FREDERIC W. COOK & CO., INC.

DIRECTOR COMPENSATION:

NASDAQ 100 *vs* NYSE 100

Non-Employee Director Compensation at the NASDAQ 100 and 100 Largest New York Stock Exchange Companies

SEPTEMBER 2005

FREDERIC W. COOK & CO., INC.

DIRECTOR COMPENSATION:

NASDAQ 100 *vs* NYSE 100

Non-Employee Director Compensation
at the NASDAQ 100 and
100 Largest New York Stock Exchange Companies

SEPTEMBER 2005

TABLE OF CONTENTS

Executive Summary 3

Overview & Methodology 4

Total Compensation 6

Cash vs. Equity 7

Board Cash Retainers 8

Board Meeting Fees 9

Committee Member Compensation 10

Additional Committee Chair Compensation 11

Lead Director Compensation 12

Non-Executive Chairman Compensation 13

Executive Chairman Compensation 14

Equity Ownership Programs 15

NASDAQ Companies 16

NYSE Companies 17

Company Profile 18

Outside directors are assuming increased responsibility in protecting organizations and their shareholders. At the same time that their roles, responsibilities, and workloads have increased, so too has their potential liability. Last year, this study documented large increases in director compensation as companies struggled to attract and retain qualified outside directors. This year, our aim is to continue to track the changes first brought on by the Sarbanes-Oxley Act and other corporate governance reforms. The following are notable findings and trends:

- The median total value of directors' compensation programs increased on average by 4 percent for the NASDAQ companies, and 17 percent for NYSE companies. Note that while we changed our option valuation methodology this year (as described on page 5), the percentages above are calculated using our old methodology.
- The trend towards replacing option grants with stock awards is continuing, as almost half of the NYSE companies now do not provide stock options to outside directors. Stock options are still the most common award type granted to directors at the NASDAQ companies, although their prevalence is decreasing.
- Annual cash retainers for board membership followed the same trends as total compensation. For those companies that pay an annual cash retainer, the median increased by 10 percent for the NYSE companies, but remained unchanged for the NASDAQ companies.
- Compensation continues to be higher for Audit Committee chairs than for other committee chairs, although many companies compensate all committee chairs equally. Ninety-nine percent of the NYSE and 85 percent of the NASDAQ companies provide some form of additional compensation for Audit Committee chairs.
- The number of companies using annual retainers to compensate committee members has increased slightly, with the retainer paid to Audit Committee members often times being higher than that paid for service on other committees.
- Committee meeting fees have increased modestly since last year, although the number of companies paying them decreased among the NASDAQ group.
- More companies are establishing the role of Lead Director in response to corporate governance concerns. Twenty-seven of the NASDAQ companies and 40 of the NYSE companies have Lead Directors.
- The prevalence of ownership guidelines continues to increase as companies seek to align directors' and shareholders' interests. In particular, 67 percent of the NYSE companies and 26 percent of the NASDAQ companies disclose either director ownership guidelines or share retention requirements.

This report compares and contrasts the outside directors' compensation programs at 100 of the largest U.S.-based companies listed on each of the two major U.S. stock exchanges, the NASDAQ and the New York Stock Exchange ("NYSE"). This is our third annual report on director compensation practices. We believe it shows sharp contrasts between program structures at large technology companies (i.e., the NASDAQ) and the more "traditional" companies listed on the NYSE. By understanding the differences, it is possible to develop best practices for all companies as they compete for talented outside directors.

The NYSE group is made up of the 100 largest U.S.-based companies in the NYSE, determined by market capitalization as of March 31, 2005. The NASDAQ group is made up of the U.S.-based companies in the NASDAQ 100, with additional companies inserted based on market capitalization to replace the non U.S.-based companies that were removed.

- Stock prices have increased only moderately since last year, thereby reducing the influence of higher share prices on growth in compensation values.
- The NYSE sample companies are generally larger than the NASDAQ companies, in terms of both revenues and market capitalization.

	NASDAQ 100			NYSE 100		
	Revenues ($ Millions)	Market Capitalization as of 3/31/05 ($ Millions)	1-Year Total Shareholder Return as of 3/31/05	Revenues ($ Millions)	Market Capitalization as of 3/31/05 ($ Millions)	1-Year Total Shareholder Return as of 3/31/05
75th Percentile	$4,476	$13,392	25.5%	$39,148	$71,802	21.6%
Average	$5,276	$17,609	10.3%	$37,328	$64,460	11.1%
Median	$1,509	$6,258	6.7%	$27,748	$44,369	6.9%
25th Percentile	$1,160	$4,404	–13.7%	$13,943	$26,765	–3.3%

Information on each company's director compensation program was collected from disclosure statements (proxies and Form 8-K's) issued in the one-year period ending June 30, 2005.

There are several elements of compensation that typically comprise outside directors' compensation programs. This report analyzes each element in the aggregate as well as individually, paying particular attention to the way the NASDAQ and NYSE companies utilize them within their programs. These pay elements are as follows:

- Annual cash retainer for board and committee service.
- Meeting fees for attendance at board and committee meetings.
- Additional compensation for chairing the board or specific committees.
- Equity compensation, in the form of stock options or stock awards, such as stock grants, deferred stock, or restricted stock.

Most standard assumptions used to calculate total compensation were kept constant from last year's study to facilitate year-over-year comparisons, although a change was made in the way stock option awards are valued. The assumptions are as follows:

- Each board meets **eight** times a year.
- Each committee of the board meets **five** times a year.
- All equity compensation is valued based on the closing stock price on **March 31, 2005**.
- Options are valued using each individual company's FAS 123 disclosure inputs (which are used by companies to estimate the expense related to stock option grants) and a binomial model. This is a change from last year's study, when options were valued at 33 percent of fair market value for all of the NYSE companies and 50 percent for all of the NASDAQ companies. Beginning in 2006, companies will be required to expense stock option grants, and we believe that our change in methodology allows us to more accurately capture the actual expense of each company's directors compensation program.
- Stock awards are valued at 100 percent of each company's March 31, 2005, stock price.
- It should be noted that comparisons to prior-year practices do not reflect a constant company population, since a point-in-time snapshot of company size determines inclusion in this report. Therefore, "trend" data can be influenced by changes in the company sample from year-to-year, as well as actual changes in compensation practices. A total of 26 companies, representing 13 percent of the companies reviewed, are new to this year's report.

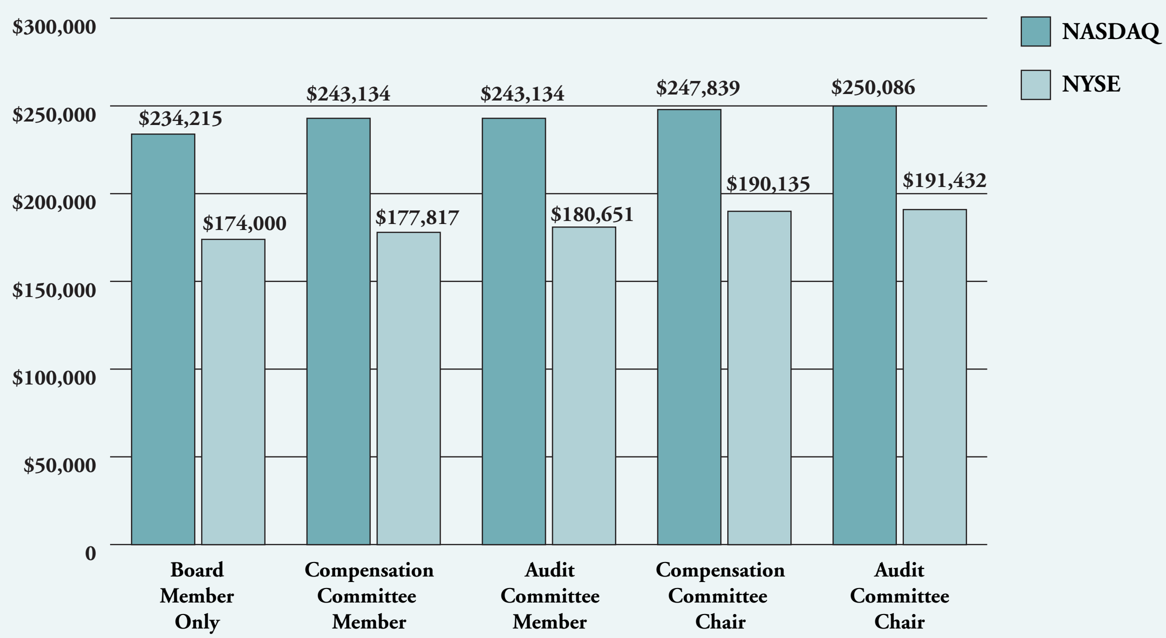
TOTAL COMPENSATION

Companies are increasingly linking compensation to specific director roles and responsibilities, and their related individual time commitments and liabilities. This dynamic is particularly evident for the Audit Committee. To measure differences in compensation, the following common categories of board service were considered:

- **Board Member Only** – A member of the board who does not serve on any committees.
- **Compensation Committee Member** – A member of the board, who also serves as a member of the Compensation Committee. This director serves on no other board committees.
- **Compensation Committee Chair** – Like the "Compensation Committee Member" above, but this director is the chair of the Compensation Committee (instead of a regular member).
- **Audit Committee Member** – A member of the board, who also serves as a member of the Audit Committee. This director serves on no other board committees.
- **Audit Committee Chair** – Like the "Audit Committee Member" above, but this director is the chair of the Audit Committee.

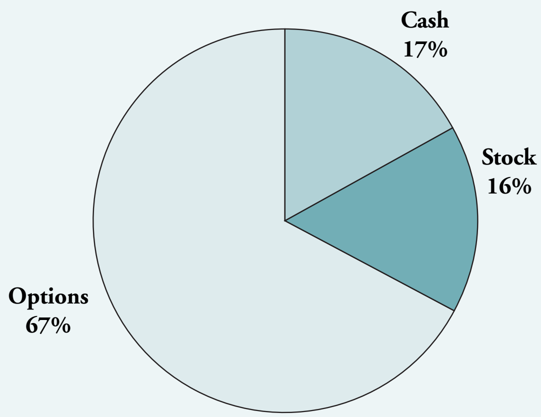
Although we did not break out Nominating and Governance Committee data, our research shows that their compensation is generally comparable with that of the Compensation Committee. While approximately 8 percent and 20 percent of companies pay Compensation Committee members and chairs slightly more, respectively, the majority of companies provide equal compensation to both the Nominating and Governance Committee and the Compensation Committee.

The table below shows median total compensation values at NASDAQ and NYSE companies. Based on a comparison of median compensation, NASDAQ companies provide an average of 33 percent more potential value than NYSE companies across the categories examined in this study. This is primarily due to delivery of a higher portion of total compensation in the form of stock options at NASDAQ companies.

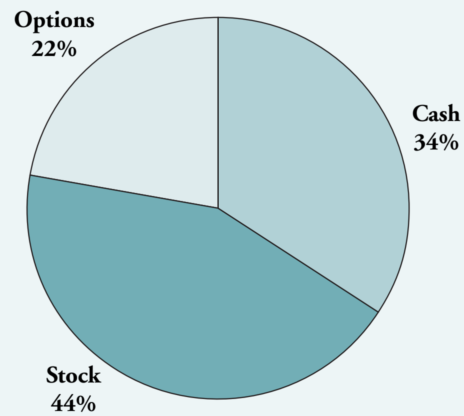


Because we made a change this year to the way options are valued, direct year-over-year growth comparisons are not valid. However, if we had used our old methodology this year, the average value of directors' compensation programs would have increased by 4 percent at the NASDAQ companies and 17 percent at the NYSE companies.

The charts below show the median mix of pay elements for a typical director at the NASDAQ and NYSE companies. NASDAQ companies provide less cash value than NYSE companies, but significantly more equity, primarily in the form of options, which results in higher total compensation. NYSE companies rely more heavily on stock awards while NASDAQ companies favor options, illustrating the more leveraged pay strategies at NASDAQ companies.



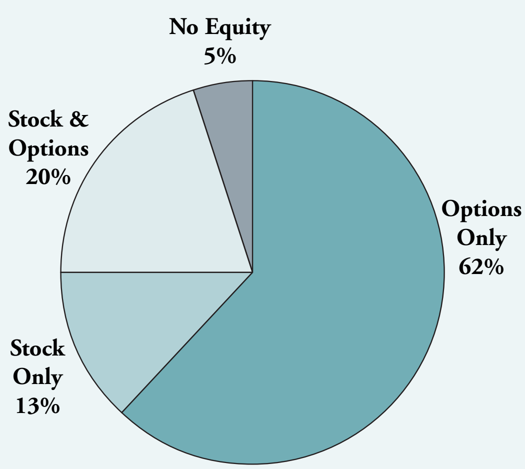
NASDAQ



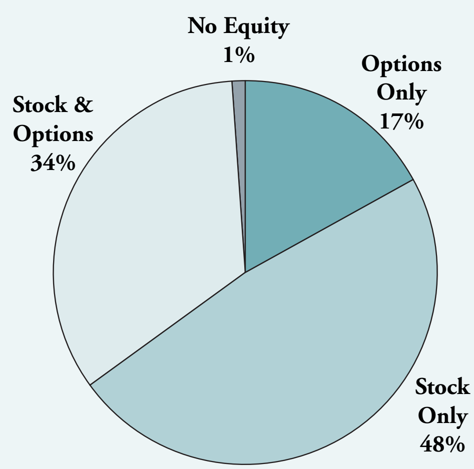
NYSE

The following charts show the percentage of companies using each type of equity award in their director compensation program.

- Thirty-three percent of NASDAQ and 81 percent of NYSE companies grant stock awards in the director compensation package, up from 23 percent and 77 percent last year.
- Sixty-two percent of NASDAQ and 17 percent of NYSE companies have options-only equity programs, down from 73 percent and 20 percent last year.
- Eight NASDAQ and 10 NYSE companies stopped granting options to directors in the past year.



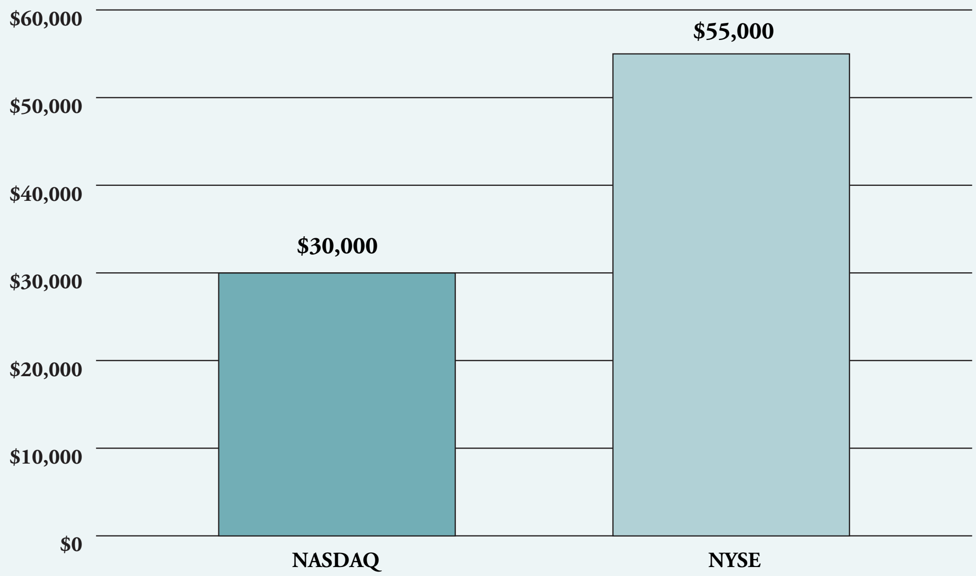
NASDAQ



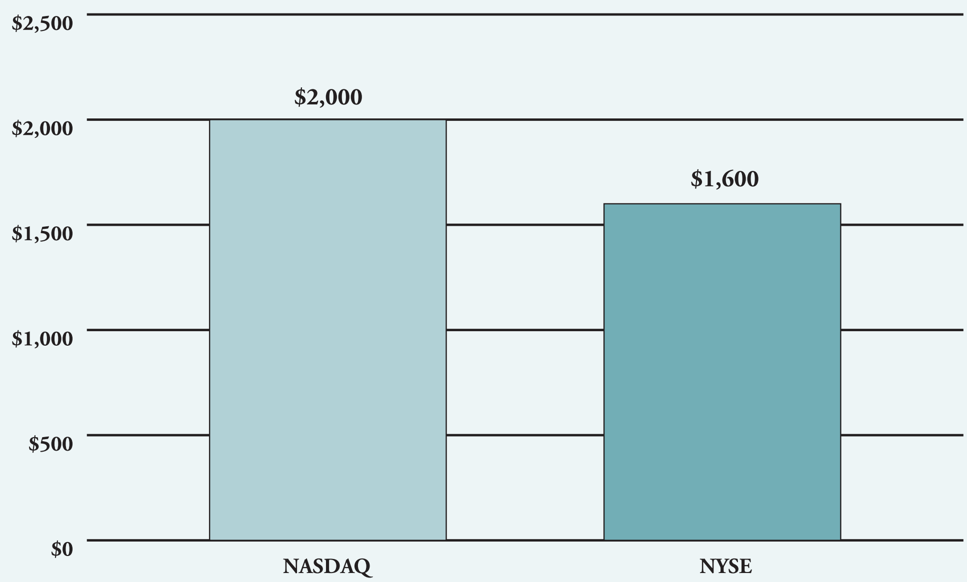
NYSE

BOARD CASH RETAINERS

The majority of companies in the study provide an annual cash retainer to directors, with 91 percent of NASDAQ companies and 96 percent of NYSE companies providing this pay element. The following chart shows median annual cash retainers for those companies that provide one. The median retainer increased by 10 percent at NYSE companies from last year, and remained unchanged at the NASDAQ companies.



Slightly more than half of companies in the study provide meeting fees for regular board meetings, with 54 percent of NASDAQ companies (down from 65 percent last year) and 52 percent of NYSE companies (unchanged from last year) providing such a fee. The following chart shows median per meeting fees for those companies that provide one. The median per meeting fee increased by $500 at NASDAQ companies and $100 at NYSE companies from last year.



COMMITTEE MEMBER COMPENSATION

Some companies provide additional compensation for committee service, usually in the form of a meeting fee or additional retainer (either cash or equity). The following table shows median meeting fees and annual retainers for committee service for those companies that pay such additional compensation. Additional committee chairman fees are not included.

	Percentage of Companies		**Median Retainer / Fee**	
	NASDAQ	**NYSE**	**NASDAQ**	**NYSE**
Additional Retainers				
Compensation Committee	27%	20%	$10,000	$7,500
Audit Committee	32%	33%	$10,000	$8,250
Committee Meeting Fees (per meeting)				
Compensation Committee	46%	50%	$1,000	$1,500
Audit Committee	47%	51%	$1,200	$1,500

The higher retainer values shown for the NASDAQ companies are partly due to their increased use of option awards as payment for committee service, while NYSE companies are more likely to provide cash.

The number of companies using annual retainers to compensate committee members has increased, with the retainer paid to the Audit Committee more likely to be higher than that paid for service on other committees. Across both the NASDAQ and the NYSE companies, nine more companies provide Audit Committee retainers compared to last year.

To recognize the additional duties and time involved in chairing a committee, most companies provide additional compensation above that paid to regular committee members. Such additional compensation typically takes the form of an additional annual retainer (either in the form of cash or additional equity awards) or augmented meeting fee. The table below shows the additional compensation paid to committee chairs at NASDAQ and NYSE companies for only those companies that pay this additional form of compensation.

This analysis only shows compensation **above** that paid for regular committee service (e.g., if a regular committee member receives an annual retainer of $5,000 and the chair receives an annual retainer of $7,500, then **only** the additional $2,500 above that paid for regular service is reflected).

The number of companies providing additional committee chair retainers increased significantly, especially at the NASDAQ companies. Sixty-eight percent and 61 percent of the NASDAQ companies provided additional Audit and Compensation chair retainers, respectively, up from only 47 percent and 41 percent last year. The percentage of NYSE companies providing such additional retainers increased as well, from 84 percent and 79 percent for Audit and Compensation chairs, respectively.

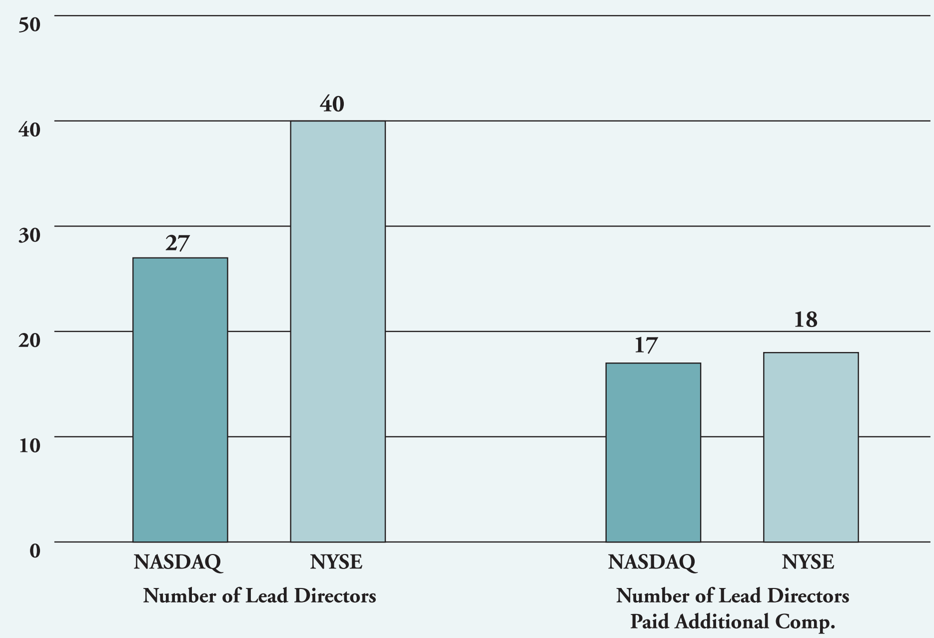
	Percentage of Companies		Median Retainer / Fee	
	NASDAQ	NYSE	NASDAQ	NYSE
Additional Chair Retainers				
Compensation Committee	61%	87%	$7,000	$10,000
Audit Committee	68%	89%	$10,000	$10,000
Additional Chair Meeting Fees (per meeting)				
Compensation Committee	7%	5%	$1,000	$500
Audit Committee	9%	5%	$2,000	$500

For those companies that pay additional compensation to committee chairs, the Audit Committee chair is likely to be paid more than the chairs of other committees. The most common form of additional compensation is a retainer (versus an additional per meeting fee).

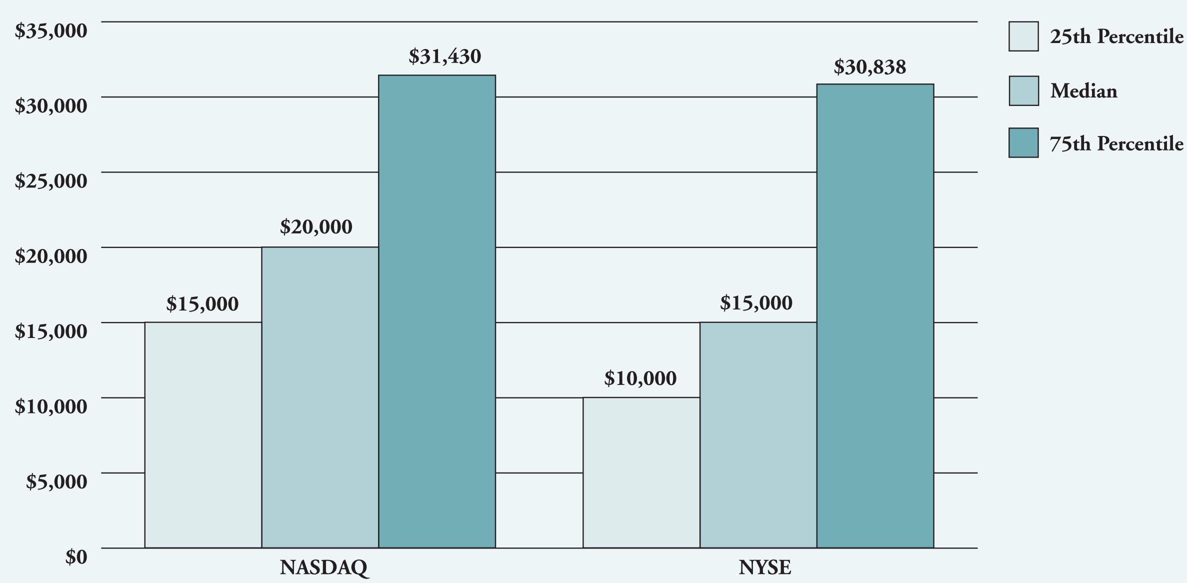
It is important to note that most of the committee chairs who receive this additional compensation also receive either meeting fees or a retainer that is provided to regular, non-chair committee members. For example, of the 68 NASDAQ companies that provide an additional retainer to the Audit Committee chair, 56 also provide some sort of compensation to regular Audit Committee members.

LEAD DIRECTOR COMPENSATION

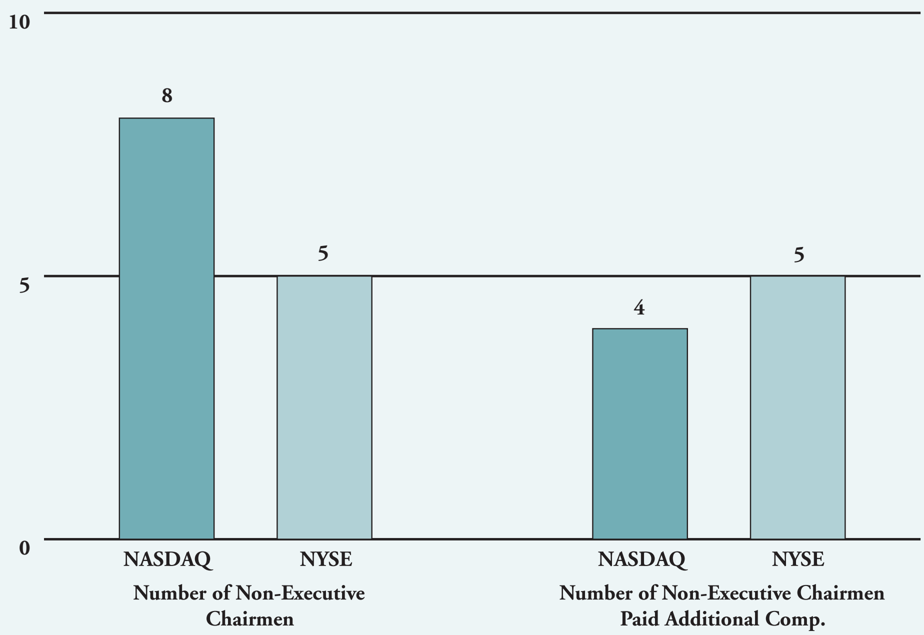
More companies have established the role of "Lead Director" (sometimes called "Presiding Director"), often to act as an independent control on the influence of Chairman-CEOs. Although we expanded our definition of a Lead Director this year to include directors who oversee executive sessions of the board, Lead Directors are clearly becoming more commonplace as companies adjust to new corporate governance concerns. The following chart shows the number of companies with Lead Directors and the number of Lead Directors who are paid additional compensation among the NASDAQ and NYSE companies.



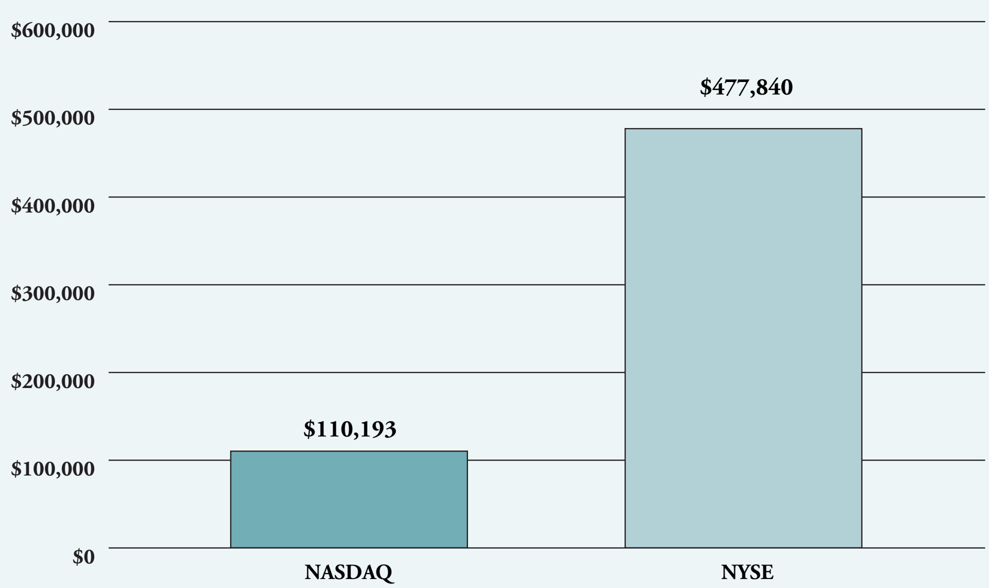
Additional compensation provided to Lead Directors is typically paid in cash. A few companies supplement cash payments with stock or options, while a few others grant only stock or options. This analysis shows Lead Director compensation above that paid for regular board service, for those companies paying such compensation. The median amounts paid to Lead Directors decreased by approximately $5,000 at both the NASDAQ and the NYSE companies compared to last year. This slight decrease is due to the larger number of companies that pay such compensation, and should not be viewed as a trend on an individual company basis.



A non-executive Chairman of the Board is a non-employee Chairman who has not been previously employed with the company. The number of non-executive Chairman of the Board positions decreased from last year over all companies from 21 to 13.

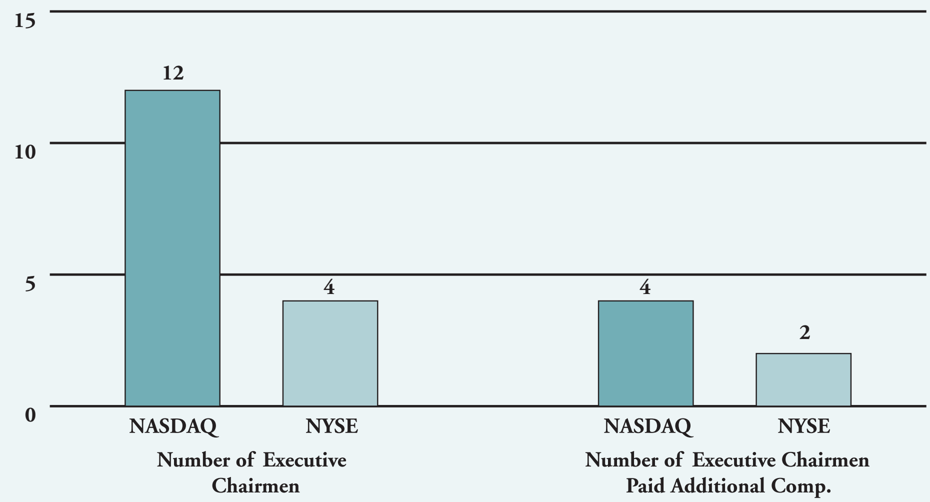


Median compensation provided for serving as the non-executive Chairman, in addition to that paid for regular board service, is shown below. Such compensation is usually a mix of cash and equity, and tends to reflect the Chairman's role and responsibilities within the company. The median value of the additional compensation provided to non-executive Chairmen at the NYSE companies is more than four times that provided to those at the NASDAQ companies, although the sample size is too small to draw any meaningful conclusions.

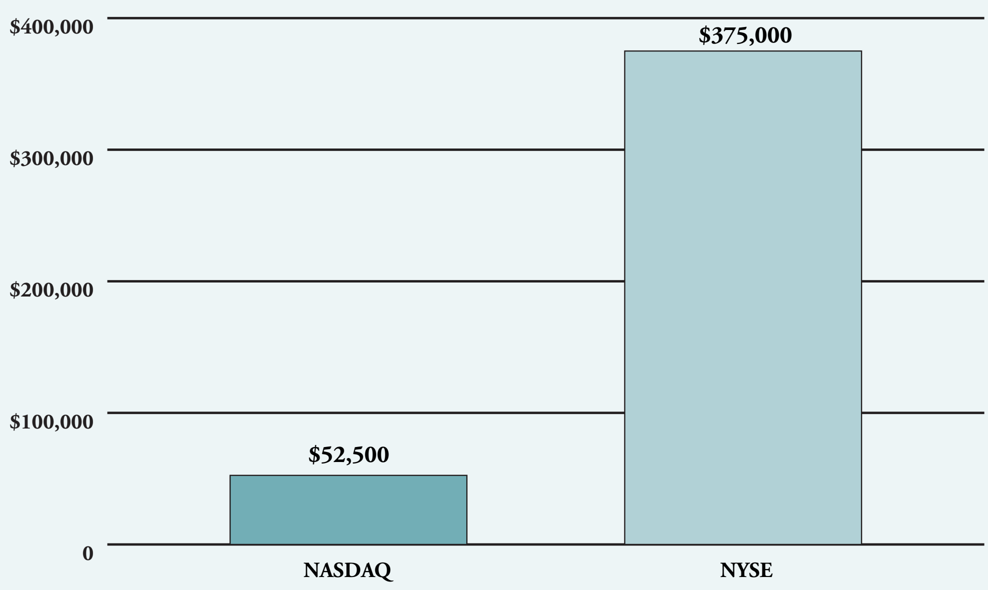


EXECUTIVE CHAIRMAN COMPENSATION

An executive Chairman of the Board is a non-employee Chairman who has been previously employed with the company, usually as the CEO. This is the first year that we are tracking executive Chairman prevalence and compensation.

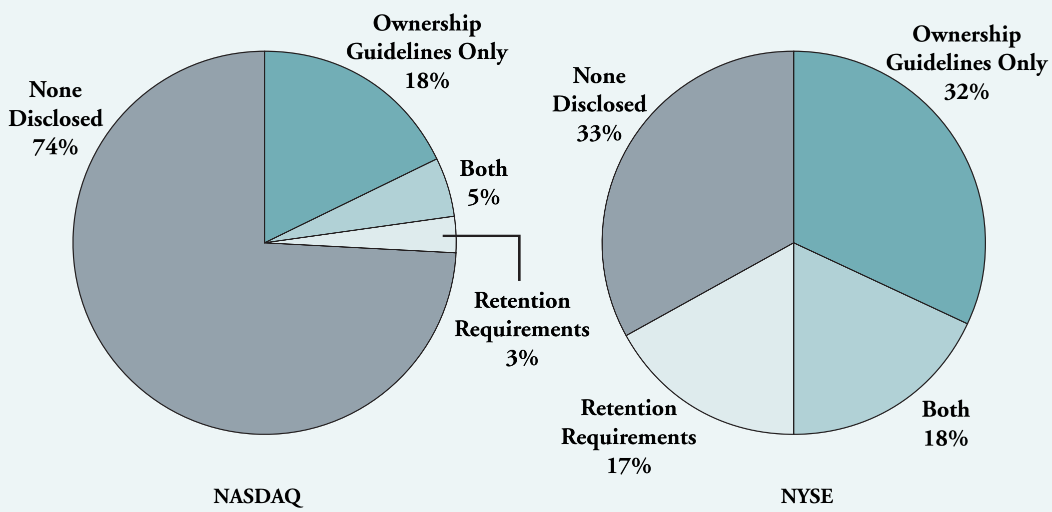


Median compensation provided for serving as the executive Chairman, in addition to that paid for regular Board service, is shown below. Such compensation usually takes the form of an additional cash retainer. As with non-executive Chairmen, the small sample size makes any generalizations or conclusions difficult.



In an effort to further align directors' interests with those of shareholders, companies increasingly require that directors own shares. Ownership guidelines and share retention requirements are the most common ownership program designs. Ownership guidelines usually require directors to accumulate and hold a certain amount of company stock, and are typically defined as a multiple of the director's annual retainer. Retention requirements most commonly take the form of a mandatory holding period for stock awards or deferred stock units that have been granted to the director. The following charts show the percentage of NASDAQ and NYSE companies that disclose such requirements.

- Sixty-seven percent of NYSE companies and 26 percent of the NASDAQ companies have either formal ownership guidelines or share retention requirements.



NASDAQ COMPANIES

ADOBE SYSTEMS
ALTERA
AMAZON.COM
AMERN EAGLE OUTFITTERS
AMERICAN POWER CONVERSION
AMGEN
APOLLO GROUP
APPLE COMPUTER
APPLIED MATERIALS
AUTODESK
BEA SYSTEMS
BED BATH & BEYOND
BIOGEN IDEC
BIOMET
BROADCOM
C H ROBINSON WORLDWIDE
CAREER EDUCATION
CDW
CELGENE
CHIRON
CINTAS
CISCO SYSTEMS
CITRIX SYSTEMS
COGNIZANT TECH SOLUTIONS
COMCAST
COMVERSE TECHNOLOGY
COSTCO WHOLESALE
DELL
DENTSPLY INTERNATL
DOLLAR TREE STORES
EBAY
ECHOSTAR COMMUN
ELECTRONIC ARTS
EXPEDITORS INTL WASH
EXPRESS SCRIPTS
FASTENAL
FISERV
FLEXTRONICS INTERNATIONAL
GARMIN
GENZYME
GILEAD SCIENCES
GOOGLE
IAC/INTERACTIVECORP
INTEL
INTERSIL
INTUIT
INVITROGEN
JDS UNIPHASE
JUNIPER NETWORKS
KLA-TENCOR
LAM RESEARCH
LAMAR ADVERTISING
LEVEL 3 COMMUNICATIONS
LIBERTY GLOBAL
LINCARE HOLDINGS
LINEAR TECHNOLOGY
MARVELL TECHNOLOGY GROUP
MAXIM INTEGRATED PRODUCTS
MCI
MEDIMMUNE
MERCURY INTERACTIVE
MICROCHIP TECHNOLOGY
MICROSOFT
MILLENNIUM PHARMACEUTICALS
MOLEX
NETWORK APPLIANCE
NEXTEL PARTNERS
NOVELLUS SYSTEMS
NTL
NVIDIA
ORACLE
PACCAR
PATTERSON COMPANIES
PATTERSON-UTI ENERGY
PAYCHEX
PETSMART
PIXAR
QLOGIC
QUALCOMM
ROSS STORES
SANDISK
SANMINA-SCI
SEPRACOR
SIEBEL SYSTEMS
SIGMA-ALDRICH
SIRIUS SATELLITE RADIO
SMURFIT-STONE CONTAINER
STAPLES
STARBUCKS
SUN MICROSYSTEMS
SYMANTEC
SYNOPSYS
TELLABS
VERISIGN
VERITAS SOFTWARE
WHOLE FOODS MARKET
WYNN RESORTS
XILINX
XM SATELLITE RADIO HLDGS
YAHOO

3M	EMC	MOTOROLA
ABBOTT LABORATORIES	EMERSON ELECTRIC	NATIONAL CITY
AETNA	EXELON	NIKE
ALCOA	EXXON MOBIL	OCCIDENTAL PETROLEUM
ALLSTATE	FEDERAL HOME LOAN MORTG	PEPSICO
ALTRIA GROUP	FEDEX	PFIZER
AMERICAN EXPRESS	FIRST DATA	PROCTER & GAMBLE
AMERICAN INTERNATIONAL GROUP	GENENTECH	PRUDENTIAL FINANCIAL
ANHEUSER-BUSCH COS	GENERAL DYNAMICS	SBC COMMUNICATIONS
AUTOMATIC DATA PROCESSING	GENERAL ELECTRIC	SCHERING-PLOUGH
BANK OF AMERICA	GILLETTE	SLM
BANK OF NEW YORK	GOLDMAN SACHS GROUP	SOUTHERN
BAXTER INTERNATIONAL	GUIDANT	SPRINT
BB&T	HCA	ST PAUL TRAVELERS
BELLSOUTH	HEWLETT-PACKARD	SUNTRUST BANKS
BERKSHIRE HATHAWAY	HOME DEPOT	SYSCO
BOEING	HONEYWELL INTERNATIONAL	TARGET
BOSTON SCIENTIFIC	ILLINOIS TOOL WORKS	TEXAS INSTRUMENTS
BRISTOL-MYERS SQUIBB	INTL BUSINESS MACHINES	TIME WARNER
CARDINAL HEALTH	JOHNSON & JOHNSON	U S BANCORP
CATERPILLAR	JPMORGAN CHASE	UNITED PARCEL SERVICE
CENDANT	KIMBERLY-CLARK	UNITED TECHNOLOGIES
CHEVRON	LEHMAN BROTHERS HOLDINGS	UNITEDHEALTH GROUP
CITIGROUP	LIBERTY MEDIA	VERIZON COMMUNICATIONS
COCA-COLA	LILLY (ELI)	VIACOM
COLGATE-PALMOLIVE	LOCKHEED MARTIN	WACHOVIA
CONOCOPHILLIPS	LOWE'S COMPANIES	WALGREEN
CVS	MBNA	WAL-MART STORES
DEVON ENERGY	MCDONALD'S	WASHINGTON MUTUAL
DISNEY (WALT)	MEDTRONIC	WELLPOINT
DOMINION RESOURCES	MERCK	WELLS FARGO
DOW CHEMICAL	MERRILL LYNCH	WYETH
DU PONT (E I) DE NEMOURS	METLIFE	
DUKE ENERGY	MORGAN STANLEY	

COMPANY PROFILE

Frederic W. Cook & Co., Inc. is an independent consulting firm specializing in executive and director compensation and related corporate governance matters. Formed in 1973, our firm has served more than 1,700 corporations, including 40 percent of the current Fortune 200 during the past two years, in a wide variety of industries from our offices in New York, Chicago, and Los Angeles. Our primary focus is on performance-based compensation programs that help companies attract and retain business leaders, motivate and reward them for improved performance, and align their interests with shareholders. Our range of consulting services includes:

- Annual Incentive Plans
- Change-in-Control and Severance
- Compensation Committee Advisor
- Competitive Assessment
- Corporate Governance Matters
- Corporate Transactions
- Directors' Remuneration
- Incentive Grants and Guidelines
- Long-term Incentive Design
- Ownership Programs
- Performance Measurement
- Recruitment/Retention Incentives
- Regulatory Services
- Restructuring Incentives
- Shareholder Voting Matters
- Specific Plan Reviews
- Strategic Incentives
- Total Compensation Reviews

OUR OFFICE LOCATIONS:

New York
90 Park Avenue
35th Floor
New York, NY 10016
212-986-6330 phone
212-986-3836 fax

Chicago
One North Franklin
Suite 910
Chicago, IL 60606
312-332-0910 phone
312-332-0647 fax

Los Angeles
2121 Avenue of the Stars
Suite 990
Los Angeles, CA 90067
310-277-5070 phone
310-277-5068 fax

London
(Through Affiliation with New Bridge Street Consultants)
20 Little Britain
London, EC1A 7DH
020-7282-3030 phone
020-7282-3030 fax
www.nbsc.co.uk

Website address:
www.fwcook.com

This report was authored by Steven Knotz, with research assistance from Evelyn Chin, Scott Evenson, Alexa Kierzkowski, James Kim, Aaron Miller, Silvana Nuzzo, Michael Reznick, Ben Segel, Aric Walker, Eric Winikoff, and David Yang. Questions and/or comments should be directed to Mr. Knotz (sknotz@fwcook.com) in our Los Angeles office.