FREDERIC W. COOK & CO., INC.

2010 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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EXECUTIVE SUMMARY

After both significant changes in compensation design and increases in outside director total compensation levels in the early part of the decade following passage of The Sarbanes-Oxley Act of 2002, director compensation has stabilized in recent years. During late 2008 and into 2009, most companies delayed making changes to their director compensation programs, electing to wait and assess the competitive landscape once financial markets have steadied and the economy shows definitive signs of a recovery. Directors have also been understandably reluctant to increase their own compensation when employees are subject to salary freezes or reductions. However, recent regulatory changes have continued to increase director responsibilities and oversight, with more work being performed at the committee level as directors attempt to distribute the workload in the most efficient manner.

Overall, median annual compensation for basic board service increased modestly at the NYSE companies (up 5% from 2009), but more substantially at the NASDAQ companies (up 18% from 2009 but only up 2% compared to 2008) due to the impact of higher stock prices on share-denominated equity compensation. Median compensation for directors at the 100 largest NASDAQ companies has now exceeded median director compensation provided by the 100 largest NYSE companies in seven of the last eight years that Frederic W. Cook & Co. has conducted its annual study of outside director compensation. Only in 2009 did the NYSE exceed the NASDAQ and that was because of the impact of declines in stock prices on share-denominated equity compensation.

The structure of this year's report is generally similar to prior years; one new addition is an analysis of board and committee composition and meeting frequency. Director stock ownership is once again included in this report after being part of a separate study on executive and director stock ownership guidelines in 2009. Some notable findings and trends are:

- The median total value of director compensation for all companies in the study increased by 11% from 2009 levels ($228,540 in 2010 versus $205,000 in 2009). A slight increase in the median value for the NYSE companies (+5%) was observed while a more substantial increase in the median value for the NASDAQ companies (+18%) was reported.
- Board member cash compensation remained flat at the median ($75,000) for the entire sample. Likewise, prevalence and median values of board member cash retainers and board meeting fees did not change meaningfully. Overall, median board member cash compensation continues to be materially higher at the NYSE companies ($85,000) than at the NASDAQ companies ($62,000).
- In terms of the type of equity provided to directors, stock options continue to become less prevalent, even at NASDAQ companies, as companies continue to move to full-value stock awards (i.e., common stock, restricted stock or restricted stock units, and deferred stock or deferred stock units). Stock options are used exclusively by only 4% of the NYSE companies and 18% of the NASDAQ companies (compared to 6% and 57%, respectively, in 2006). Stock awards are used exclusively by 72% of the NYSE companies and 48% of the NASDAQ companies (compared to 60% and 17%, respectively, in 2006).
- One of the major changes in director programs in recent years has been the methodology used to determine the size of equity awards. An increasing number of companies are moving to a fixed dollar value and away from a fixed number of shares. This trend is less significant among NASDAQ companies than NYSE companies, but is still apparent. Fixed dollar value awards are used at 78% of NASDAQ companies when determining the size of stock awards (versus 60% in 2008). Likewise, 31% of NASDAQ companies denominate stock options in terms of a fixed dollar value, up from 18% in 2008. NYSE companies show less dramatic changes as most NYSE companies already express equity in terms of a fixed dollar value when awarding stock (roughly 80% over the last three years), but a similar trend is apparent for grants of stock options (36% used a fixed dollar value in 2010, up from 25% in 2008).

- The dramatic increase in the equities markets in the 12 months ending March 31, 2010, had a material impact on equity award values at those companies denominating awards on a fixed-share basis. Median twelve-month stock returns were +57% at NASDAQ companies and +52% at NYSE companies. At the NASDAQ companies, where fixed-share awards are more prevalent, the median annualized value of equity compensation increased by 43%. At the NYSE companies, where equity awards are usually expressed as a dollar value, the median annual value of equity compensation increased by only 4%. Overall, annualized equity compensation values at the NASDAQ are higher than those found at NYSE companies ($181,883 at the NASDAQ companies versus $130,000 at the NYSE companies). This is a dramatic change from last year's study when the NASDAQ companies granted almost identical annualized equity compensation values as NYSE companies, but more in line with what we have witnessed historically due to the higher prevalence of stock options and greater emphasis on equity compensation at NASDAQ companies.
- Sixty-one percent of the NASDAQ companies and 76% of the NYSE companies vest annual equity awards within one year of grant. Short vesting for outside director annual equity awards is viewed as a design "best practice." As more companies declassify their boards, we would expect to see even greater use of one year or less vesting schedules to align with the director's annual service period.
- Separation of the Chairman and CEO positions has garnered increased attention in part due to new proxy disclosure rules that require companies to explain their board leadership structure, including disclosure of lead director positions. Given the increased focus on board leadership structure it is likely that added attention will be placed on the lead director role, including the duties, responsibilities and compensation associated with this position. Trend data indicate a steady rise in the number of companies providing additional compensation for the lead director position over the last three years (i.e., 74 companies disclosed additional remuneration in 2010 versus 58 companies in 2008, a 28% increase). Overall, median additional compensation for the lead director role has been constant at $25,000 (among companies that provide additional compensation).

OVERVIEW AND METHODOLOGY

This is our eighth annual report on outside director compensation practices. Our study compares the 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"). While the composition of the data sample changes each year, the top 100 NASDAQ companies generally reflect compensation practices of large technology companies, and the top 100 NYSE companies reflect the compensation practices of large general industry companies. Consistent with prior years' findings, program structures and values at the top 100 companies on the two exchanges continue to be distinct; however, the differences have become more subtle over time.

The companies analyzed in this report were determined based on market capitalization as of March 31, 2010, with additional companies added to replace those where proxy filings were unavailable. The complete list of companies included in this year's study is disclosed at the end of the report.

In terms of size, NYSE companies are considerably larger than NASDAQ companies as defined by both revenue and market capitalization. Stock prices rebounded dramatically in the second half of 2009, with both groups delivering impressive returns in the 12 months ending March 31, 2010 (median increase of 57% at the NASDAQ companies as compared to 52% at the NYSE companies).

	NASDAQ 100			NYSE 100		
	Trailing 12-Month Revenue ($ Millions)	**Market Capitalization as of 3/31/10 ($ Millions)**	**12-Month Change in Share Price as of 3/31/10**	**Trailing 12-Month Revenue ($ Millions)**	**Market Capitalization as of 3/31/10 ($ Millions)**	**12-Month Change in Share Price as of 3/31/10**
75th Percentile	$8,312	$16,605	119%	$55,911	$69,675	77%
Average	$9,569	$23,472	117%	$46,617	$63,176	63%
Median	$4,128	$9,411	57%	$25,425	$37,176	52%
25th Percentile	$2,200	$6,696	29%	$14,527	$28,951	32%

Information on each company's director compensation program was collected from the Securities and Exchange Commission ("SEC") disclosure statements, including annual proxy statements and annual reports issued in the one-year period ending June 30, 2010.

Outside director compensation programs generally include several key components, the prevalence and value of which are analyzed in this report. Also captured are total compensation levels for basic board service as well as incremental compensation for service on each of the three most prevalent independent board committees (i.e., Audit, Compensation, and Nominating and Corporate Governance). Particular focus is placed on the differences in practices at the NASDAQ and NYSE companies. Pay components specifically examined in this study include:

- Annual cash retainers for board and committee service.
- Fees for attendance at board and committee meetings.
- Additional compensation for chairing the board or a specific committee or serving as lead director.
- Equity compensation, in the form of stock options or full-value stock awards (i.e., common shares, restricted shares/units, and deferred shares/units).
- Benefits and perquisites, including charitable bequests, matching gift programs, supplemental insurance benefits, and other benefits.
- In addition to the above pay components, we also examined board and committee composition, meeting frequency, and stock ownership guidelines.

The valuation methodology is consistent with prior studies to facilitate year-over-year comparisons. Assumptions used to normalize the data across companies 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 using March 31, 2010, closing stock prices.
- All equity compensation is annualized over a five-year period (e.g., if a company makes a "larger than normal" equity grant upon initial election to the board followed by smaller regular annual grants, our analysis takes the five-year average value of the initial grant and the four subsequent annual grants).
- Stock options are valued using each individual company's publicly disclosed Accounting for Stock Compensation ("ASC") Topic 718 assumptions (i.e., those used by companies to estimate the grant date fair value of stock option grants); this methodology aligns the option values used in this study with the accounting costs.

Comparisons to prior-year analyses do not reflect a constant company data set, as March 31st market capitalization size determines the companies included in each year's study. Therefore, "trend" data may be influenced by year-over-year changes in the company sample set, as well as changes in compensation practices for companies common to prior years. A total of 33 of the 200 companies covered in this study are new to this year's report (19 from the NASDAQ and 14 from the NYSE). After a significant increase in sample population changes last year due to market volatility, the year-over-year change is less dramatic this year and more in line with historic levels of change.

BOARD AND COMMITTEE COMPOSITION AND MEETING FREQUENCY

Now more than ever, an effective board of directors is a vital component of a company's long-term success. Expanding regulatory reform, economic uncertainty and increased activism by shareholder groups have increased board member accountability and the level of activity required of the role. Selection of "best in class" directors is critical to ensure objectivity, independence and sound business judgment.

The table below provides an overview of the structure and demographics of the NASDAQ and NYSE boards and committees:

	NASDAQ 100				NYSE 100			
	Board	Audit	Compensation	Nominating & Governance	Board	Audit	Compensation	Nominating & Governance
Members								
Prevalence	100%	100%	100%	95%	100%	100%	100%	97%
75th Percentile	11	4	4	5	13	5	5	6
Median	10	3	3	4	12	5	4	5
25th Percentile	8	3	3	3	11	4	4	4
Number of Meetings								
75th Percentile	10	10	8	5	10	12	8	6
Median	7	8	7	4	8	9	6	5
25th Percentile	5	7	5	3	7	8	5	4

Number of Board Members and Board Meeting Frequency

The median number of members per board is higher at the NYSE companies (12) than at the NASDAQ companies (ten). NYSE boards met more frequently in 2009 than NASDAQ boards (eight meetings versus seven meetings, respectively).

Number of Committee Members and Committee Meeting Frequency

Typically, a board of directors will have several committees that address specific issues or functions. We researched the three most prevalent independent committees: Audit, Compensation, and Nominating and Corporate Governance. Note that in rare instances, companies combine the Compensation and Nominating and Corporate Governance Committees into one committee (NASDAQ – five instances, NYSE – three instances).

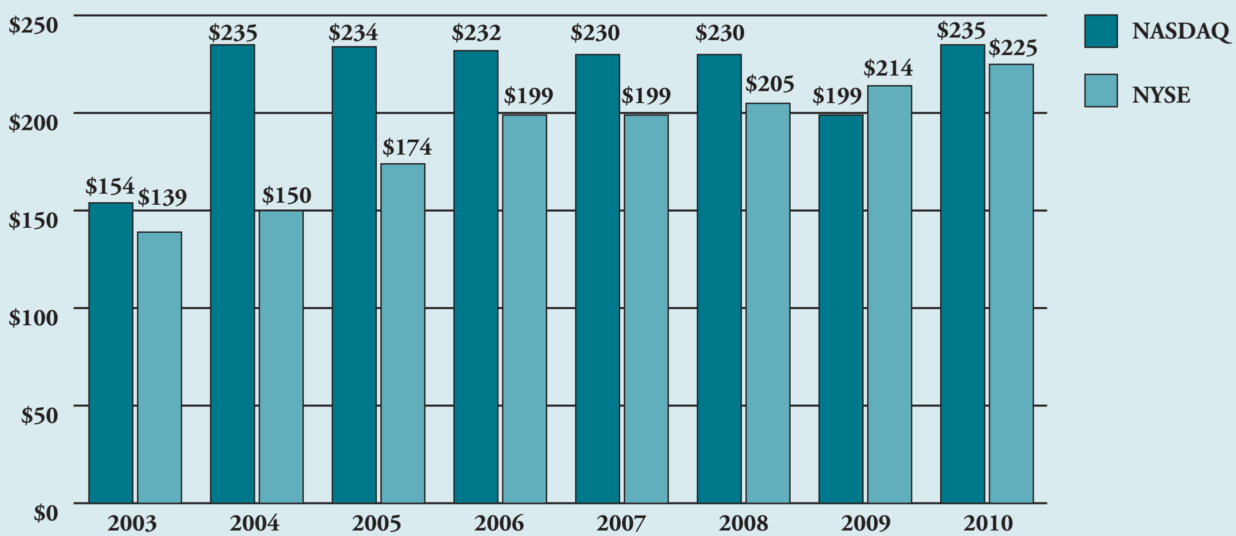
NASDAQ companies generally have fewer members serving on these committees than NYSE companies (three to four for NASDAQ versus four to five for NYSE). Committee meeting frequency is generally similar between NASDAQ and NYSE companies with the Audit Committee holding the most number of meetings and the Nominating and Corporate Governance Committee holding the fewest number of meetings.

Total compensation for basic board service, excluding compensation for additional roles such as committee member, committee chairperson, non-employee chairman of the board, and lead independent director, has developed in distinct ways over the past eight years at NASDAQ and NYSE companies.

At the 100 largest NASDAQ companies, median compensation levels increased more than 50% between 2003 and 2004 before remaining essentially flat from 2004 through 2008. With last year's significant market declines, NASDAQ median compensation levels dropped nearly 15% to just below $200,000. The rebound in stock prices in 2010 has resulted in NASDAQ median compensation levels returning to the historic high of $235,000 (increase of 18% from 2009).

At the 100 largest NYSE companies, median compensation levels increased in a more step-like fashion between 2003 and 2006 following the adoption of Sarbanes-Oxley, which increased considerably the time commitment and level of oversight required of directors. After SOX-related adjustments made in the 2003-2006 period, director compensation began to level off in 2007. Single digit increases have followed in 2008, 2009 and again in 2010 (3%, 4%, and 5%, respectively). With the exception of 2009, median compensation for basic board service at the 100 largest NASDAQ companies has exceeded compensation provided by the 100 largest NYSE companies in each year of our study.

Median Annual Compensation for Basic Board Service ($000)



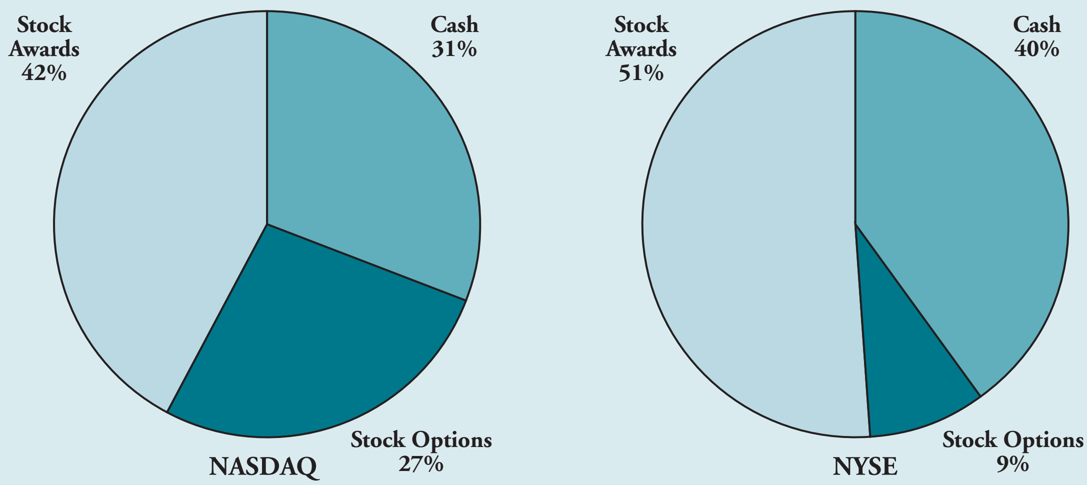
CASH VERSUS EQUITY VALUES

The average mix of key pay elements (i.e., cash, stock options, and stock awards) for board members who are assumed to serve on no committees is illustrated below for the NASDAQ and NYSE companies.

The NASDAQ companies place greater emphasis on equity compensation than the NYSE companies with only 31% of total compensation attributable to cash compensation. NYSE companies exhibit greater balance between cash and equity with a 40% cash and 60% equity compensation mix. Stock options continue to play a more meaningful role in director compensation at NASDAQ companies, although their portion of pay mix has decreased steadily over the years (e.g., 56% in 2006 versus 27% in 2010). The reduction in option usage may be influenced by the growing criticism from some institutional shareholder advisors who question their appropriateness for non-employee directors. Proponents of eliminating stock options from director compensation packages believe that options encourage risk-taking (as they only deliver value if share price increases) and are not aligned with directors' role as overseers of shareholder interests.

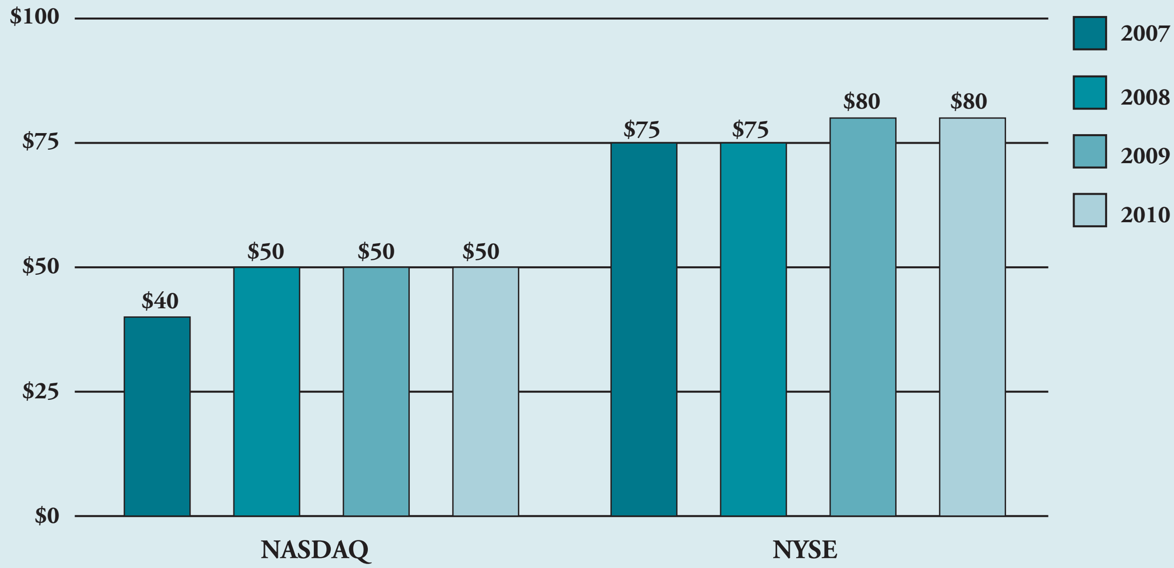
At the NYSE companies, cash accounts for a greater portion of total annual compensation than at the NASDAQ companies (40% on average). Stock options are seldom used for annual equity grants among NYSE companies as value has shifted into stock awards over the past several years. Of note, cash compensation among NYSE companies has increased slightly in the past five years (e.g., 36% in 2006 vs. 40% in 2010).

Director Compensation Mix



The vast majority of companies in the study provide an annual cash retainer, making this a core element of outside director compensation (e.g., 98% prevalence at both NASDAQ and NYSE companies). Median cash retainer levels have remained flat over the last three years at NASDAQ companies ($50,000) and over the last two years at NYSE companies ($80,000).

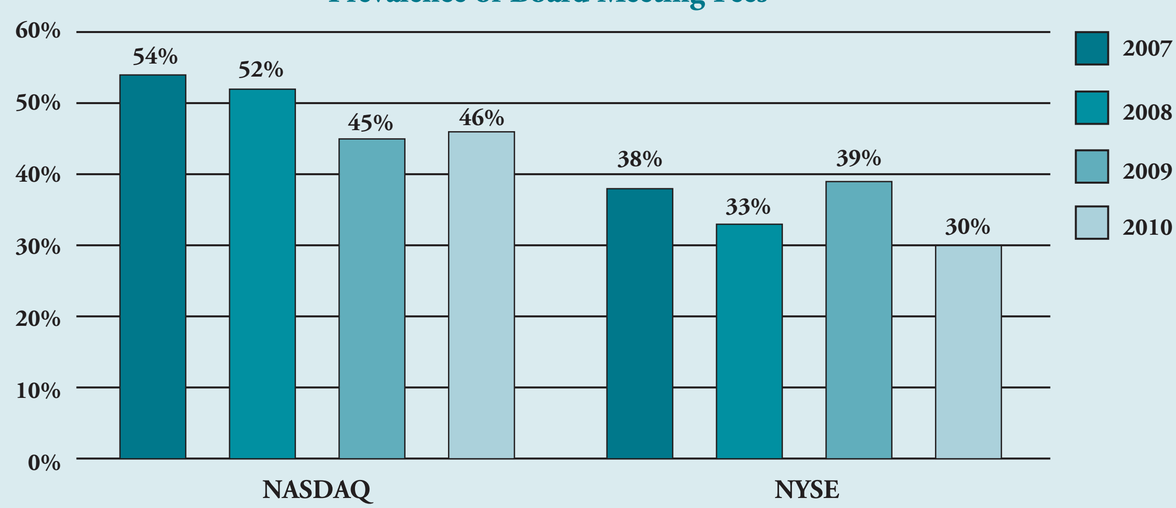
Median Board Cash Retainers ($000)



Board meeting fees continue to be a minority practice at both NASDAQ and NYSE companies. The use of meeting fees is a company-specific decision; however, some companies believe that elimination of meeting fees simplifies the administration of the program and removes the complexity of defining what constitutes a "meeting" for payment purposes.

Board meeting fees are provided by 46% of the NASDAQ companies (a negligible increase from last year's study) and by 30% of the NYSE companies (a decrease of 23% from last year's study and more in line with 2008 results). In rare instances (i.e., less than 2% of the entire sample) meeting fees are paid only after a pre-defined number of board meetings have been attended (e.g., after attendance at the four regularly scheduled board meetings for the year).

Prevalence of Board Meeting Fees



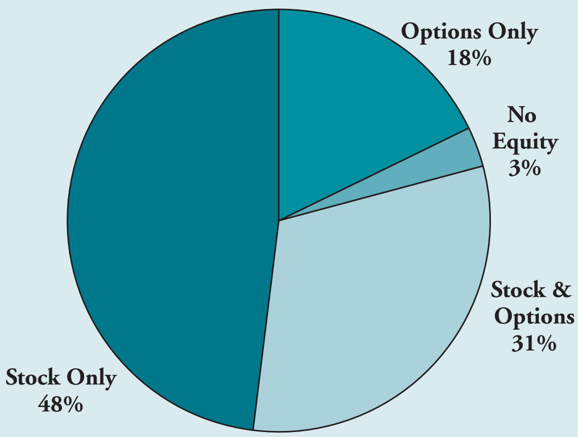
The median board meeting fee was $2,000 at both the NASDAQ and NYSE companies, and has remained unchanged since 2006.

EQUITY AWARD TYPE

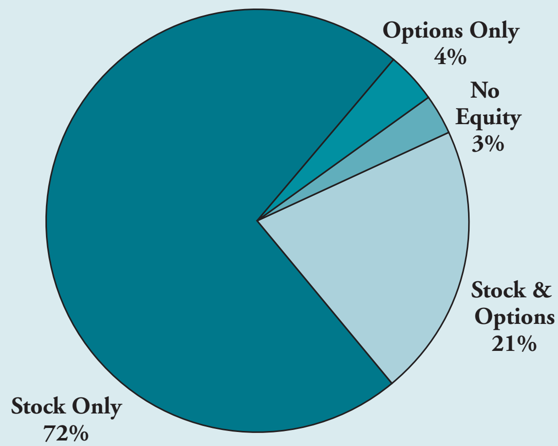
The form in which annual outside director equity awards are delivered at the NASDAQ and NYSE companies is illustrated below. There has been a clear shift away from "stock option only" programs at NASDAQ companies while NYSE companies have also reduced their exposure to stock options.

- Stock awards are used exclusively at 48% of the NASDAQ companies (up from 17% five years ago) and at 72% of the NYSE companies (up from 60% five years ago).
- Stock options are used exclusively at 18% of NASDAQ companies (down significantly from five years ago when prevalence was 57%) and at 4% of the NYSE companies (down from 6% in 2006).
- A combination of stock awards and options is used at 31% of the NASDAQ companies and 21% of the NYSE companies.
- Three percent of both NASDAQ and NYSE companies do not provide annual equity awards to non-employee directors.

Prevalence of Equity Grant Types – 2010

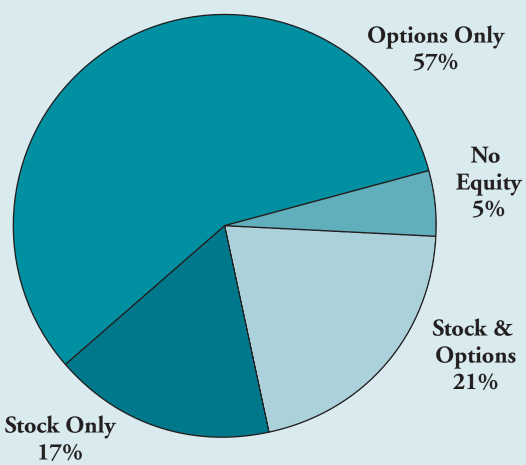


2010 NASDAQ

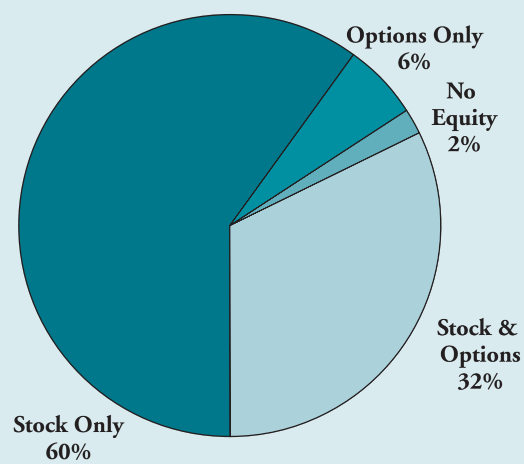


2010 NYSE

Prevalence of Equity Grant Types – 2006



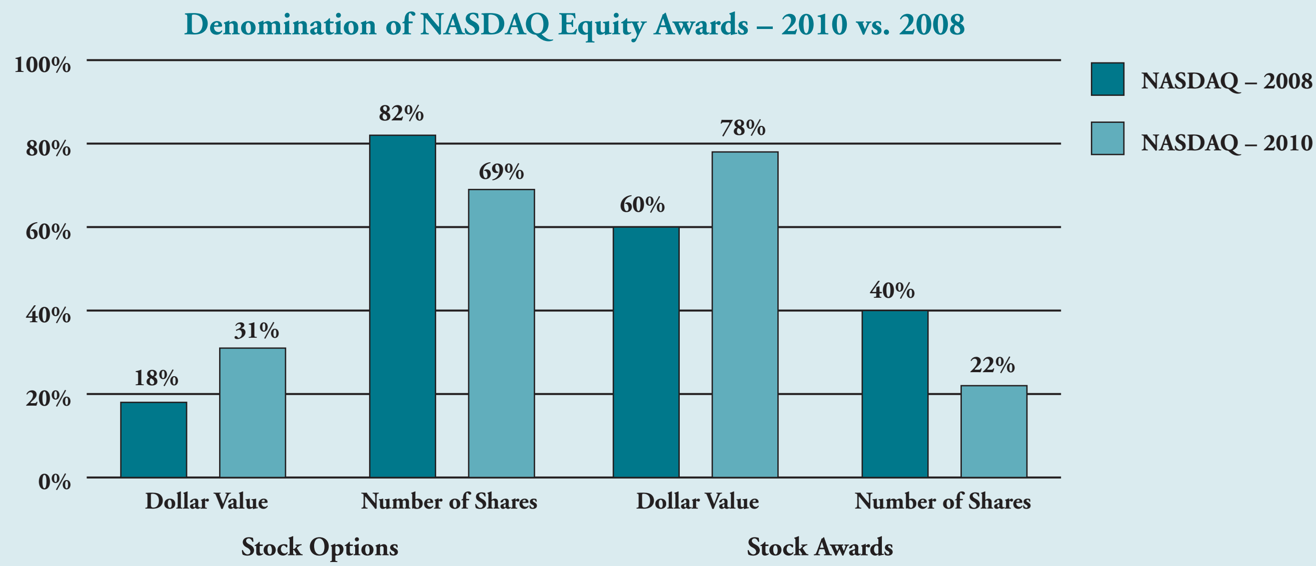
2006 NASDAQ

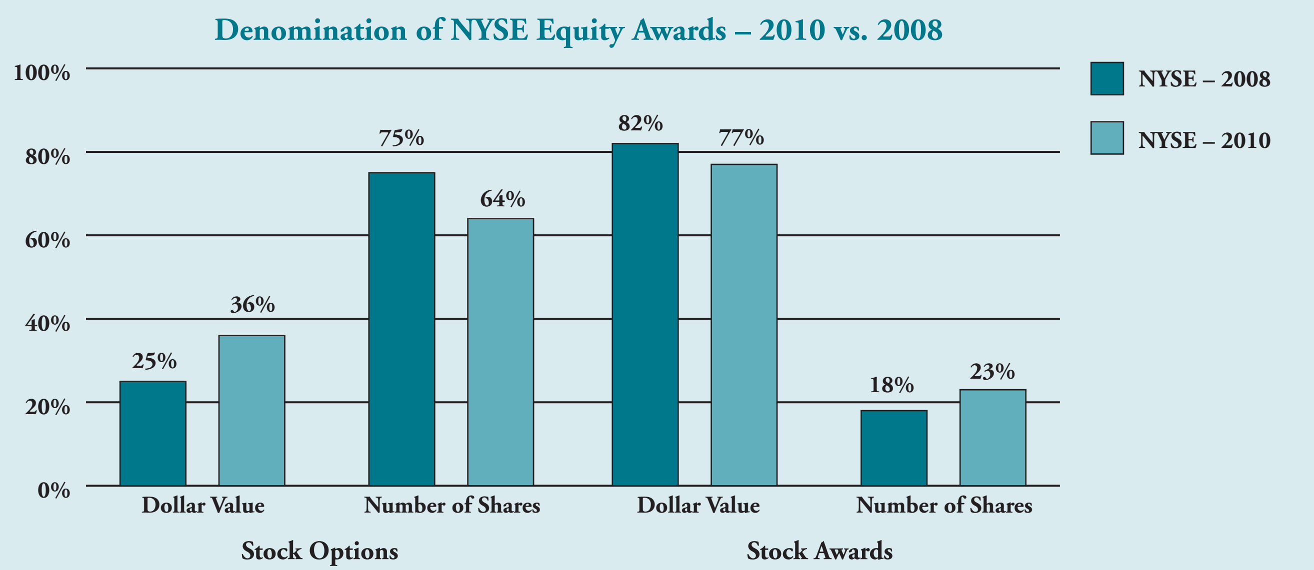


2006 NYSE

Equity award values for outside directors are expressed in one of two ways: 1) a number of shares (with the value moving up or down based on the share price at grant), or 2) a dollar value (with the number of shares moving up or down based on share price at grant so that a fixed value is delivered).

As illustrated below, both NASDAQ and NYSE companies typically express stock options as a fixed number of shares and stock awards as a fixed dollar value. However, the clear trend is to denominate equity compensation in terms of a dollar amount and away from the practice of targeting a set number of shares. For example, 78% of NASDAQ companies in 2010 used a fixed dollar value for stock awards versus only 60% in 2008. Similarly, 31% of NASDAQ companies in 2010 used a fixed dollar for stock options versus only 18% in 2008. Recent market volatility has likely contributed to companies re-evaluating how to express their director equity awards.

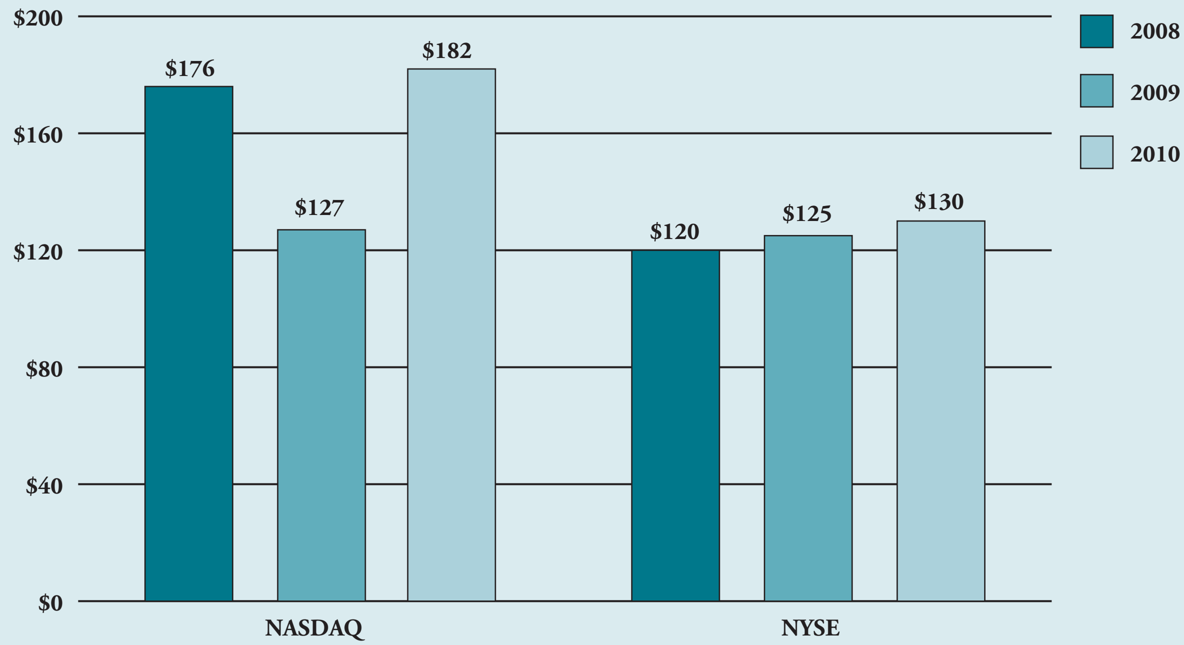




VALUE OF EQUITY AWARDS

Sharp market declines in late 2008 and early 2009 had a significant impact on equity grant values in last year's report, particularly among companies that denominate equity awards in terms of a number of shares rather than a dollar value. Because of the rebound in market levels since last year's report (i.e., median stock price increase of 57% and 52%, respectively, year-over-year for NASDAQ and NYSE companies), median annual equity grant values at the NASDAQ companies increased by 43% from 2009 levels. In contrast, median values at NYSE companies have exhibited less volatility over the last three years and increased by only 4% in 2010.

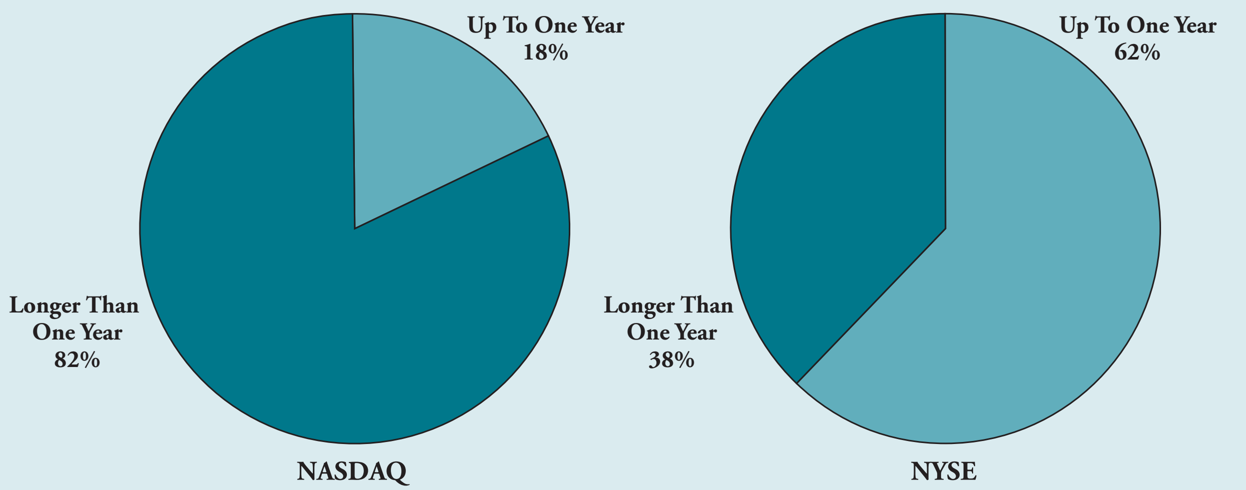
Median Annual Equity Grant Values ($000)



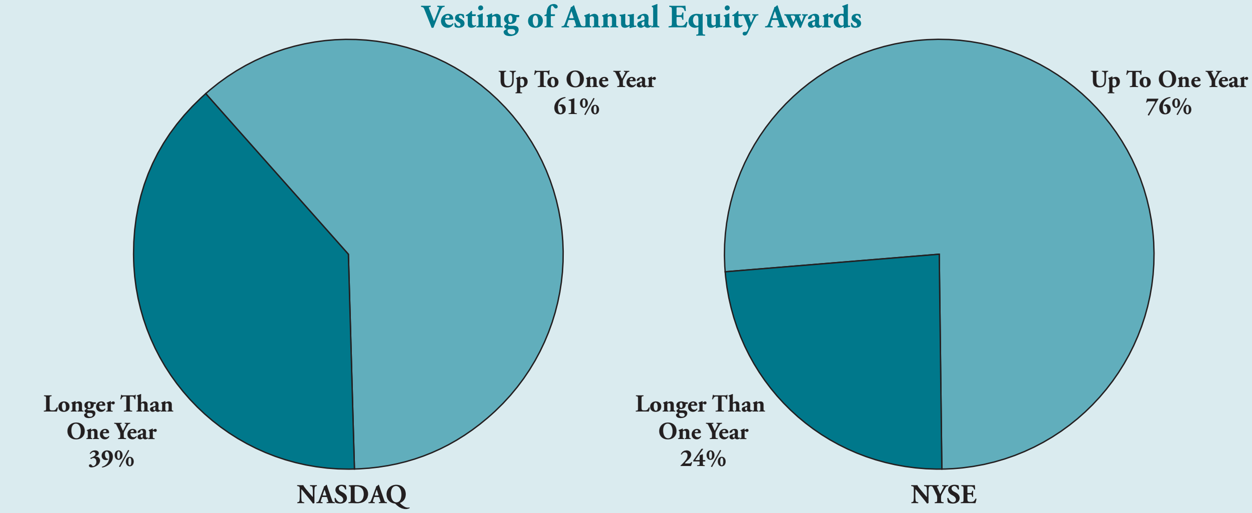
The vesting schedules of outside director initial equity awards and annual equity awards were examined separately. Vesting practices were categorized into two groups: 1) up to and including one year, and 2) greater than one year. Awards that are vested at grant but mandatorily deferred are classified below as "up to one year," as they are not subject to forfeiture.

The sample of companies granting initial awards includes 33 NASDAQ companies and eight NYSE companies while the sample of companies granting annual awards includes 97 NASDAQ companies and 97 NYSE companies (note that three companies in each group do not provide annual equity grants). Some caution should be used when analyzing the NYSE initial equity awards data due to the limited sample set.

Vesting of Initial Equity Awards



Vesting of Annual Equity Awards



Eighty-two percent of the NASDAQ companies and 38% of the NYSE companies vest "larger than normal" initial equity awards over a multi-year period. For annual equity awards, 61% of the NASDAQ companies and 76% of the NYSE companies vest these awards within one year of grant. Short vesting for outside director annual equity awards is viewed as "best practice" by many institutional shareholders and their advisory firms, as it avoids the potential to compromise outside directors' independence by making them beholden to a continued service relationship with the company in order to receive compensation. As more companies declassify their boards, we would expect to see even greater use of one year or shorter vesting schedules to align with the director's annual service period.

COMMITTEE MEMBER COMPENSATION

The majority of companies provide additional compensation for committee member service, typically in the form of either meeting fees or a cash retainer (a limited number of companies provide both). Median meeting fees and annual retainers for the three primary independent committees at those companies where incremental compensation is provided are shown in the table below (companies not providing additional compensation are *excluded* from the analysis). Additional compensation for committee chairpersons is covered separately in the following section.

	Additional Compensation to Committee Members Above the Amount Provided to Board Members			
	Prevalence		Median Retainer/Fee	
	NASDAQ	NYSE	NASDAQ	NYSE
Additional Committee Member Retainers				
Audit Committee	45%	38%	$10,000	$10,000
Compensation Committee	37%	19%	$10,000	$7,500
Nominating & Governance Committee	33%	15%	$6,000	$8,400
Committee Member Meeting Fees (per meeting)				
Audit Committee	45%	33%	$1,500	$2,000
Compensation Committee	44%	33%	$1,500	$2,000
Nominating & Governance Committee	40%	31%	$1,500	$1,700
Total Committee Member Compensation				
Audit Committee	81%	62%	$10,000	$10,000
Compensation Committee	74%	48%	$7,500	$10,000
Nominating & Governance Committee	66%	42%	$7,500	$10,000

The use of committee member retainers has remained relatively constant over the last few years both at NASDAQ and NYSE companies. In contrast, committee meeting fee prevalence has declined significantly at NYSE companies from last year's study (31% to 33% in 2010, depending on the committee, versus 39% to 42% in 2009). There has been an evolving trend of companies discontinuing meeting fees (both board and committee) and increasing retainers in an effort to simplify the design and administration of director compensation programs. This trend appears to be more prevalent at the NYSE companies than at the NASDAQ companies. Prevalence of meeting fees at NASDAQ companies remained at the levels of last year's study (generally 40% to 45% in each year). Overall, providing compensation for committee service is more common at the NASDAQ companies than at the NYSE companies.

Consistent with prior years, the prevalence of providing additional compensation to committee members varies by committee. Additional committee service compensation is most often provided to members of the Audit Committee, followed by the Compensation Committee and then the Nominating and Corporate Governance Committee.
At the NYSE companies, median additional compensation is $10,000 for service on each of the three primary independent committees. At the NASDAQ companies, a premium is provided for service on the Audit Committee ($10,000 versus $7,500 for the other two committees). These levels are in line with our 2009 report and indicate that committee member compensation is remaining constant.

To recognize the additional duties and time involved chairing a committee, the vast majority of companies pay committee chairs higher compensation than regular committee members. The chair premium usually is paid as a higher annual cash or stock retainer, although higher meeting fees are sometimes used.

The practices of NASDAQ and NYSE companies that provide additional compensation to committee chairs are summarized in the table below (companies not providing additional compensation are *excluded* from the median statistics). Only compensation that is in excess of the amount paid for regular committee service is included (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 to Committee Chairs Above the Amount Provided to Committee Members			
	Prevalence		Median Retainer/Fee	
	NASDAQ	NYSE	NASDAQ	NYSE
Chair Additional Retainers				
Audit Committee	88%	93%	$15,000	$15,000
Compensation Committee	85%	92%	$10,000	$12,500
Nominating & Governance Committee	76%	88%	$7,750	$10,000
Chair Additional Meeting Fees (per meeting)				
Audit Committee	4%	2%	$750	$1,250
Compensation Committee	3%	2%	$1,000	$1,250
Nominating & Governance Committee	3%	2%	$1,000	$1,250
Total Committee Chair Additional Compensation				
Audit Committee	90%	95%	$15,000	$15,000
Compensation Committee	87%	94%	$10,000	$12,500
Nominating & Governance Committee	78%	90%	$7,500	$10,000

Additional compensation provided to chairs of the three primary independent committees varies with the Audit Committee chair being paid the most, followed by the Compensation Committee chair, and then the Nominating and Corporate Governance Committee chair. In comparing levels between the NASDAQ and NYSE companies, NYSE companies typically pay the same or greater levels of additional compensation to committee chairs than NASDAQ companies.

COMMITTEE CHAIR COMPENSATION VERSUS BOARD MEMBER

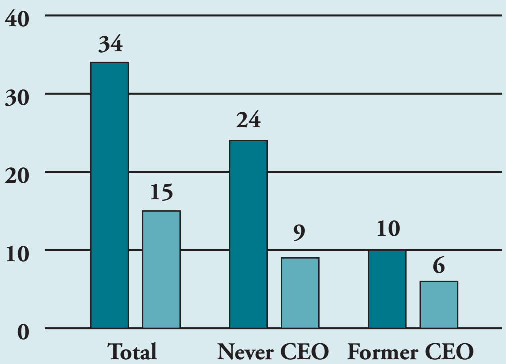
In addition to the incremental compensation committee chairs are provided for their enhanced role, they are also often provided the same retainer and/or meeting fees as regular (i.e., non-chair) committee members. Median retainers, meeting fees, and total compensation provided to committee chairs above the amounts provided to regular board members (i.e., includes additional compensation provided to both committee members and chairs) are summarized in the table below (companies not providing additional compensation are *excluded* from the analysis).

With the exception of the Audit Committee, the NYSE companies provide greater levels of compensation to committee chairs than the NASDAQ companies at the median. Both NASDAQ and NYSE companies differentiate additional chairperson retainer compensation by committee (i.e., additional compensation for the Audit Committee is the highest, followed by the Compensation Committee, then the Nominating and Corporate Governance Committee). Median committee meeting fee levels are identical (i.e., $1,500 per meeting among NASDAQ companies for each committee and $2,000 per meeting among NYSE companies for each committee).

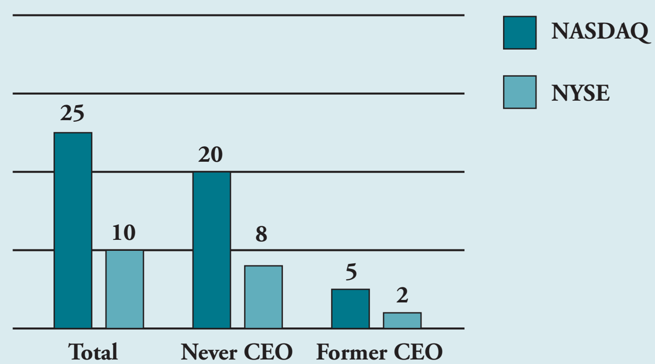
	Additional Compensation to Committee Chairs Above the Amount Provided to Board Members			
	Prevalence		**Median Retainer/Fee**	
	NASDAQ	**NYSE**	**NASDAQ**	**NYSE**
Chair Additional Retainers				
Audit Committee	90%	95%	$20,000	$20,000
Compensation Committee	86%	93%	$14,500	$15,000
Nominating & Governance Committee	77%	88%	$10,000	$12,000
Chair Additional Meeting Fees (per meeting)				
Audit Committee	45%	33%	$1,500	$2,000
Compensation Committee	44%	33%	$1,500	$2,000
Nominating & Governance Committee	40%	31%	$1,500	$2,000
Total Committee Chair Additional Compensation				
Audit Committee	95%	97%	$25,000	$24,000
Compensation Committee	91%	95%	$17,500	$18,400
Nominating & Governance Committee	84%	90%	$12,500	$15,000

Non-executive chairmen (i.e., not currently an employee of the company) are classified in two groups: those who were formerly the CEO of the company and those who were never the company's CEO. The NASDAQ companies had 34 non-executive chairmen, ten of whom were formerly the CEO of the company. The NYSE had 15 non-executive chairmen, six of whom were formerly the CEO. Additional compensation is provided to non-executive chairmen at roughly 74% of the NASDAQ companies and 67% of the NYSE companies that have a non-executive chairman. Fifteen NASDAQ and nine NYSE companies have an executive chairman (i.e., current employee of the company). Fifty-one percent of NASDAQ companies have combined the role of Chairman and CEO, while 76% of NYSE companies combine the roles.

Number of Non-Executive Chairmen



Number Receiving Additional Compensation



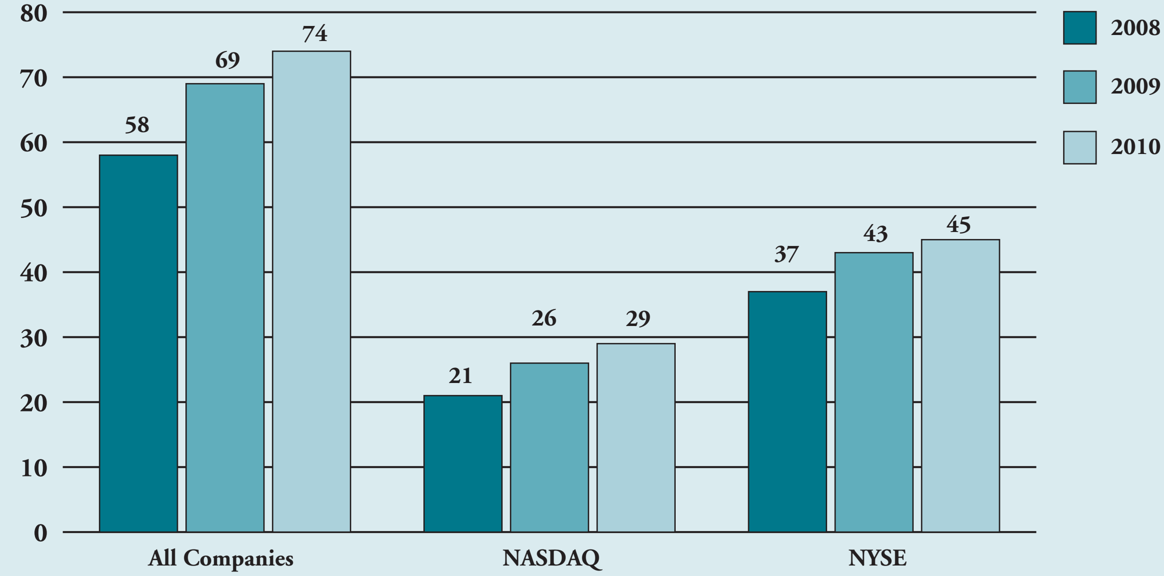
Median additional compensation for serving as the non-executive chairman (i.e., on top of that paid for regular board service) is shown below. Supplemental non-executive chair compensation is usually delivered using a mix of cash and equity. The amount and form of the additional compensation is highly specific to the company and often reflects the chairman's roles and responsibilities. Median additional compensation provided to non-executive chairmen at NYSE companies is materially higher than at the NASDAQ companies. Some caution should be used when analyzing the data, particularly for the former CEO category, due to the limited sample set.

Median Additional Non-Executive Chairmen Compensation ($000)

LEAD DIRECTOR COMPENSATION

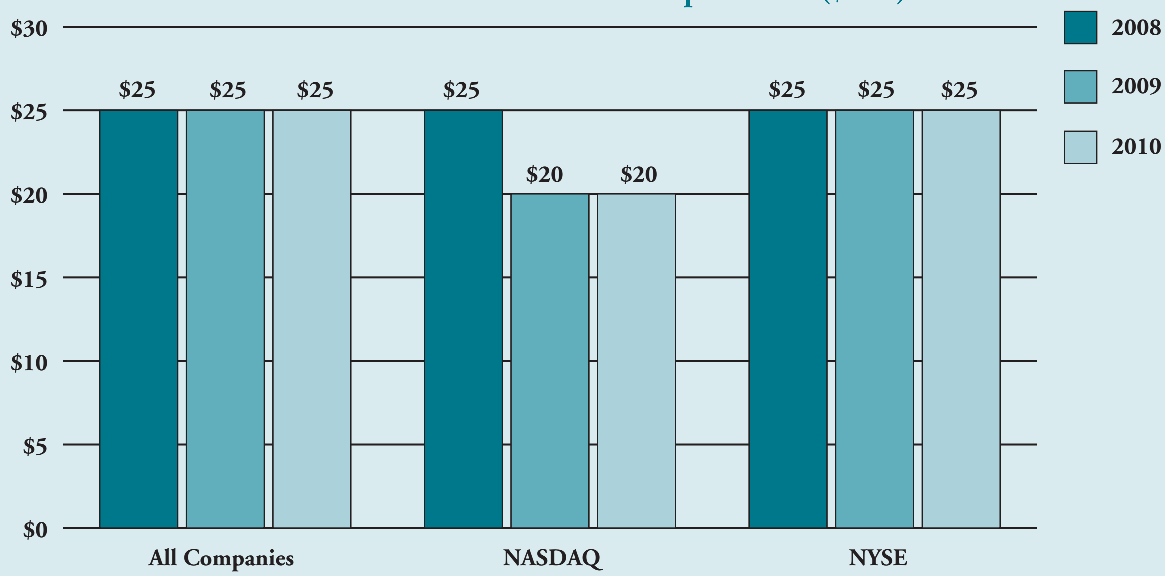
Many companies have an outside director who serves in the role of "lead director" (in some cases referred to as "presiding director"). Lead directors are often asked to act as an independent control on the influence of chairmen who are also CEOs. Lead directors have become more prevalent in recent years as companies have adjusted their board structures to reflect corporate governance "best practices." Slightly more than half of the NASDAQ and NYSE companies that disclose the role of lead or presiding director provide additional compensation for such role (58% and 55%, respectively). The graph below illustrates the number of companies in the study that pay additional compensation to their lead director. This practice has steadily increased over the last three years.

Number of Compensated Lead Directors



Additional compensation for lead directors at NYSE and NASDAQ companies is generally provided in the form of a supplemental cash retainer. The median value of compensation provided to lead directors at all companies has been constant over the last three years at $25,000, but median levels vary slightly between NASDAQ and NYSE companies (i.e., $20,000 and $25,000, respectively).

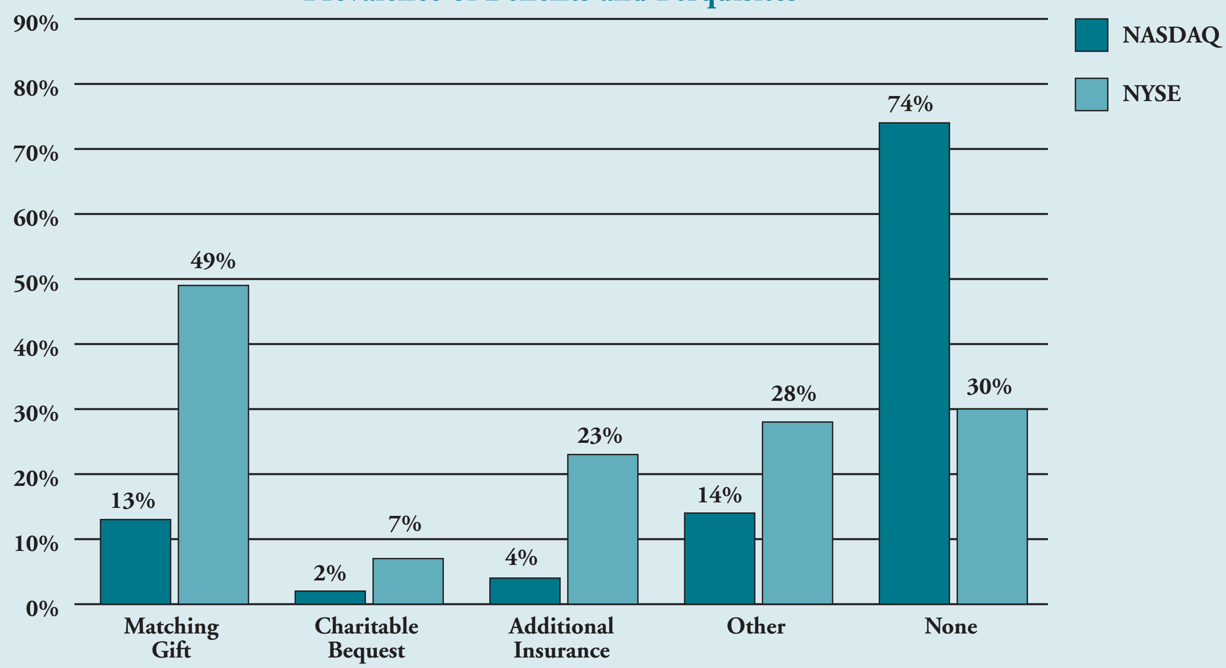
Median Additional Lead Director Compensation ($000)



Intense scrutiny by activist investor groups of non-business-related benefits and perquisites for both executives and outside directors has resulted in a significant decline in prevalence over the last five years. Nonetheless, it remains common for limited benefits and perquisites to be offered, more so at the NYSE companies than at the NASDAQ companies.

The prevalence of providing outside directors with compensation in addition to retainers, meeting fees or equity grants is illustrated below. Note that normal reimbursement for travel and out-of-pocket expenses related to board service is a standard practice and excluded from this analysis. Also note that programs that have been discontinued for new directors but are still provided to "grandfathered" directors are excluded from the prevalence data below.

Prevalence of Benefits and Perquisites



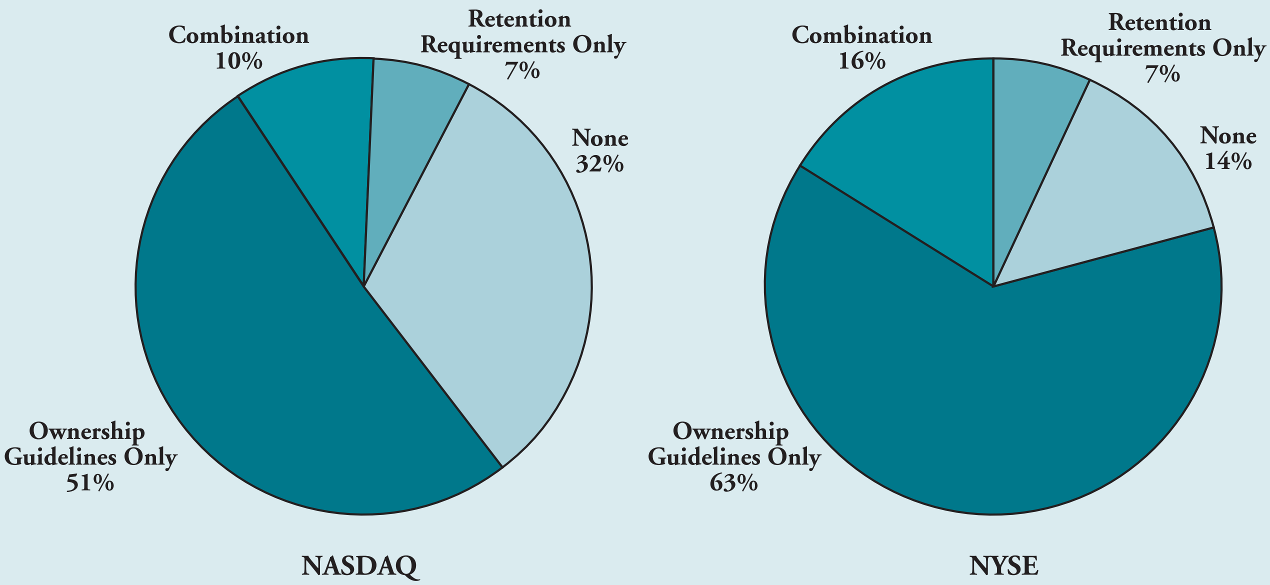
- Matching gift programs are the most prevalent benefit, and are offered by 49% of the NYSE companies (up 1% from last year) and 13% of the NASDAQ companies (an increase from 9% last year). More and more director programs disclose providing a match equal to that provided to regular employees of the company.
- Charitable bequest or donation programs are significantly less common with only 7% of the NYSE companies and 2% of the NASDAQ companies offering this perquisite.
- Additional insurance benefits (e.g., life insurance, medical or dental insurance, etc.) are provided by 23% of the NYSE companies, but only 4% of the NASDAQ companies.
- Several companies disclosed providing miscellaneous perquisites, such as discounted or free company merchandise and personal/spousal travel. The prevalence of such benefits and perquisites is shown in the "Other" column.
- Overall, perquisites and benefits are significantly more prevalent among the NYSE companies (70%) than the NASDAQ companies, where they are offered by only 26% of the companies (up from only 16% last year). The increase among NASDAQ companies is predominately due to increased prevalence of matching gift programs and discounts or free company merchandise.

STOCK OWNERSHIP GUIDELINES

In an effort to further align directors' interests with those of shareholders, companies increasingly require that directors own shares. The design of ownership guidelines involves either specific ownership levels or share retention requirements (or a combination of the two). The most prevalent form of ownership guideline requires directors to accumulate and hold a certain amount of company stock that is typically defined as a multiple of the director's annual cash board retainer or, less commonly, as a fixed number of shares.

Retention approaches may be grouped into two types: "retention ratios" and "holding periods." Retention ratios generally express the ownership requirement as a percentage of the "profit shares" resulting from equity-based long-term incentives that must be retained. Profit shares are the shares remaining after payment of the option exercise price and taxes owed at time of exercise or vesting of restricted stock. Holding periods typically define the length of time after exercise or vesting that shares must be held by the director (e.g., 12 months after an option is exercised).

Sixty-eight percent of NASDAQ companies have stock ownership guidelines of some type, compared to 86% of NYSE companies. The following charts show the percentage of NASDAQ and NYSE companies that disclose such requirements:



- Fifty-one percent of NASDAQ companies and 63% of NYSE companies use ownership guidelines exclusively (i.e., no additional retention requirements).
- The prevalence of NASDAQ and NYSE companies solely using retention requirements is limited (seven percent each).
- The prevalence of companies using a combination of both ownership guidelines and retention requirements is lower at NASDAQ companies (10%) than at NYSE companies (16%).

For purposes of this report, director compensation that is paid in deferred stock units ("DSUs") that are not distributable until termination of board service or later are not considered to be formal ownership guidelines. Nonetheless, DSUs are equally or more effective as formal ownership guidelines in ensuring that directors acquire and hold significant amounts of company stock, arguably eliminating the need to implement formal ownership guidelines. If companies granting director DSUs were to be included as having formal guidelines, the prevalence of ownership guidelines would increase from those shown in the chart above.

ACTIVISION BLIZZARD
ADOBE SYSTEMS
AKAMAI TECHNOLOGIES
ALTERA
AMAZON.COM
AMGEN
APOLLO GROUP
APPLE
APPLIED MATERIALS
AUTODESK
AUTOMATIC DATA PROCESSING
BED BATH & BEYOND
BIOGEN IDEC
BMC SOFTWARE
BROADCOM
BUCYRUS INTERNATIONAL
C.H. ROBINSON WORLDWIDE
CA
CELGENE
CEPHALON
CERNER
CISCO SYSTEMS
CITRIX SYSTEMS
CME GROUP
COGNIZANT TECH SOLUTIONS
COMCAST
COSTCO WHOLESALE
CREE
DELL
DENTSPLY INTERNATIONAL
DIRECTV
DISCOVERY COMMUNICATIONS
DISH NETWORK
DOLLAR TREE
EBAY
ELECTRONIC ARTS
EXPEDIA
EXPEDITORS INTL WASH
EXPRESS SCRIPTS
FASTENAL
FIFTH THIRD BANCORP
FIRST SOLAR
FISERV
FLEXTRONICS INTERNATIONAL
GARMIN
GENZYME
GILEAD SCIENCES
GOOGLE
HUDSON CITY BANCORP
HUMAN GENOME SCIENCES
INTEL
INTUIT
INTUITIVE SURGICAL
JOY GLOBAL
KLA-TENCOR
LIBERTY GLOBAL
LIBERTY MEDIA INTERACTIVE
LIFE TECHNOLOGIES
LINEAR TECHNOLOGY
MARVELL TECHNOLOGY GROUP
MATTELL
MAXIM INTEGRATED PRODUCTS
MICROCHIP TECHNOLOGY
MICRON TECHNOLOGY
MICROSOFT
MYLAN
NETAPP
NEWS CORP
NII HOLDINGS
NORTHERN TRUST
NVIDIA
ORACLE
O'REILLY AUTOMOTIVE
PACCAR
PAYCHEX
PEOPLE'S UNITED FINANCIAL
PERRIGO
PRICE (T. ROWE) GROUP
PRICELINE.COM
QUALCOMM
ROSS STORES
SANDISK
SCHEIN (HENRY)
SEAGATE TECHNOLOGY
SEARS HOLDINGS
SIGMA-ALDRICH
STAPLES
STARBUCKS
SYMANTEC
TD AMERITRADE HOLDING
URBAN OUTFITTERS
VERISK ANALYTICS
VERTEX PHARMACEUTICALS
VIRGIN MEDIA
WARNER CHILCOTT
WHOLE FOODS MARKET
WINDSTREAM
WYNN RESORTS
XILINX
YAHOO!

NYSE COMPANIES

3M
ABBOTT LABORATORIES
ACCENTURE
AFLAC
ALTRIA GROUP
AMERICAN EXPRESS
ANADARKO PETROLEUM
APACHE
AT&T
BANK OF AMERICA
BANK OF NEW YORK MELLON
BAXTER INTERNATIONAL
BERKSHIRE HATHAWAY
BOEING
BRISTOL-MYERS SQUIBB
CARNIVAL
CATERPILLAR
CHEVRON
CITIGROUP
COCA-COLA
COLGATE-PALMOLIVE
CONOCOPHILLIPS
CORNING
COVIDIEN
CVS CAREMARK
DANAHER
DEERE
DEVON ENERGY
DISNEY (WALT)
DOMINION RESOURCES
DOW CHEMICAL
DU PONT (E I) DE NEMOURS
EMC
EMERSON ELECTRIC
EOG RESOURCES
EXELON
EXXON MOBIL
FEDEX
FORD MOTOR
FRANKLIN RESOURCES
FREEPORT-MCMORAN
GENERAL DYNAMICS
GENERAL ELECTRIC
GENERAL MILLS
GOLDMAN SACHS GROUP
HALLIBURTON
HEWLETT-PACKARD
HOME DEPOT
HONEYWELL INTERNATIONAL
ILLINOIS TOOL WORKS
INTL BUSINESS MACHINES
JOHNSON & JOHNSON
JOHNSON CONTROLS
JPMORGAN CHASE
KIMBERLY-CLARK
KRAFT FOODS
LILLY (ELI) & CO
LOCKHEED MARTIN
LOWE'S COMPANIES
MASTERCARD
MCDONALD'S
MEDCO HEALTH SOLUTIONS
MEDTRONIC
MERCK
METLIFE
MONSANTO
MORGAN STANLEY
MOSAIC
NEWMONT MINING
NIKE
OCCIDENTAL PETROLEUM
PEPSICO
PFIZER
PHILIP MORRIS INTERNATIONAL
PNC FINANCIAL SERVICES
PRAXAIR
PROCTER & GAMBLE
PRUDENTIAL FINANCIAL
SCHLUMBERGER
SIMON PROPERTY GROUP
SOUTHERN COMPANY
SOUTHERN COPPER
TARGET
TEXAS INSTRUMENTS
THOMSON-REUTERS
TIME WARNER
TRANSOCEAN
TRAVELERS
UNION PACIFIC
UNITEDHEALTH GROUP
UNITED PARCEL SERVICE
U S BANCORP
UNITED TECHNOLOGIES
VERIZON COMMUNICATIONS
VISA
WALGREEN
WAL-MART STORES
WELLPOINT
WELLS FARGO
XTO ENERGY

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