FREDERIC W. COOK & CO., INC.

2008 DIRECTOR COMPENSATION:

NASDAQ 100 *vs.* NYSE 100

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

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

For the past several years, this study has documented increases in director compensation in conjunction with the expanding roles and responsibilities of outside directors. Last year's study found compensation levels for outside directors stabilizing. Again this year, we report a moderate change to compensation levels for non-employee directors due to the slower growth in cash compensation and to the broadening of trends in equity compensation design, analogous to the trends reported in the prior year's report.

New to this year's report are analyses on the prevalence of fixed-share and dollar-denominated equity grants, and perquisites. Some notable findings and trends are below:

- The median total value of director compensation for all companies in the study remained flat. A slight decline in the median for NASDAQ companies (-2 percent) was offset by a moderate increase for NYSE companies (4 percent). Year-over-year comparisons in the total value of director compensation programs reflect changes in cash compensation, equity grant levels, stock prices, binomial ratios (for companies granting options) and pay mix, all of which are covered in detail throughout the report.
- The value of annual cash board retainers increased in 2007 for NASDAQ companies. The board retainers for NYSE companies were unchanged from the figures reported in last year's study. NYSE companies tend to have higher cash board retainers than NASDAQ companies, which have historically provided a greater percentage of overall value through equity awards.
- Continuing the trend from recent years, the prevalence of stock options decreased for both groups. Only 29 percent of NYSE companies disclosed granting stock options as a part of their annual equity program, compared to 33 percent last year. Stock options are still a common award type granted to directors at NASDAQ companies, with 60 percent of the companies awarding them, a significant decrease from 70 percent last year.
- NYSE companies in the study have increasingly retracted from providing fees for committee and board meetings. The prevalence of NASDAQ companies providing meeting fees declined also, but not as significantly as found for NYSE companies. NASDAQ and NYSE companies providing committee meeting fees declined 2 percent and 22 percent, respectively. Similarly, there was greater decline in the number of NYSE companies (13 percent) compensating directors for board meetings than NASDAQ companies (4 percent).
- The percentage of companies in both groups providing additional compensation to committee members increased, with the median retainer value increasing for Compensation and Nominating and Governance Committee members at NASDAQ companies.

This is our sixth annual report on director compensation practices. Our report compares and contrasts the outside director compensation programs at the 100 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"). We continue to see notable contrasts between program structures at large technology companies (i.e., the NASDAQ) and general industry companies listed on the NYSE. By understanding these differences, companies can develop competitive pay practices for attracting talented individuals to serve as outside directors.

The companies analyzed in this report were determined by market capitalization as of March 31, 2008, with additional companies inserted based on market capitalization to replace companies removed due to: a) unavailable proxy filings and b) pending mergers and acquisitions (which can also result in late proxy filings).

- As illustrated below, the NYSE companies are considerably larger than the NASDAQ companies, in terms of both revenue and market capitalization.

	NASDAQ 100			**NYSE 100**		
	Trailing 12-Month Revenue ($ Millions)	**Market Capitalization as of 3/31/08 ($ Millions)**	**1-Year Total Shareholder Return as of 3/31/08**	**Trailing 12-Month Revenue ($ Millions)**	**Market Capitalization as of 3/31/08 ($ Millions)**	**1-Year Total Shareholder Return as of 3/31/08**
75th Percentile	$7,777	$15,934	22.4%	$60,732	$65,932	22.1%
Average	$8,230	$20,884	9.3%	$51,603	$70,283	10.6%
Median	$3,351	$7,983	–1.4%	$32,093	$45,938	6.2%
25th Percentile	$1,584	$5,714	–14.9%	$16,633	$33,262	–12.3%

Information on each company's director compensation program was collected from SEC disclosure statements including annual proxy statements, annual reports and Form 8-Ks issued in the one-year period ending June 30, 2008.

Typically, outside directors' compensation programs are composed of several components. This report analyzes each compensation component individually, as well as, in the aggregate, paying particular attention to the manner NASDAQ and NYSE companies utilize them within their programs. These pay components are as follows:

- Annual cash retainer for board and committee service.
- Fees for attendance at board and committee meetings.
- Additional compensation for chairing the board or a specific committee.
- Equity compensation, in the form of stock options or full-value awards, such as outright shares, stock options, restricted stock, or deferred stock.
- Perquisites, such as charitable gift programs, insurance premiums, and payments for spouse/guest travel.

We followed the same standard assumptions and valuation methodologies as were used in last year's study to facilitate year-over-year comparisons. The assumptions are as follows:

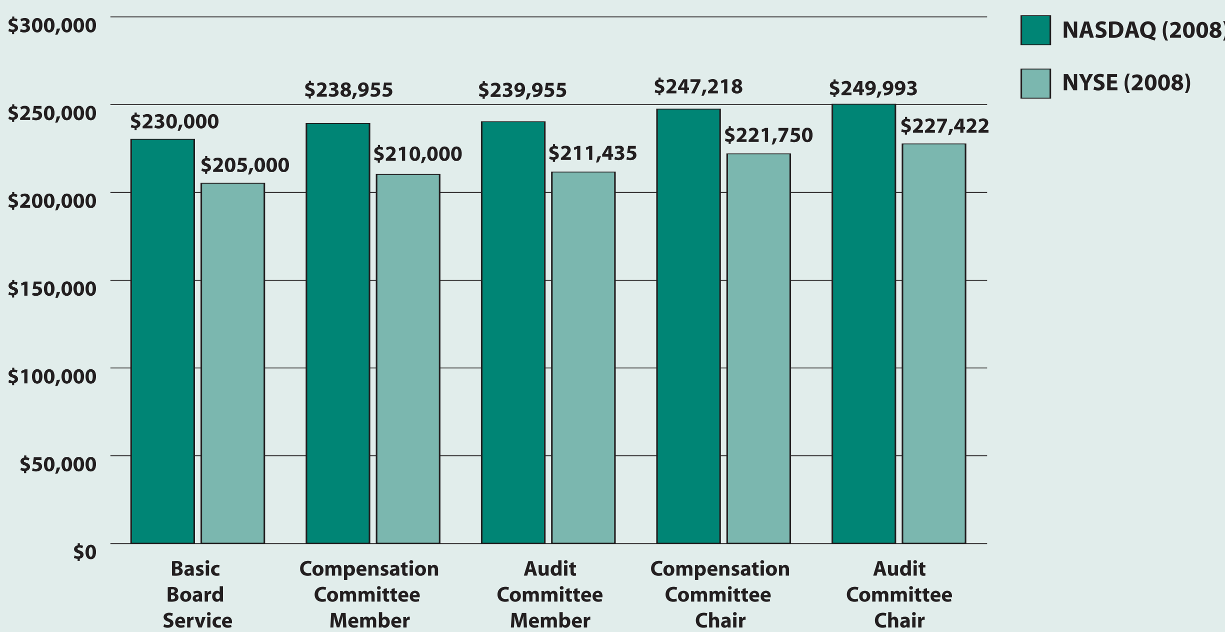
- Each board meets **eight** times per year.
- Each committee of the board meets **five** times per year.
- All equity compensation is valued based on the closing stock price on **March 31, 2008**.
- All equity compensation is annualized over a five-year period (e.g., if a company makes an initial equity grant upon election to the board and then annual grants thereafter, our analysis annualizes the initial grant and the four subsequent annual grants over the five-year period).
- Options are valued using a binomial model and each individual company's publicly disclosed FAS 123(R) valuation assumptions (which are used by companies to estimate fair value of stock option grants); this valuation methodology aligns our values with the accounting cost of each program.

Note that comparisons to prior-year analyses do not reflect a constant company population, as 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 34 (including 18 from NYSE and 16 from NASDAQ) out of the 200 companies covered in this study are new to this year's report.

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

- **Basic Board Service** – 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.
- **Compensation Committee Chair** – Like the "Compensation Committee Member" above, but this director is the chair of the Compensation Committee.
- **Audit Committee Member** – A member of the board, who also serves as a member of the Audit Committee.
- **Audit Committee Chair** – Like the "Audit Committee Member" above, but this director is the chair of the Audit Committee.

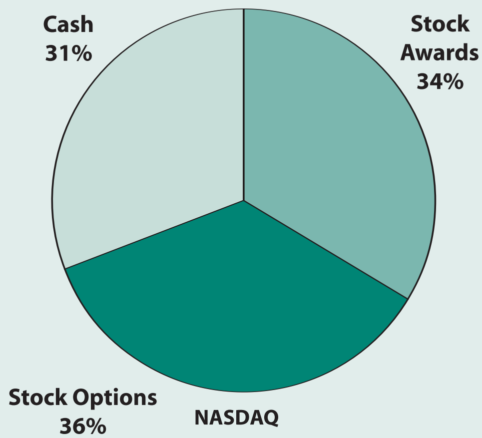
The table below shows median compensation values at NASDAQ and NYSE companies. On average, NASDAQ companies provide 12 percent higher compensation value than NYSE companies across the companies examined in this study. This marks a continuation of the trend of decreased pay disparity between NASDAQ and NYSE companies researched in the prior year's study, which found an 18 percent difference between the two groups in 2007 and a 20 percent difference in 2006.

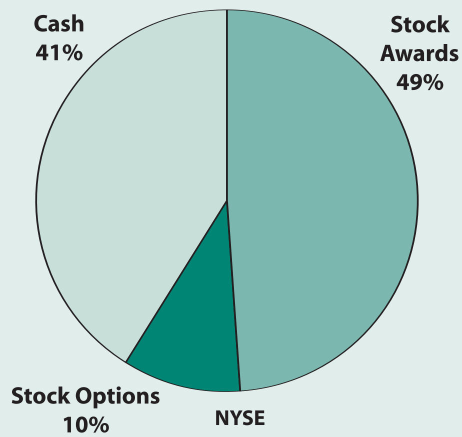


Compared to last year, the median value of directors' compensation programs at all companies in the study – both NASDAQ and NYSE – remained flat, due to opposite, yet moderate changes in total compensation values. For NASDAQ companies, the decrease in both median stock price and median binomial values resulted in an average 2 percent decrease. Generally, compensation programs at NYSE companies utilize higher cash than NASDAQ companies and tend to grant equity in terms of value with the result that the median compensation increased by an average 4 percent.

CASH VS. EQUITY

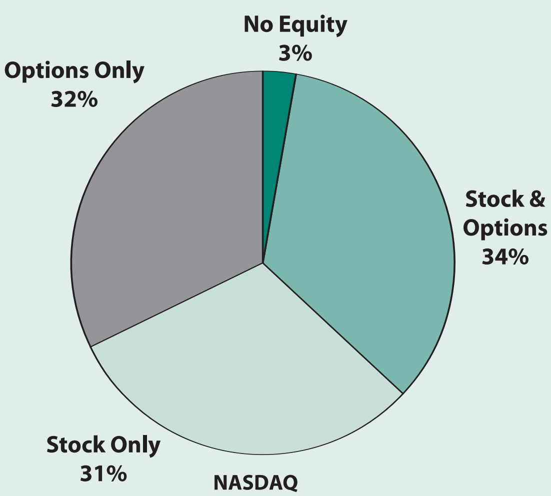
The charts below illustrate the average mix of pay elements for board members (with no committee membership) at NASDAQ and NYSE companies, as a percentage of total compensation. NASDAQ companies provide a greater portion of compensation in equity than NYSE companies. NASDAQ companies utilize options more frequently, while NYSE companies favor full-value stock awards.

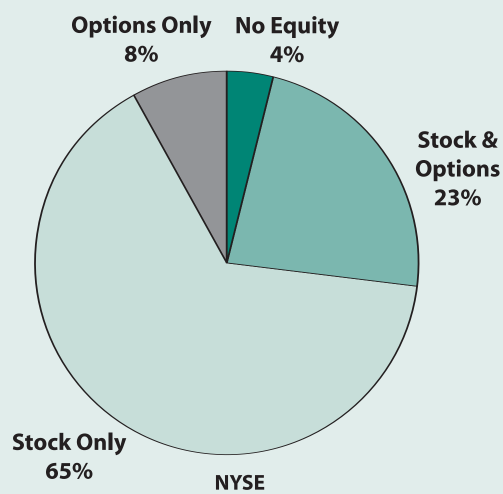




The following charts show the percentage of companies using each type of award in the equity portion of their director compensation programs:

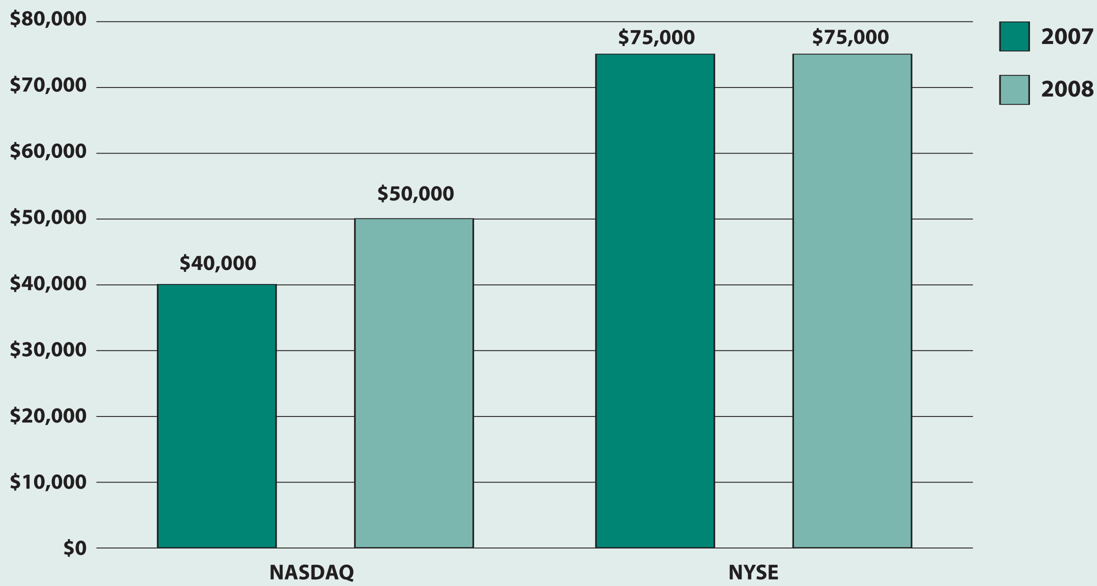
- 31 percent of NASDAQ companies (up from 23 percent last year) and 65 percent of NYSE companies (up from 64 percent last year) use stock awards exclusively (i.e., no options) for the equity portion of their director compensation programs.
- 32 percent of NASDAQ companies (down from 45 percent last year) and 8 percent of NYSE companies (up from 5 percent last year) use solely stock options.
- Of the 166 companies that were included in last year's study, 14 companies (8 NASDAQ and 6 NYSE companies) eliminated options from their director programs in the past year.





In the last section of this report we examine voluntary deferral opportunities available to outside directors. To distinguish such benefits from *mandatory* deferrals we note that the 140 companies granting full-value shares above include nine NASDAQ and 38 NYSE companies that grant shares which must be held until termination of board service.

The vast majority of companies – 96 percent of NASDAQ and 97 percent of NYSE companies – in this study provide an annual cash retainer to directors. The following chart shows the median annual cash retainers for those companies that provide them. These retainers represent a 25 percent increase over last year's median retainer for NASDAQ companies. The median board retainers did not change for NYSE companies.

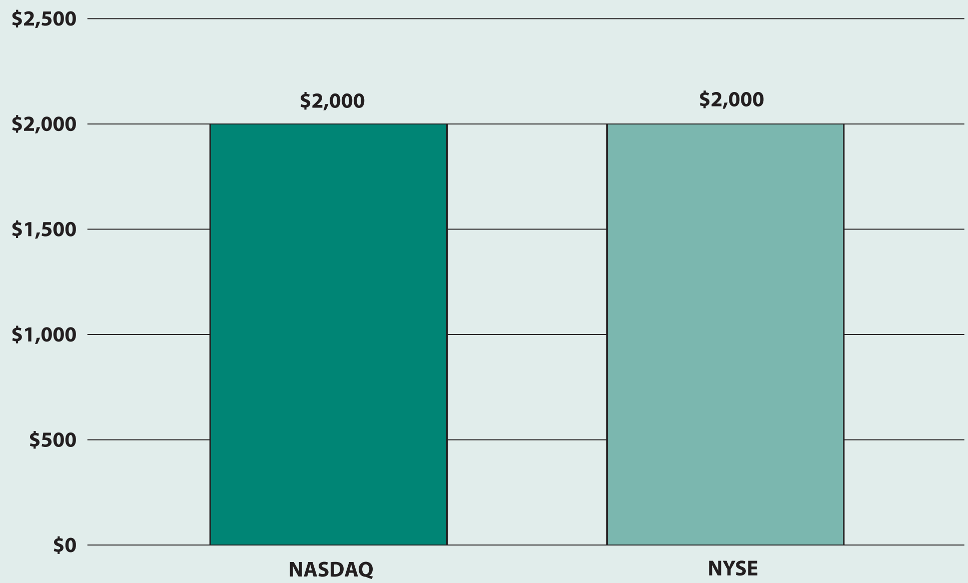


BOARD MEETING FEES

Approximately 43 percent of the companies in the study provide meeting fees for regular board meetings, with 52 NASDAQ companies and 33 NYSE companies providing this pay element. These figures represent a 4 percent decrease in the number of NASDAQ companies providing this component (54 provided board meeting fees last year) compared to a 13 percent decrease in the number of NYSE companies (38 provided board meeting fees last year).

Companies are increasingly dropping board meeting fees based on the rationale that Board-meeting attendance is expected. The elimination of meeting fees is typically offset by an increase in the annual retainer. Of the 166 companies that were in last year's study, 11 companies (three NASDAQ and eight NYSE companies) dropped board meeting fees from their program. Seven of the 11 companies that eliminated board meeting fees increased their annual cash retainer.

The following chart shows median meeting fees for those companies that provide them. The median meeting fee at both NASDAQ and NYSE companies remained the same as last year's study, at $2,000.



Some companies provide additional compensation for committee service in the form of meeting fees or additional retainers (either cash or equity). The following table shows median meeting fees and annual retainers for committee service for those companies which pay such additional compensation. Additional committee chair fees are not included in this analysis, but are discussed in the following section.

	Percentage of Companies		Median Retainer / Fee	
	NASDAQ	**NYSE**	**NASDAQ**	**NYSE**
Additional Retainers				
Audit Committee	42%	36%	$10,000	$10,000
Compensation Committee	32%	20%	$9,000	$9,500
Nominating & Governance Committee	28%	16%	$7,500	$6,100
Committee Meeting Fees (per meeting)				
Audit Committee	50%	36%	$1,500	$1,500
Compensation Committee	50%	35%	$1,500	$1,500
Nominating & Governance Committee	48%	34%	$1,500	$1,500

The results above reflect an increase in companies providing committee member retainers for both NASDAQ and NYSE companies. The prevalence of Compensation Committee members receiving additional retainers increased significantly at NASDAQ and NYSE companies, 15 percent and 33 percent, respectively.

Significant differences emerged between the two groups in regards to providing committee meeting fees. Approximately 49 percent of NASDAQ companies provide committee meeting fees to members of the three major committees, representing a slight 3 percent decrease. In comparison, 35 percent of NYSE companies provide meeting fees, signifying a 22 percent decline. The median meeting fee of $1,500 remained flat.

COMMITTEE CHAIR ADDITIONAL COMPENSATION

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 supplemental compensation typically takes the form of a higher annual retainer (usually in the form of cash) or an augmented meeting fee. The table below shows the compensation paid to committee chairs at NASDAQ and NYSE companies for only those companies that provide 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 is reflected.)

	Additional Compensation versus Committee Member			
	Percentage of Companies		**Median Retainer / Fee**	
	NASDAQ	**NYSE**	**NASDAQ**	**NYSE**
Chair Additional Retainers				
Audit Committee	79%	86%	$12,000	$15,000
Compensation Committee	73%	86%	$10,000	$10,000
Nominating & Governance Committee	70%	84%	$7,000	$10,000
Chair Additional Meeting Fees (per meeting)				
Audit Committee	6%	2%	$1,500	$1,250
Compensation Committee	4%	2%	$750	$1,250
Nominating & Governance Committee	3%	2%	$500	$1,250

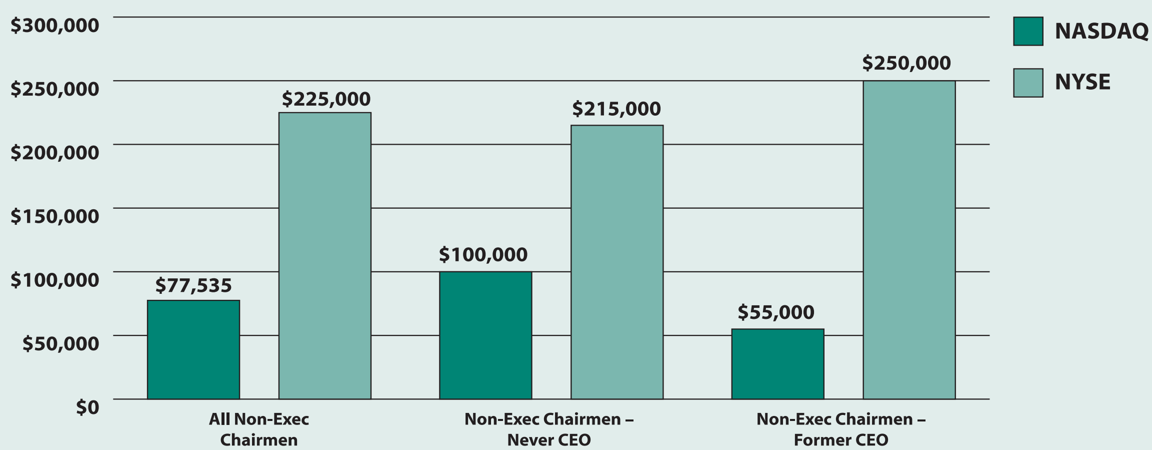
For those companies that pay additional compensation to committee chairs, the Audit Committee chair is typically paid more than the chairs of other committees. The most common form of additional compensation is a retainer, as opposed to an additional per meeting fee.

It is important to note that certain committee chairs who receive this additional compensation also receive either meeting fees or a retainer that is provided to regular, non-chair committee members. The chart below shows total retainers and meeting fees (member and chair) provided to committee chairs above that provided to regular board members.

	Additional Compensation versus Regular Board Member			
	Median Retainers		**Median Meeting Fee**	
	NASDAQ	**NYSE**	**NASDAQ**	**NYSE**
Total Chair Retainers				
Audit Committee	$19,500	$20,000	$1,500	$1,650
Compensation Committee	$10,000	$12,500	$1,500	$1,800
Nominating & Governance Committee	$10,000	$10,000	$1,500	$1,750

A non-executive chairman is a chairman who is not currently an employee of the Company. Non-executive chairmen are classified into two groups: those who were formerly the CEO of the company and those that have never been the CEO of the company. The NASDAQ companies had 49 non-executive chairmen, 28 of whom were formerly the CEO of the company. The NYSE had 16 non-executive chairmen, nine of whom were formerly the CEO.

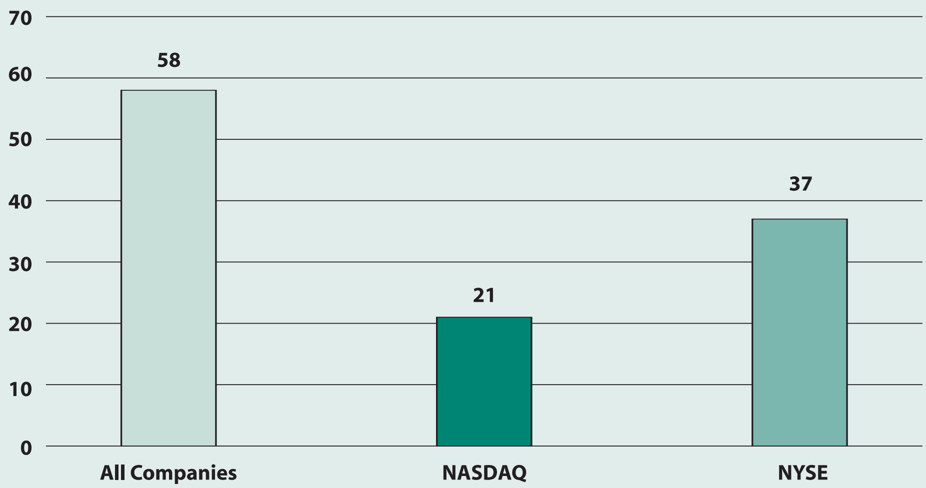
Median compensation for serving as the non-executive chairman, in addition to that paid for regular board service, is shown below. Such compensation is usually a mix of cash and equity and tends to reflect the chairman's responsibilities, which vary significantly across companies. The median value of additional compensation provided to non-executive chairman at NYSE companies is considerably larger than the amount provided at NASDAQ companies.



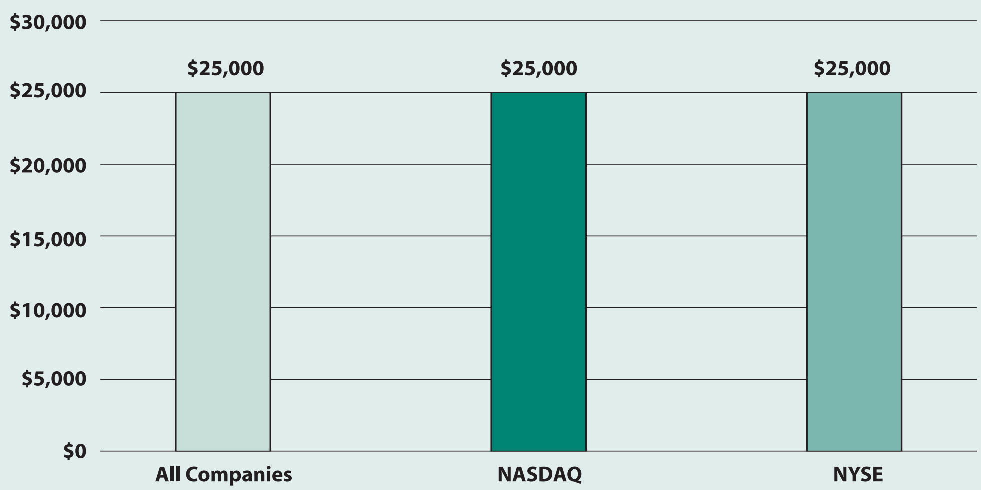
The median ratio of non-executive chairman additional compensation to regular board member compensation for NYSE companies is approximately 1.2 for former CEOs and 1.05 for those who have never been the CEO. The median ratio for NASDAQ companies is approximately .25 for former CEOs and .45 for those who have never been the CEO. Due to the small sample size, as well as, changes in the companies composing the sample, it is not possible to draw meaningful conclusions or make year-over-year comparisons.

LEAD DIRECTOR COMPENSATION

Many companies have established the role of "Lead Director" (in some cases referred to as "Presiding Director"), whose purpose is often to act as an independent control on the influence of Chairman-CEOs. Lead directors have become more prevalent in recent years as companies have adjusted their board structures to reflect corporate governance "best practices." Fifty-eight companies in the study pay additional compensation to their Lead Director, up from 45 companies in last year's study. The chart below shows the number of Lead Directors that receive compensation above that provided to regular board members.



The chart below shows the median additional compensation (for those companies that provide such compensation) provided to the Lead Director at NASDAQ and NYSE companies. These amounts are typically paid in the form of cash retainers, although some companies provide this additional compensation in the form of equity awards (i.e. stock awards and stock options). The median value of compensation provided to Lead Directors for all companies has increased, with the median value for Lead Directors at NASDAQ ($20,000 in last year's study) companies increasing to equal that of NYSE companies.

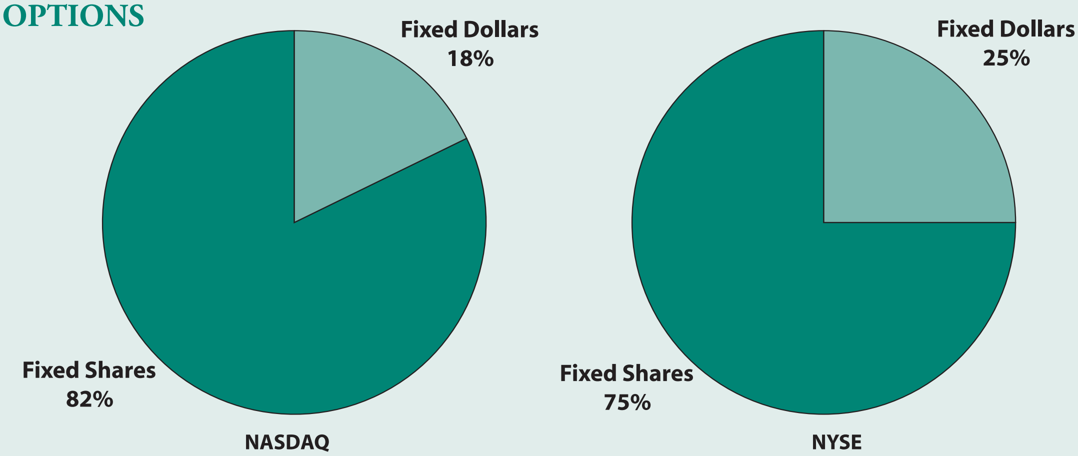


Some companies annually rotate which board member serves as the Lead Director, also known as a "Roaming Lead Director." Twenty-one companies reported having this structure. The median additional compensation (for those companies that provide such compensation) provided by the four NYSE companies was slightly lower ($20,000) than that of the three NASDAQ companies ($25,000).

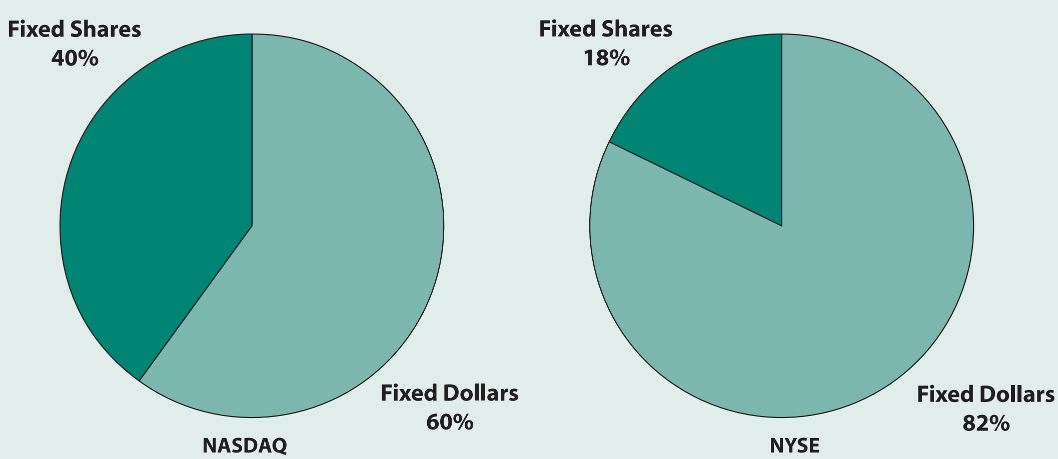
This year's study includes research on the denomination of annual equity awards – stock options and stock grants – made to outside directors. We divided equity awards into two groups: fixed number of shares (e.g., 10,000 shares) and fixed dollar amounts (i.e., variable number of shares, dependent on stock price and valuation assumptions, with the market value equivalent to, for example, $50,000). For those companies that grant equity based on a fixed number of shares, market volatility can have an immense impact on the value of equity awards.

The graphs below illustrate the percentage of companies that grant annual equity in the form of a fixed number of shares versus a fixed dollar amount. The majority of both NASDAQ and NYSE companies granting stock options in the study did so in fixed shares. Conversely, the majority of companies in both groups granting full-value stock awards did so in fixed dollar amounts.

STOCK OPTIONS



STOCK GRANTS

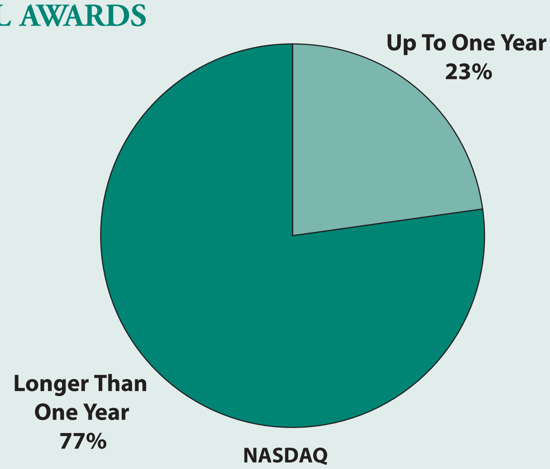


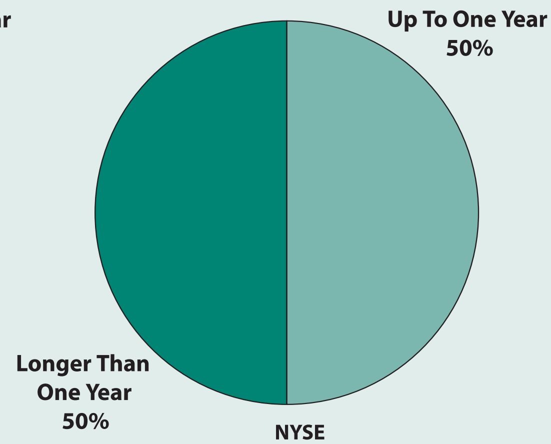
VESTING OF EQUITY AWARDS

Vesting periods were examined separately for initial equity awards and annual equity awards made to outside directors. Two vesting time periods were considered: a) those lasting up to and including one year, and b) those lasting longer than one year. Only companies that disclosed vesting requirements in their annual proxy are included in the sample set. The initial awards sample includes 70 NASDAQ and 32 NYSE companies. The annual awards sample consists of 87 NASDAQ and 41 NYSE companies. Mandatory deferred stock units that convert into shares upon termination of board service are included for the analysis below.

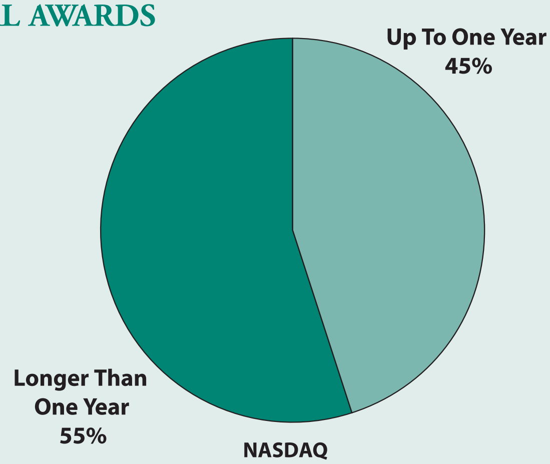
The following charts provide the number using the various vesting periods for initial and annual equity awards:

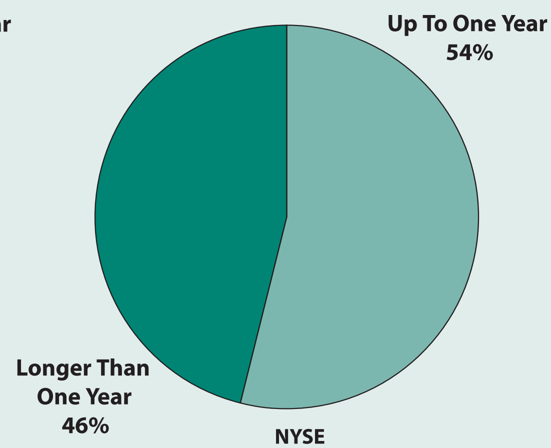
INITIAL AWARDS





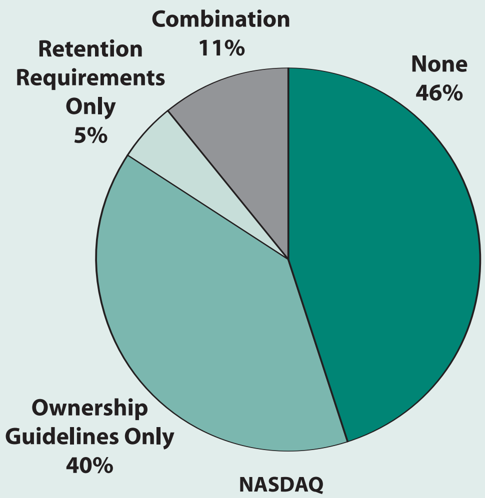
ANNUAL AWARDS

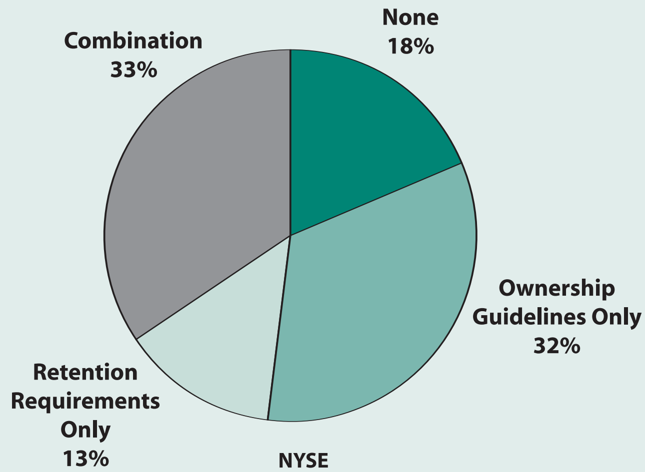




As found in last year's study, NASDAQ companies, where stock compensation represents a larger portion of total compensation, have longer vesting periods for initial and annual awards than NYSE companies. At NYSE companies, longer vesting periods are evenly applied to initial awards, and are less prevalent for annual awards.

In an effort to further align directors' interest with those of shareholders, companies increasingly require that directors own shares. Ownership program designs are either specific ownership guidelines or share retention requirements. The most prevalent form of ownership guideline requires directors to accumulate and hold a certain amount of company stock, and is typically defined as a multiple of the director's annual cash board retainer. Retention requirements most commonly take the form of a mandatory holding period for vested stock awards or deferred stock units that have been granted to the director. Fifty-four percent of NASDAQ companies have stock ownership guidelines of some type, compared to 82 percent of NYSE companies. The following charts show the percentage of NASDAQ and NYSE companies that disclose such requirements:





- 40 percent of NASDAQ companies (a slight decrease from 41 percent last year) and 32 percent of NYSE companies (down from 42 percent last year) use ownership guidelines exclusively (i.e., no additional retention requirements).
- The number of NASDAQ companies solely using retention requirements (5 percent) increased over last year (3 percent), while 13 percent of NYSE companies used such requirements (down from 21 percent last year).
- The number of NASDAQ companies using a combination of both ownership guidelines and retention requirements (11 percent) increased slightly over last year. Thirty-three percent of NYSE companies use both ownership guidelines and retention requirements (up from 22 percent last year).

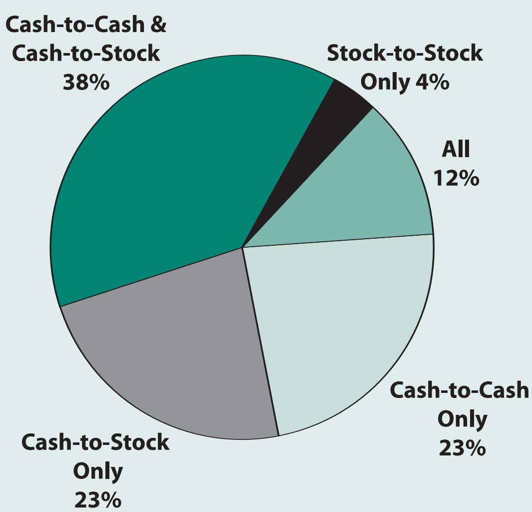
VOLUNTARY DEFERRED COMPENSATION

An important added benefit for attracting and retaining directors is the ability to voluntarily defer receipt of both cash-based and stock-based compensation. SEC disclosure rules provide additional information on deferred compensation programs for outside directors. Deferral programs are organized into the following three categories:.

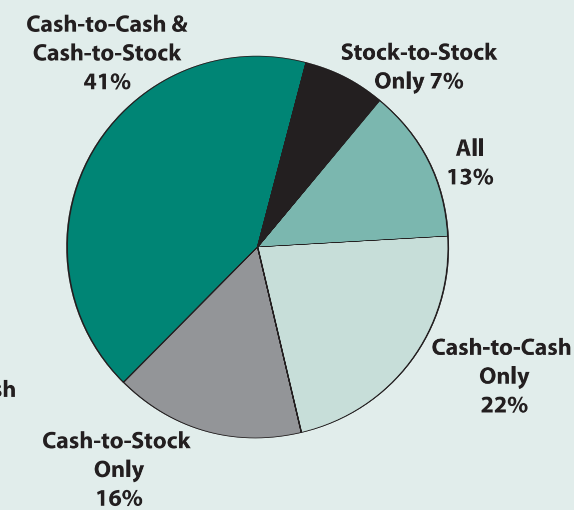
- **Cash-to-Cash Deferrals** – Directors may elect to defer part or all of their cash compensation into a cash account, in which they have various investment options.
- **Cash-to-Stock Deferrals** – Directors may elect to defer part or all of their cash compensation into deferred stock units, or "phantom shares," of the company's stock. Stock amounts are generally deferred until termination of board service, when they are paid either in shares of company stock or in cash.
- **Stock-to-Stock Deferral** – Directors may elect to defer receipt of equity awards (restricted stock units at vesting or outright stock units grants) into deferred stock units.

Note that this analysis does not consider mandatory deferral, such as stock units that automatically convert to shares upon termination of board service.

The following charts show the prevalence of voluntary deferral opportunities for those companies disclosing such programs:



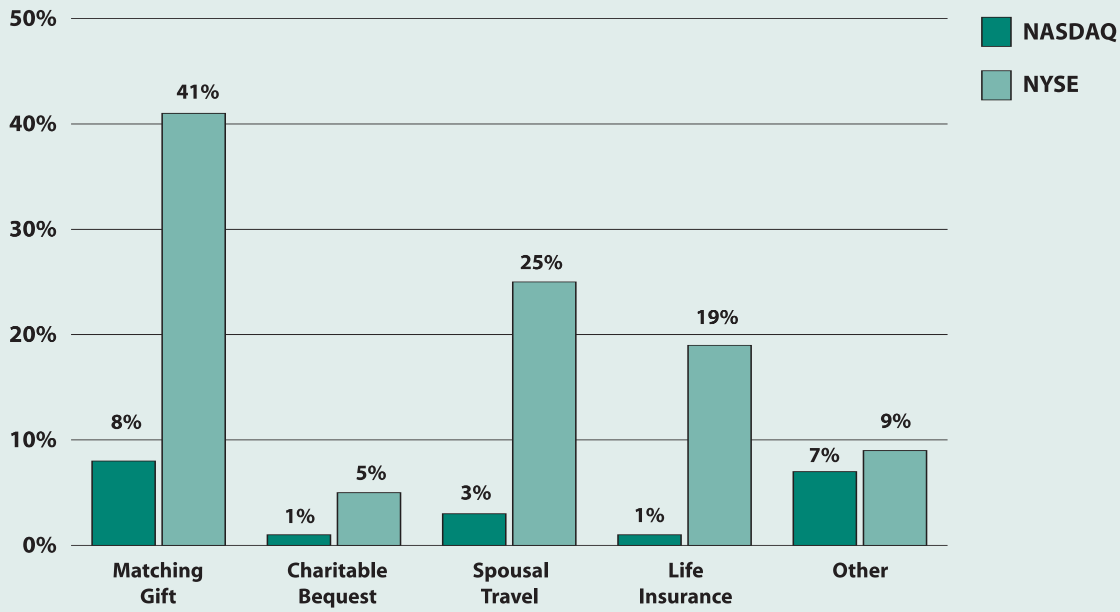
NASDAQ



NYSE

This year's analysis includes prevalence of perquisites for outside directors. As the scrutiny of non-business-related benefits has caused a decline in the prevalence of perquisites among executives, the prevalence of perquisites available to outside directors, while always lower in number and values, has also declined.

The chart below provides the percentage of companies providing outside directors with compensation in addition to retainers, meeting fees or equity grants. Normal reimbursement for travel and out-of-pocket expenses related to board service are excluded from this analysis.



- Perquisites are significantly more prevalent among the NYSE companies than the NASDAQ companies.
- The prevalence of matching gift programs is considerably higher at NYSE companies. Of the companies that provide matching gift benefits to its outside directors, only two companies disclosed that the match was in excess of that provided to the companies' employees. Likewise, charitable bequest or donation programs are more common at NYSE companies.
- Continuing the above trend, payment for a spouse or guest travel to accompany an outside director on board-related travel is more prevalent at NYSE companies than NASDAQ companies. The majority of companies providing this benefit did not also compensate for the associated tax gross-up fees.
- Several companies disclosed providing miscellaneous perquisites, such as discounted or free merchandise, security and personal travel to outside directors, as documented in the "Other" column.

NASDAQ COMPANIES

ACTIVISION
ADOBE SYSTEMS
AKAMAI TECHNOLOGIES
ALTERA
AMAZON.COM
AMERICAN CAPITAL STRATEGIES
AMGEN
APOLLO GROUP
APPLE
APPLIED MATERIALS
AUTODESK
BEA SYSTEMS
BED BATH & BEYOND
BIOGEN IDEC
BROADCOM
C.H. ROBINSON WORLDWIDE
CELGENE
CEPHALON
CINCINNATI FINANCIAL
CINTAS
CISCO SYSTEMS
CITRIX SYSTEMS
COGNIZANT TECHNOLOGY SOLUTIONS
COMCAST
COMPUTER ASSOCIATES
COSTCO WHOLESALE
CTC MEDIA
DELL
DENTSPLY INTERNATIONAL
DIRECTV GROUP
DISCOVERY HOLDING
DISH NETWORK
EBAY
ELECTRONIC ARTS
EXPEDIA
EXPEDITORS INTERNATIONAL WASHINGTON
EXPRESS SCRIPTS
FASTENAL
FIFTH THIRD BANCORP
FIRST SOLAR
FISERV
FLIR SYSTEMS
GENZYME
GILEAD SCIENCES
GOOGLE
HANSEN NATURAL
HOLOGIC
HUDSON CITY BANCORP
IAC/INTERACTIVE
ILLUMINA
INTEL
INTUIT
INTUITIVE SURGICAL
JOY GLOBAL
JUNIPER NETWORKS
KLA-TENCOR
LAM RESEARCH
LIBERTY GLOBAL
LINEAR TECHNOLOGY
MICROCHIP TECHNOLOGY
MICROSOFT
MILLENNIUM PHARMACEUTICALS
MOLEX
NASDAQ OMX GROUP
NETAPP
NII HOLDINGS
NORTHERN TRUST
NVIDIA
ORACLE
PACCAR
PATTERSON COMPANIES
PAYCHEX
PEOPLE'S UNITED FINANCIAL
PHARMACEUTICAL PRODUCT DEVELOPMENT
PRICE (T. ROWE) GROUP
PRICELINE.COM
QUALCOMM
SANDISK
SCHEIN HENRY
SCHWAB CHARLES
SEARS HOLDINGS
SEI INVESTMENTS
SIGMA-ALDRICH
SIRIUS SATELLITE RADIO
STAPLES
STARBUCKS
STEEL DYNAMICS
STERICYCLE
SUN MICROSYSTEMS
SUNPOWER
SYMANTEC
TD AMERITRADE HOLDING
URBAN OUTFITTERS
VERISIGN /CA
VIRGIN MEDIA
WHOLE FOODS MARKET
WYNN RESORTS LTD
XILINX
YAHOO
ZIONS BANCORP

3M
ABBOTT LABORATORIES
AFLAC INC
ALCOA
ALLSTATE
ALTRIA
AMERICAN EXPRESS
AMERICAN INTERNATIONAL GROUP
ANADARKO PETROLEUM CORP
ANHEUSER-BUSCH COMPANIES
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BERKSHIRE HATHAWAY
BOEING
BRISTOL-MYERS SQUIBB
BURLINGTON NORTHERN SANTA FE
CATERPILLAR
CHEVRON
CITIGROUP
COCA-COLA
COLGATE-PALMOLIVE
CONOCOPHILLIPS
CORNING
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EXELON
EXXON MOBIL
FEDEX
FREEPORT-MCMORAN
GENENTECH
GENERAL DYNAMICS
GENERAL ELECTRIC
GOLDMAN SACHS GROUP
HALLIBURTON
HESS
HEWLETT-PACKARD
HOME DEPOT
HONEYWELL INTERNATIONAL
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