — OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Registrant was held on May 6, 2009. The inspectors of election reported that 281,826,350 shares of common stock of the Registrant were represented in person or by proxy at the meeting, constituting 86.1% of the votes entitled to be cast. At the meeting, stockholders voted on:

- The election of five nominees for the Board of Directors for the three-year term expiring in 2012 and;
- The ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Registrant for the fiscal year ending December 31, 2009.

With respect to the election of directors, the inspectors of election reported as follows:

Name	For Nominee Listed	Withholding Authority to Vote For Nominee Listed
John B. Hess	278,232,918	3,593,432
Samuel W. Bodman	280,715,747	1,110,603
Risa Lavizzo-Mourey	280,644,070	1,182,280
Craig G. Matthews	280,552,517	1,273,833
Ernst H. von Metzsch	279,212,483	2,613,867

The inspectors reported that 279,223,971 votes were cast for the ratification of the selection of Ernst & Young LLP as the independent auditors of the Registrant for the fiscal year ending December 31, 2009, 2,550,801 votes were cast against said ratification and holders of 51,578 votes abstained.

PART II — OTHER INFORMATION (CONT'D.)

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

10(1) Amended and Restated Change of Control Termination Benefits Agreement dated as of May 29, 2009 between Registrant and F. Borden Walker. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and John B. Hess and J. Barclay Collins.

10(2) Amended and Restated Change of Control Termination Benefits Agreements dated as of May 29, 2009 between Registrant and Brian J. Bohling. Substantially identical agreements (differing only in the signatories thereto) were entered into between Registrant and other executive officers (other than the named executive officers referred to in Exhibit 10(1)).

31(1) Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))

31(2) Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))

32(1) Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)

32(2) Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)

101(INS) XBRL Instance Document

101(SCH) XBRL Schema Document

101(CAL) XBRL Calculation Linkbase Document

101(LAB) XBRL Label Linkbase Document

101(PRE) XBRL Presentation Linkbase Document

101(DEF) XBRL Definition Linkbase Document

b. Reports on Form 8-K

During the quarter ended June 30, 2009, Registrant filed the following report on Form 8-K:

(i) Filing dated April 29, 2009 reporting under Items 2.02 and 9.01 a news release dated April 29, 2009 reporting results for the first quarter of 2009.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HESS CORPORATION
(REGISTRANT)

By /s/ John B. Hess
JOHN B. HESS
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

By /s/ John P. Rielly
JOHN P. RIELLY
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Date: August 7, 2009

AMENDED AND RESTATED CHANGE IN CONTROL
TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED CHANGE IN CONTROL TERMINATION BENEFITS AGREEMENT (the "Agreement"), dated as of the 29th day of May, 2009, is between **Hess Corporation**, a Delaware corporation (the "Company"), and **F. Borden Walker** (the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive are parties to that certain Change in Control Termination Benefits Agreement, dated as of March 6, 2002 (the "Prior Agreement");

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company's business in the event of a transaction or series of transactions that could result in a change in control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Executive is a key executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive a proposal for, or otherwise consider any such transaction, in addition to the Executive's regular duties, the Executive may be called upon to assist in the assessment of such proposals, advise management and the Board of Directors of the Company (the "Board") as to whether a proposed transaction would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate;

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued services of the Executive, notwithstanding the possibility, threat or occurrence of a change in control of the Company and believes that it is imperative to diminish the potential distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened change in control, to assure the Executive's full attention and dedication to the Company in the event of any threatened or pending change in control, and to provide the Executive with appropriate severance arrangements following a change in control;

WHEREAS, the Company intends that the Agreement comply with, or not be subject to, section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and guidance and regulations issued thereunder, so that, notwithstanding any other provision of the Agreement, the Agreement shall be interpreted, operated and administered in a manner consistent with this intention; and

WHEREAS, the Company and the Executive mutually desire to make certain revisions to the Prior Agreement consistent with such intention.

NOW, THEREFORE, (a) to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of the Executive's advice and counsel notwithstanding the possibility, threat or occurrence of a change in control of the Company, and to induce the Executive to remain in the employ of the Company and (b) in order that the Agreement comply with, or not be subject to, Section 409A of the Code, and for other good and valuable consideration, the Prior Agreement is hereby amended and restated as of the date first above set forth as follows:

1. Change in Control.

For purposes of the Agreement, a Change in Control shall be deemed to have taken place if any of the following shall occur:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then (i) outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (ii) combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities") provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its subsidiaries, (ii) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (iii) any acquisition by any company with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such company and the combined voting power of the then outstanding voting securities of such company entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Voting

Securities, as the case may be, or (iv) any acquisition by one or more Hess Entity (for this purpose a "Hess Entity" means (A) Mr. John Hess or any of his children, parents or siblings, (B) any spouse of any person described in Section (A) above, (C) any trust with respect to which any of the persons described in (A) has substantial voting authority (D) any affiliate (as such term is defined in Rule 12b-2 under the Exchange Act) of any person described in (A) above, (E) the Hess Foundation Inc., or (F) any persons comprising a group controlled (as such term is defined in such Rule 12b-2) by one or more of the foregoing persons or entities described in this Section 1(a)(iv)); or

(b) Within any 24 month period, individuals who, immediately prior to the beginning of such period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director during such period whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation to which Rule 14a-ll of Regulation 14A promulgated under the Exchange Act applies or other actual or threatened solicitation of proxies or consents; or

(c) Consummation of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the company resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Company Common Stock and Outstanding Voting Securities, as the case may be; or

(d) Consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a company, with respect to which following such sale or other disposition, more than 60% of, respectively, the then outstanding shares of common stock of such company and the combined voting power of the then outstanding voting securities of such company entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Voting Securities, as the case may be. The term "the sale or other disposition of all or substantially all of the assets of the Company" shall mean a sale or other disposition in a transaction or series of related transactions involving assets of the Company or of any direct or indirect subsidiary of the Company (including the stock of any direct or indirect subsidiary of the Company) in which the value of the assets or stock being sold or otherwise disposed of (as measured by the purchase price being paid therefor or by such other method as the Board determines is appropriate in a case where there is no readily ascertainable purchase price) constitutes more than two-thirds of the fair market value of the Company (as hereinafter defined). The "fair market value of the Company" shall be the aggregate market value of the then Outstanding Company Common Stock (on a fully diluted basis) plus the aggregate market value of the Company's other outstanding equity securities. The aggregate market value of the shares of Outstanding Company Common Stock shall be determined by multiplying the number of shares of such Common Stock (on a fully diluted basis) outstanding on the date of the execution and delivery of a definitive agreement with respect to the transaction or series of related transactions (the "Transaction Date") by the average closing price of the shares of Outstanding Company Common Stock for the ten trading days immediately preceding the Transaction Date. The aggregate market value of any other equity securities of the Company shall be determined in a manner similar to that prescribed in the immediately preceding sentence for determining the aggregate market value of the shares of Outstanding Company Common Stock or by such other method as the Board shall determine is appropriate.

2. Circumstances Triggering Receipt of Termination Benefits.

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon the Executive's Separation from Service that is initiated:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control; or

(iii) by the Company or the Executive pursuant to Section 2(d).

For purposes of this Agreement, the term "Separation from Service" or "Separate(s/d) from Service" means a "separation from service" within the meaning of Code section 409A and Treasury Regulations thereunder.

(b) In the event of a Change in Control, the Executive may Separate from Service for "Good Reason" and receive the payments and benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such Separation from Service exists or has occurred):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or at least a substantially equivalent office or position, of or with the Company (or any successor thereto), which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company (or any successor thereto), if the Executive shall have been a director of the Company immediately prior to the Change in Control;

(ii) (A) Any material adverse change in the nature or scope of the Executive’s authorities, powers, functions, responsibilities or duties from those in effect immediately prior to the Change in Control, (B) a reduction in the Executive’s annual base salary rate, (C) a reduction in the Executive’s annual incentive compensation target or any material reduction in the Executive’s other bonus opportunities, or (D) the termination or denial of the Executive’s ability to participate in Employee Benefits (as defined in Section 4(b)) or retirement benefits (as described in Section 4(c)) or a material reduction in the scope or value thereof, any of which is not remedied by the Company within 10 days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its businesses and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its businesses and/or assets have been transferred (directly or by operation of law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(iv) The Company requires the Executive to change the Executive’s principal location of work to a location that is in excess of 30 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel in the course of discharging the Executive’s responsibilities or duties at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of the Executive in any of the three full years immediately prior to the Change in Control without, in either case, the Executive’s prior written consent;

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) The Executive's Separation from Service by reason of the Executive's death or Disability, unless the Executive has previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of the Executive due to illness, accident or other physical or mental disability to perform the Executive's duties for any period of six consecutive months or for any period of eight months out of any 12-month period, as determined by an independent physician selected by the Executive (or the Executive's legal representative) and reasonably acceptable to the Company, provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of the intent to terminate the Executive's employment due to Disability;

(ii) The Executive's retirement on or after Normal Retirement Date pursuant to the Company's Employees' Pension Plan; provided, however, that if the Executive Separates from Service for Good Reason at such time of retirement, the Executive's retirement shall be treated hereunder as a Separation from Service for Good Reason and the Executive shall be entitled to the benefits provided in Section 4 hereof;

(iii) The Executive's Separation from Service for Cause. For the purposes hereof, "Cause" shall be defined as (A) a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, (B) the Executive's gross and willful misconduct in connection with the performance of the Executive's duties with the Company and/or its subsidiaries or (C) the willful and continued failure of the Executive to substantially perform the Executive's duties with the Company (or any successor thereto) after a written demand from the Company's internal Executive Committee, any successor or similar internal management committee or, absent any such committee, its Chief Executive Officer (such committee, or the Chief Executive Officer, being the "Notifying Party") for substantial performance which specifically identifies the manner in which the Notifying Party believes that the Executive has not performed the Executive's duties with the Company, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have Separated from Service for "Cause" hereunder unless and until the Executive shall have been afforded, after reasonable notice, an opportunity to appear, together with counsel (if the Executive chooses to have counsel present), before the Notifying Party, if the Notifying Party is a committee, or in the event that the Notifying Party is the Chief Executive Officer, the three most highly compensated senior executive officers of the Company, not including the Chief Executive Officer (such Notifying Party or the three senior executive officers, as the case may be, being the "Hearing Party"), and after such hearing there shall have been delivered to the Executive a written determination by the Hearing Party that, in the good faith opinion of the Hearing Party the Executive shall have been Separated from Service for "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or the Executive's beneficiaries to contest the validity or propriety of any such determination. This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, pension plans, stock plans, programs and arrangements.

(d) A Separation from Service initiated by the Company without Cause or by the Executive for an event that would constitute Good Reason following a Change in Control that occurs, in either event, prior to a Change in Control, but occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) (x) at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (y) otherwise arose in connection with, or in anticipation of, a Change in Control, shall be deemed to be a Separation from Service without Cause within the first 24 months after a Change in Control for purposes of this Agreement and the date of such Change in Control shall be deemed to be the date immediately preceding the date the Executive's Separation from Service.

3. Notice of Termination.

Any Separation from Service as contemplated by Section 2 shall be communicated by written "Notice of Separation" to the other party hereto. Any "Notice of Separation" shall (i) indicate the effective date of the Separation from Service, which shall not be less than 30 days or more than 60 days after the date the Notice of Separation is delivered (the "Separation Date"), (ii) cite the specific provision in this Agreement relied upon, and (iii) except for a Separation from Service pursuant to Section 2(d), shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such Separation from Service including, if applicable, the failure by the Company, after provision of written notice by the Executive, to effect a remedy pursuant to the final clause of Section 2(b)(ii) or 2(b)(v).

4. Benefits upon Separation from Service.

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) Compensation.

The Company shall pay to the Executive three times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's rate of annual base salary (prior to any deferrals) on the date of the Executive's Separation from Service, or (B) the Executive's rate of annual base salary (prior to any deferrals) immediately prior to the Change in Control, plus (ii) "Incentive Pay", which shall be an amount equal to the greater of (X) the target annual bonus payable to the Executive under the Company's incentive compensation plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (Y) the highest annual bonus earned by the Executive under the Company's incentive compensation plan or any other annual bonus plan (whether paid currently or on a deferred basis) during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred. In addition, the Executive shall receive a pro rata portion of the target bonus for the fiscal year in which the Executive's termination of employment occurs.

The amount payable under Section 4(a) shall be paid to the Executive in a lump sum payment by the 60th day following the date of the Executive's Separation from Service. Notwithstanding the foregoing, payment of such amounts may not be made to a Key Employee (as defined in Section 4(g)) upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be accumulated and paid on the first day of the seventh month following the date of the Executive's Separation from Service (or, if earlier, the first day of the month after the Participant's death).

In the event payment of the amount payable under Section 4(a) is delayed for six months pursuant to the immediately preceding paragraph, the Company shall as soon as administratively practicable following the date of the Executive's Separation from Service (i) establish an irrevocable grantor trust of which the Company is the grantor, and a bank or trust company reasonably acceptable to the Executive is the trustee (the "Grantor Trust"), and (ii) contribute to the Grantor Trust the full such amount payable under Section 4(a). The Grantor Trust shall be a "rabbi trust," the assets of which shall be used solely for the purpose of satisfying the Company's obligations under Section 4(a) of this Agreement; *provided*, *however*, that such assets shall be subject to the claims of the Company's general creditors in the event of the Company's bankruptcy (or similar insolvency proceeding), and the Grantor Trust shall not cause any amount payable under this Agreement to be funded for tax purposes.

(b) Welfare Benefits.

For a period of 36 months following the date of the Executive's Separation from Service (the "Continuation Period"), the Company shall arrange to provide the Executive with benefits (the "Employee Benefits"), including travel accident, major medical, dental care and other welfare benefit programs, substantially similar to those in effect immediately prior to the Change in Control, or, if greater, to those that the Executive was receiving or entitled to receive immediately prior to the date of the Executive's Separation from Service (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(D)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, the Executive's dependents and beneficiaries of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or the Executive's dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company. In addition, the Executive shall receive additional age and service credit for the Continuation Period for purposes of the Executive's eligibility to receive any retiree medical benefits.

To the extent the continuation of the Employee Benefits under this Section 4(b) is, or ever becomes, taxable to the Executive and to the extent the Employee Benefits that are medical benefits continue beyond the period in which the Executive would be entitled (or would, but for this Agreement, be entitled) to continuation coverage under a group health plan of the Company under Code section 4980B (COBRA) if the Executive elected such coverage and paid the applicable premiums, the Company shall administer such continuation of coverage consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

(i) The Executive's eligibility for Employee Benefits in one year shall not affect the Executive's eligibility for Employee Benefits in any other year;

(ii) Any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and

(iii) Executive's right to Employee Benefits shall not be subject to liquidation or exchange for another benefit.

In the event the preceding sentence applies and the Executive is a Key Employee (as defined in Section 4(g)), provision of Employee Benefits after the COBRA period shall commence on the first day of the seventh month following the date of the Executive's Separation from Service (or, if earlier, the first day of the month after the Executive's death).

(c) Retirement Benefits.

The Executive shall be deemed to be completely vested in the Executive's currently accrued benefits under the Company's Employees' Pension Plan and the Company's Pension Restoration Plan or other supplemental pension plan ("SERP") in effect as of the date of the Change in Control (collectively, the "Plans"), regardless of the Executive's actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn age and service credit for benefit calculation purposes thereunder for the Continuation Period. The additional retirement benefits to be paid pursuant to the Plans shall be calculated as though the Executive's compensation rate for the years during the

Continuation Period equaled the sum of Base Pay plus Incentive Pay. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company's Employees' Pension Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code")) shall be paid directly by the Company out of its general assets at the time and form in which such benefits would have been payable under the applicable Plan.

(d) Stock Based Compensation Plans.

(i) Any issued and outstanding stock options shall vest and become exercisable on the date of the Executive's Separation from Service (to the extent they have not already become vested and exercisable) and any other stock-based awards under any compensation plan or program maintained by the Company (including, without limitation, awards of restricted stock and book value appreciation units) and the Executive's rights thereunder shall vest on the date of the Executive's Separation from Service (to the extent they have not already vested) and any performance criteria under any such compensation plan or program shall be deemed met at target as of the date of the Executive's Separation from Service .

(ii) If and to the extent that any benefit or entitlement (or portion thereof) described in paragraph (i) above is not able to be implemented by the Company under the then applicable terms of any plan, program or award agreement applicable to the Executive, to the extent permitted by Code section 409A, the Company shall pay to the Executive cash and/or other property (including, without limitation, common stock of the Company or any successor thereto) with a value, as determined by the Board, equal to the value of any such option, award or other entitlement (or portion thereof) that the Executive was not able to receive under paragraph (i) above, such payment shall be made upon the date provided in Section 4(a) following the Executive's Separation from Service and such payment shall be in full satisfaction of the option, award or other entitlement (or portion thereof) to which such payment relates.

(e) Defined Contribution Deferred Compensation Plans.

The Company shall pay to the Executive all other amounts of tax-qualified and nonqualified deferred compensation accrued or earned by the Executive through the date of the Executive's Separation from Service, and amounts otherwise owing under the then existing plans and policies of the Company, other than those amounts described in Section 4(c), including but not limited to, all amounts of compensation previously deferred by the Executive (together with any accrued interest or other earnings thereon) and not yet paid by the Company, under the terms and conditions and time and form of payment of the underlying applicable arrangements, plans or policies of the Company.

(f) Outplacement Services.

If so requested by the Executive, reasonable outplacement services shall be provided to the Executive by a professional outplacement firm or provider selected by the Executive that is reasonably acceptable to the Company at a cost to the Company not in excess of $30,000; provided, however, that such reasonable outplacement expenses must be incurred on or before the last day of the second year following, and payment of such expenses is actually made before the last day of the second year following, the year in which the Executive’s Separation from Service occurred.

(g) Key Employee.

For purposes of this Section 4, the term “Key Employee” means an employee treated as a “specified employee” as of his Separation from Service under Code section 409A(a)(2)(B)(i), i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) of the Company or its affiliates if the Company’s or its affiliate’s stock is publicly traded on an established securities market or otherwise. Key Employees shall be determined in accordance with Code section 409A using a December 31 identification date. A listing of Key Employees as of an identification date shall be effective for the 12-month period beginning on the April 1 following the identification date.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or benefit provided by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or provided pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period for, or the vesting or exercisability of any of the foregoing (a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered “contingent on a change in ownership or control” of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to any such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the “Excise Tax”), then the Executive shall be entitled to receive an additional payment or payments (collectively, a “Gross-Up Payment”). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(t), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by the Company's outside auditors immediately prior to the Change in Control (the "Accounting Firm"). The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 days after the Change in Control Date, the date of the Executive's Separation from Service, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such. determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on the Executive's federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that a Gross-Up Payment which will not have been made by the Company should have been made (an "Underpayment'), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(t) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of the Executive's federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall, within five business days, pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of payment thereof.

(f) The Executive shall notify the Company in writing of any claim, by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim, and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-day period following the date on which the Executive gives such notice to the Company and (y) the date that any payment with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in the Executive's possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(t), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(t) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at the Executive's own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(t), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(t)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(t), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding anything in this Section 5 to the contrary, any payment made to or on behalf of the Executive under this Section 5 shall be made in compliance with Code section 409A and by the later of (i) the end of the year following the year that the related taxes are remitted to the applicable taxing authority, (ii) the end of the year following the year in which any taxes that are the subject of an audit or litigation are remitted to the taxing authority, and (iii) where as a result of such audit or litigation no taxes are remitted, the end of the year following the year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

6. <u>No Mitigation Obligation; Obligations Absolute</u>.

The payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment or other benefit provided in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the second to last sentence of Section 4(b). The obligations of the Company to make the payments and provide the benefits provided herein to the Executive are absolute and unconditional and may not be reduced under any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or any third party at any time.

7. <u>Legal Fees and Expenses.</u>

It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if, following a Change in Control, it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for all reasonable attorneys' fees and related expenses incurred by the

Executive in good faith in connection with any of the foregoing; provided, however, that the Company shall have no obligation hereunder to pay any attorneys' fees or related expenses with respect to any frivolous claims made by the Executive. Payments by the Company shall be made in accordance with the rules immediately below, upon written request of the Executive which must be accompanied by such evidence of eligible fees and expenses as the Company may reasonably require.

The Company shall administer such reimbursements consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

(i) The Executive's eligibility for reimbursement of eligible legal fees and expenses in one year shall not affect Executive's eligibility for eligible legal fees in any other year;

(ii) Any reimbursement of eligible legal fees and expenses shall be made on or before the last day of the year following the year in which the expense was incurred; and

(iii) The Executive's right to the reimbursement of eligible legal fees and expenses shall not be subject to liquidation or exchange for another benefit.

8. Continuing Obligations.

The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into the Executive's possession from time to time during the Executive's employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not otherwise publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of the Executive's employment with the Company or pursuant to any court order or other legal process or as necessary to enforce the Executive's rights under this Agreement.

9. Successors.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to terminate employment pursuant to Section 2(a) (ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, “Company” shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive’s designee or, if there is no such designee, to the Executive’s estate.

10. Notices.

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at the Executive’s principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law.

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

12. Miscellaneous.

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability.

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability.

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by the Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of death, the Executive's designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

15. Effectiveness; Term.

This Agreement will be effective and binding as of the date first above written immediately upon its execution and shall continue in effect through the second anniversary of such date; provided, however, that the term of this Agreement shall automatically be extended for an additional day for each day that passes so that there shall at any time be two years remaining in the term unless the Company provides written notice to the Executive that it does not wish the term of this Agreement to continue to be so extended, in which case the Agreement shall terminate on the second anniversary of such notice if there has not been a Change in Control prior to such second anniversary. In the event that a Change in Control has occurred during the term of this Agreement, then this Agreement shall continue to be effective until the second anniversary of such Change in Control. Notwithstanding any other provision of this Agreement, if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary (other than a termination of employment pursuant to Section 2(d) hereof), thereupon without further action the term of this Agreement shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of the Executive's employment between the Company and any subsidiary, or among any subsidiaries. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4 through 9 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17. Prior Agreement. This Agreement supersedes and terminates any and all prior similar agreements by and among Company (and/or a subsidiary) and the Executive, including, without limitation, the Prior Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth.

HESS CORPORATION

By: /s/ John B. Hess

Name: John B. Hess

Title: Chairman and CEO

/s/ F. Borden Walker

F. Borden Walker

AMENDED AND RESTATED CHANGE IN CONTROL TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED CHANGE IN CONTROL TERMINATION BENEFITS AGREEMENT (the "Agreement"), dated as of the 29th day of May, 2009, is between **Hess Corporation**, a Delaware corporation (the "Company"), and **Brian J. Bohling** (the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive are parties to that certain Change in Control Termination Benefits Agreement, dated as of January 20, 2005 (the "Prior Agreement");

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company's business in the event of a transaction or series of transactions that could result in a change in control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Executive is a key executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive a proposal for, or otherwise consider any such transaction, in addition to the Executive's regular duties, the Executive may be called upon to assist in the assessment of such proposals, advise management and the Board of Directors of the Company (the "Board") as to whether a proposed transaction would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate;

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued services of the Executive, notwithstanding the possibility, threat or occurrence of a change in control of the Company and believes that it is imperative to diminish the potential distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened change in control, to assure the Executive's full attention and dedication to the Company in the event of any threatened or pending change in control, and to provide the Executive with appropriate severance arrangements following a change in control;

WHEREAS, the Company intends that the Agreement comply with, or not be subject to, section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and guidance and regulations issued thereunder, so that, notwithstanding any other provision of the Agreement, the Agreement shall be interpreted, operated and administered in a manner consistent with this intention; and

WHEREAS, the Company and the Executive mutually desire to make certain revisions to the Prior Agreement consistent with such intention.

NOW, THEREFORE, (a) to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of the Executive's advice and counsel notwithstanding the possibility, threat or occurrence of a change in control of the Company, and to induce the Executive to remain in the employ of the Company and (b) in order that the Agreement comply with, or not be subject to, Section 409A of the Code, and for other good and valuable consideration, the Prior Agreement is hereby amended and restated as of the date first above set forth as follows:

1. Change in Control.

For purposes of the Agreement, a Change in Control shall be deemed to have taken place if any of the following shall occur:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then (i) outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (ii) combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities") provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its subsidiaries, (ii) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (iii) any acquisition by any company with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such company and the combined voting power of the then outstanding voting securities of such company entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Voting

Securities, as the case may be, or (iv) any acquisition by one or more Hess Entity (for this purpose a "Hess Entity" means (A) Mr. John Hess or any of his children, parents or siblings, (B) any spouse of any person described in Section (A) above, (C) any trust with respect to which any of the persons described in (A) has substantial voting authority (D) any affiliate (as such term is defined in Rule 12b-2 under the Exchange Act) of any person described in (A) above, (E) the Hess Foundation Inc., or (F) any persons comprising a group controlled (as such term is defined in such Rule 12b-2) by one or more of the foregoing persons or entities described in this Section 1(a)(iv)); or

(b) Within any 24 month period, individuals who, immediately prior to the beginning of such period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director during such period whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation to which Rule 14a-ll of Regulation 14A promulgated under the Exchange Act applies or other actual or threatened solicitation of proxies or consents; or

(c) Consummation of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the company resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Company Common Stock and Outstanding Voting Securities, as the case may be; or

(d) Consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a company, with respect to which following such sale or other disposition, more than 60% of, respectively, the then outstanding shares of common stock of such company and the combined voting power of the then outstanding voting securities of such company entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Voting Securities, as the case may be. The term "the sale or other disposition of all or substantially all of the assets of the Company" shall mean a sale or other disposition in a transaction or series of related transactions involving assets of the Company or of any direct or indirect subsidiary of the Company (including the stock of any direct or indirect subsidiary of the Company) in which the value of the assets or stock being sold or otherwise disposed of (as measured by the purchase price being paid therefor or by such other method as the Board determines is appropriate in a case where there is no readily ascertainable purchase price) constitutes more than two-thirds of the fair market value of the Company (as hereinafter defined). The "fair market value of the Company" shall be the aggregate market value of the then Outstanding Company Common Stock (on a fully diluted basis) plus the aggregate market value of the Company's other outstanding equity securities. The aggregate market value of the shares of Outstanding Company Common Stock shall be determined by multiplying the number of shares of such Common Stock (on a fully diluted basis) outstanding on the date of the execution and delivery of a definitive agreement with respect to the transaction or series of related transactions (the "Transaction Date") by the average closing price of the shares of Outstanding Company Common Stock for the ten trading days immediately preceding the Transaction Date. The aggregate market value of any other equity securities of the Company shall be determined in a manner similar to that prescribed in the immediately preceding sentence for determining the aggregate market value of the shares of Outstanding Company Common Stock or by such other method as the Board shall determine is appropriate.

2. <u>Circumstances Triggering Receipt of Termination Benefits.</u>

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon the Executive's Separation from Service that is initiated:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control; or

(iii) by the Company or the Executive pursuant to Section 2(d).

For purposes of this Agreement, the term "Separation from Service" or "Separate(s/d) from Service" means a "separation from service" within the meaning of Code section 409A and Treasury Regulations thereunder.

(b) In the event of a Change in Control, the Executive may Separate from Service for "Good Reason" and receive the payments and benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such Separation from Service exists or has occurred):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or at least a substantially equivalent office or position, of or with the Company (or any successor thereto), which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company (or any successor thereto), if the Executive shall have been a director of the Company immediately prior to the Change in Control;

(ii) (A) Any material adverse change in the nature or scope of the Executive's authorities, powers, functions, responsibilities or duties from those in effect immediately prior to the Change in Control, (B) a reduction in the Executive's annual base salary rate, (C) a reduction in the Executive's annual incentive compensation target or any material reduction in the Executive's other bonus opportunities, or (D) the termination or denial of the Executive's ability to participate in Employee Benefits (as defined in Section 4(b)) or retirement benefits (as described in Section 4(c)) or a material reduction in the scope or value thereof, any of which is not remedied by the Company within 10 days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its businesses and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its businesses and/or assets have been transferred (directly or by operation of law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(iv) The Company requires the Executive to change the Executive's principal location of work to a location that is in excess of 30 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel in the course of discharging the Executive's responsibilities or duties at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of the Executive in any of the three full years immediately prior to the Change in Control without, in either case, the Executive's prior written consent;

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) The Executive's Separation from Service by reason of the Executive's death or Disability, unless the Executive has previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of the Executive due to illness, accident or other physical or mental disability to perform the Executive's duties for any period of six consecutive months or for any period of eight months out of any 12-month period, as determined by an independent physician selected by the Executive (or the Executive's legal representative) and reasonably acceptable to the Company, provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of the intent to terminate the Executive's employment due to Disability;

(ii) The Executive's retirement on or after Normal Retirement Date pursuant to the Company's Employees' Pension Plan; provided, however, that if the Executive Separates from Service for Good Reason at such time of retirement, the Executive's retirement shall be treated hereunder as a Separation from Service for Good Reason and the Executive shall be entitled to the benefits provided in Section 4 hereof;

(iii) The Executive's Separation from Service for Cause. For the purposes hereof, "Cause" shall be defined as (A) a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, (B) the Executive's gross and willful misconduct in connection with the performance of the Executive's duties with the Company and/or its subsidiaries or (C) the willful and continued failure of the Executive to substantially perform the Executive's duties with the Company (or any successor thereto) after a written demand from the Company's internal Executive Committee, any successor or similar internal management committee or, absent any such committee, its Chief Executive Officer (such committee, or the Chief Executive Officer, being the "Notifying Party") for substantial performance which specifically identifies the manner in which the Notifying Party believes that the Executive has not performed the Executive's duties with the Company, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have Separated from Service for "Cause" hereunder unless and until the Executive shall have been afforded, after reasonable notice, an opportunity to appear, together with counsel (if the Executive chooses to have counsel present), before the Notifying Party, if the Notifying Party is a committee, or in the event that the Notifying Party is the Chief Executive Officer, the three most highly compensated senior executive officers of the Company, not including the Chief Executive Officer (such Notifying Party or the three senior executive officers, as the case may be, being the "Hearing Party"), and after such hearing there shall have been delivered to the Executive a written determination by the Hearing Party that, in the good faith opinion of the Hearing Party the Executive shall have been Separated from Service for "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or the Executive's beneficiaries to contest the validity or propriety of any such determination. This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, pension plans, stock plans, programs and arrangements.

(d) A Separation from Service initiated by the Company without Cause or by the Executive for an event that would constitute Good Reason following a Change in Control that occurs, in either event, prior to a Change in Control, but occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) (x) at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (y) otherwise arose in connection with, or in anticipation of, a Change in Control, shall be deemed to be a Separation from Service without Cause within the first 24 months after a Change in Control for purposes of this Agreement and the date of such Change in Control shall be deemed to be the date immediately preceding the date the Executive's Separation from Service.

3. Notice of Termination.

Any Separation from Service as contemplated by Section 2 shall be communicated by written "Notice of Separation" to the other party hereto. Any "Notice of Separation" shall (i) indicate the effective date of the Separation from Service, which shall not be less than 30 days or more than 60 days after the date the Notice of Separation is delivered (the "Separation Date"), (ii) cite the specific provision in this Agreement relied upon, and (iii) except for a Separation from Service pursuant to Section 2(d), shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such Separation from Service including, if applicable, the failure by the Company, after provision of written notice by the Executive, to effect a remedy pursuant to the final clause of Section 2(b)(ii) or 2(b)(v).

4. Benefits upon Separation from Service.

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) Compensation.

The Company shall pay to the Executive two times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's rate of annual base salary (prior to any deferrals) on the date of the Executive's Separation from Service, or (B) the Executive's rate of annual base salary (prior to any deferrals) immediately prior to the Change in Control, plus (ii) "Incentive Pay", which shall be an amount equal to the greater of (X) the target annual bonus payable to the Executive under the Company's incentive compensation plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (Y) the highest annual bonus earned by the Executive under the Company's incentive compensation plan or any other annual bonus plan (whether paid currently or on a deferred basis) during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred. In addition, the Executive shall receive a pro rata portion of the target bonus for the fiscal year in which the Executive's termination of employment occurs.

The amount payable under Section 4(a) shall be paid to the Executive in a lump sum payment by the 60th day following the date of the Executive's Separation from Service. Notwithstanding the foregoing, payment of such amounts may not be made to a Key Employee (as defined in Section 4(g)) upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be accumulated and paid on the first day of the seventh month following the date of the Executive's Separation from Service (or, if earlier, the first day of the month after the Participant's death).

In the event payment of the amount payable under Section 4(a) is delayed for six months pursuant to the immediately preceding paragraph, the Company shall as soon as administratively practicable following the date of the Executive's Separation from Service (i) establish an irrevocable grantor trust of which the Company is the grantor, and a bank or trust company reasonably acceptable to the Executive is the trustee (the "Grantor Trust"), and (ii) contribute to the Grantor Trust the full such amount payable under Section 4(a). The Grantor Trust shall be a "rabbi trust," the assets of which shall be used solely for the purpose of satisfying the Company's obligations under Section 4(a) of this Agreement; *provided*, *however*, that such assets shall be subject to the claims of the Company's general creditors in the event of the Company's bankruptcy (or similar insolvency proceeding), and the Grantor Trust shall not cause any amount payable under this Agreement to be funded for tax purposes.

(b) Welfare Benefits.

For a period of 24 months following the date of the Executive's Separation from Service (the "Continuation Period"), the Company shall arrange to provide the Executive with benefits (the "Employee Benefits"), including travel accident, major medical, dental care and other welfare benefit programs, substantially similar to those in effect immediately prior to the Change in Control, or, if greater, to those that the Executive was receiving or entitled to receive immediately prior to the date of the Executive's Separation from Service (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(D)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, the Executive's dependents and beneficiaries of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or the Executive's dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company. In addition, the Executive shall receive additional age and service credit for the Continuation Period for purposes of the Executive's eligibility to receive any retiree medical benefits.

To the extent the continuation of the Employee Benefits under this Section 4(b) is, or ever becomes, taxable to the Executive and to the extent the Employee Benefits that are medical benefits continue beyond the period in which the Executive would be entitled (or would, but for this Agreement, be entitled) to continuation coverage under a group health plan of the Company under Code section 4980B (COBRA) if the Executive elected such coverage and paid the applicable premiums, the Company shall administer such continuation of coverage consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

(i) The Executive's eligibility for Employee Benefits in one year shall not affect the Executive's eligibility for Employee Benefits in any other year;

(ii) Any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and

(iii) Executive's right to Employee Benefits shall not be subject to liquidation or exchange for another benefit.

In the event the preceding sentence applies and the Executive is a Key Employee (as defined in Section 4(g)), provision of Employee Benefits after the COBRA period shall commence on the first day of the seventh month following the date of the Executive's Separation from Service (or, if earlier, the first day of the month after the Executive's death).

(c) Retirement Benefits.

The Executive shall be deemed to be completely vested in the Executive's currently accrued benefits under the Company's Employees' Pension Plan and the Company's Pension Restoration Plan or other supplemental pension plan ("SERP") in effect as of the date of the Change in Control (collectively, the "Plans"), regardless of the Executive's actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn age and service credit for benefit calculation purposes thereunder for the Continuation Period. The additional retirement benefits to be paid pursuant to the Plans shall be calculated as though the Executive's compensation rate for the years during the

Continuation Period equaled the sum of Base Pay plus Incentive Pay. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company's Employees' Pension Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code")) shall be paid directly by the Company out of its general assets at the time and form in which such benefits would have been payable under the applicable Plan.

(d) Stock Based Compensation Plans.

(i) Any issued and outstanding stock options shall vest and become exercisable on the date of the Executive's Separation from Service (to the extent they have not already become vested and exercisable) and any other stock-based awards under any compensation plan or program maintained by the Company (including, without limitation, awards of restricted stock and book value appreciation units) and the Executive's rights thereunder shall vest on the date of the Executive's Separation from Service (to the extent they have not already vested) and any performance criteria under any such compensation plan or program shall be deemed met at target as of the date of the Executive's Separation from Service .

(ii) If and to the extent that any benefit or entitlement (or portion thereof) described in paragraph (i) above is not able to be implemented by the Company under the then applicable terms of any plan, program or award agreement applicable to the Executive, to the extent permitted by Code section 409A, the Company shall pay to the Executive cash and/or other property (including, without limitation, common stock of the Company or any successor thereto) with a value, as determined by the Board, equal to the value of any such option, award or other entitlement (or portion thereof) that the Executive was not able to receive under paragraph (i) above, such payment shall be made upon the date provided in Section 4(a) following the Executive's Separation from Service and such payment shall be in full satisfaction of the option, award or other entitlement (or portion thereof) to which such payment relates.

(e) Defined Contribution Deferred Compensation Plans.

The Company shall pay to the Executive all other amounts of tax-qualified and nonqualified deferred compensation accrued or earned by the Executive through the date of the Executive's Separation from Service, and amounts otherwise owing under the then existing plans and policies of the Company, other than those amounts described in Section 4(c), including but not limited to, all amounts of compensation previously deferred by the Executive (together with any accrued interest or other earnings thereon) and not yet paid by the Company, under the terms and conditions and time and form of payment of the underlying applicable arrangements, plans or policies of the Company.

(f) Outplacement Services.

If so requested by the Executive, reasonable outplacement services shall be provided to the Executive by a professional outplacement firm or provider selected by the Executive that is reasonably acceptable to the Company at a cost to the Company not in excess of $30,000; provided, however, that such reasonable outplacement expenses must be incurred on or before the last day of the second year following, and payment of such expenses is actually made before the last day of the second year following, the year in which the Executive's Separation from Service occurred.

(g) Key Employee.

For purposes of this Section 4, the term "Key Employee" means an employee treated as a "specified employee" as of his Separation from Service under Code section 409A(a)(2)(B)(i), i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) of the Company or its affiliates if the Company's or its affiliate's stock is publicly traded on an established securities market or otherwise. Key Employees shall be determined in accordance with Code section 409A using a December 31 identification date. A listing of Key Employees as of an identification date shall be effective for the 12-month period beginning on the April 1 following the identification date.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or benefit provided by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or provided pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period for, or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to any such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(t), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by the Company's outside auditors immediately prior to the Change in Control (the "Accounting Firm"). The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 days after the Change in Control Date, the date of the Executive's Separation from Service, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such. determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on the Executive's federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that a Gross-Up Payment which will not have been made by the Company should have been made (an "Underpayment'), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(t) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of the Executive's federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall, within five business days, pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of payment thereof.

(f) The Executive shall notify the Company in writing of any claim, by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim, and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-day period following the date on which the Executive gives such notice to the Company and (y) the date that any payment with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in the Executive's possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(t), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(t) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at the Executive's own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(t), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(t)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(t), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding anything in this Section 5 to the contrary, any payment made to or on behalf of the Executive under this Section 5 shall be made in compliance with Code section 409A and by the later of (i) the end of the year following the year that the related taxes are remitted to the applicable taxing authority, (ii) the end of the year following the year in which any taxes that are the subject of an audit or litigation are remitted to the taxing authority, and (iii) where as a result of such audit or litigation no taxes are remitted, the end of the year following the year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

6. No Mitigation Obligation; Obligations Absolute.

The payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment or other benefit provided in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the second to last sentence of Section 4(b). The obligations of the Company to make the payments and provide the benefits provided herein to the Executive are absolute and unconditional and may not be reduced under any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or any third party at any time.

7. Legal Fees and Expenses.

It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if, following a Change in Control, it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for all reasonable attorneys' fees and related expenses incurred by the

Executive in good faith in connection with any of the foregoing; provided, however, that the Company shall have no obligation hereunder to pay any attorneys' fees or related expenses with respect to any frivolous claims made by the Executive. Payments by the Company shall be made in accordance with the rules immediately below, upon written request of the Executive which must be accompanied by such evidence of eligible fees and expenses as the Company may reasonably require.

The Company shall administer such reimbursements consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

(i) The Executive's eligibility for reimbursement of eligible legal fees and expenses in one year shall not affect Executive's eligibility for eligible legal fees in any other year;

(ii) Any reimbursement of eligible legal fees and expenses shall be made on or before the last day of the year following the year in which the expense was incurred; and

(iii) The Executive's right to the reimbursement of eligible legal fees and expenses shall not be subject to liquidation or exchange for another benefit.

8. Continuing Obligations.

The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into the Executive's possession from time to time during the Executive's employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not otherwise publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of the Executive's employment with the Company or pursuant to any court order or other legal process or as necessary to enforce the Executive's rights under this Agreement.

9. Successors.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to terminate employment pursuant to Section 2(a) (ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, “Company” shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive’s designee or, if there is no such designee, to the Executive’s estate.

10. <u>Notices.</u>

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at the Executive’s principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. <u>Governing Law.</u>

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

12. <u>Miscellaneous.</u>

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability.

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability.

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive’s right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by the Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of death, the Executive’s designated beneficiary or, in the absence of an effective beneficiary designation, the Executive’s estate.

15. Effectiveness; Term.

This Agreement will be effective and binding as of the date first above written immediately upon its execution and shall continue in effect through the second anniversary of such date; provided, however, that the term of this Agreement shall automatically be extended for an additional day for each day that passes so that there shall at any time be two years remaining in the term unless the Company provides written notice to the Executive that it does not wish the term of this Agreement to continue to be so extended, in which case the Agreement shall terminate on the second anniversary of such notice if there has not been a Change in Control prior to such second anniversary. In the event that a Change in Control has occurred during the term of this Agreement, then this Agreement shall continue to be effective until the second anniversary of such Change in Control. Notwithstanding any other provision of this Agreement, if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary (other than a termination of employment pursuant to Section 2(d) hereof), thereupon without further action the term of this Agreement shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of the Executive's employment between the Company and any subsidiary, or among any subsidiaries. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4 through 9 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17. Prior Agreement. This Agreement supersedes and terminates any and all prior similar agreements by and among Company (and/or a subsidiary) and the Executive, including, without limitation, the Prior Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth.

HESS CORPORATION

By: /s/ John B. Hess

Name: John B. Hess

Title: Chairman and CEO

/s/ Brian J. Bohling
Brian J. Bohling

Exhibit 31(1)

CERTIFICATIONS

I, John B. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John B. Hess
JOHN B. HESS
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

Date: August 7, 2009

Exhibit 31(2)

I, John P. Rielly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ John P. Rielly
JOHN P. RIELLY
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Date: August 7, 2009

Exhibit 32(1)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hess Corporation (the "Corporation") on Form 10-Q for the period ending June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Hess, Chairman of the Board and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By /s/ John B. Hess
JOHN B. HESS
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
Date: August 7, 2009

A signed original of this written statement required by Section 906 has been provided to Hess Corporation and will be retained by Hess Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hess Corporation (the “Corporation”) on Form 10-Q for the period ending June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John P. Rielly, Senior Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By /s/ John P. Rielly
JOHN P. RIELLY
SENIOR VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER
Date: August 7, 2009

A signed original of this written statement required by Section 906 has been provided to Hess Corporation and will be retained by Hess Corporation and furnished to the Securities and Exchange Commission or its staff upon request.