FREDERIC W. COOK & CO., INC.

2011

DIRECTOR COMPENSATION

Non-Employee Director Compensation Across Industries and Size

NOVEMBER 2011

FREDERIC W. COOK & CO., INC.

2011

DIRECTOR COMPENSATION

Non-Employee Director Compensation Across Industries and Size

NOVEMBER 2011

TABLE OF CONTENTS

Executive Summary 4
Overview and Methodology 6
Board Composition & Meeting Frequency 8
Total Board Compensation 9
Board Cash Compensation 11
Equity Award Type 14
Equity Award Denomination 15
Equity Compensation Values 16
Non-Executive Chairman, Lead Director Compensation 17
Committee Chair Compensation 20
Committee Member Compensation 21
Stock Ownership Guidelines 22
Voluntary Compensation Deferrals 23
Benefits and Perquisites 24
Research Company List 25
Company Profile 28

With the passage of the Dodd-Frank Act in 2010, boards of directors of publicly traded companies face one of the most significant regulatory reforms of corporate governance since the Sarbanes-Oxley Act in 2002. Key requirements of the Dodd-Frank Act, including shareholder non-binding votes for "Say-On-Pay" and the frequency of such votes, lead many to believe the responsibilities and reputational risk of directors have significantly increased.

During this time of heightened external scrutiny, we concluded it was appropriate to redefine our board of directors' compensation report to identify variations in director compensation across different industry sectors and company size groupings. Accordingly, we have established an industry and size baseline to evaluate year-over-year changes. This report includes 240 publicly traded companies spread equally across the financial services, industrial, retail, and technology sectors, segmented such that all four industries are sized similarly by market capitalization. This sample of companies is also equally divided into three size categories based on market capitalization.

Our findings confirm a general "rule of thumb" in assessing director compensation programs: compensation levels vary primarily based on company size, while the structure of compensation is influenced by both company size and industry. As companies gain a better understanding of the increased responsibilities and perceived personal risk for directors, we anticipate that director compensation levels may increase at more rapid pace over the next several years.

Key findings from the 2011 Directors Compensation Report are as follows:

Compensation Levels

- Compensation levels are largely dependent on company size, while the relationship between pay levels and industry is less apparent.
- Median total compensation for board service is summarized below:

Median Values	Small Cap	Mid Cap	Large Cap
	Less than $1B	**$1B - $5B**	**Greater than $5B**
Market Capitalization ($M)	$398	$2,519	$13,000
Total Compensation	$117,000	$170,000	$225,000

- Of the four industries reviewed, technology companies have the highest median total compensation level. It is followed by industrial and retail, with financial services the lowest, perhaps reflecting reluctance on the part of boards in financial services to increase their compensation during a challenging time for the industry.

Cash/Equity Mix

- The portion of total compensation for board service paid in cash is highest in the financial services sector (56% of total compensation), while technology companies pay the lowest portion in cash (32% of total compensation).

Equity Compensation

- The most prevalent form of equity compensation is to provide stock awards (or stock units), determined on a fixed dollar value.
- While the use of stock options is minimal (utilized by less than 20% of retail, financial services, and industrial companies), 42% of technology companies continue to provide stock options in director compensation programs.

Program Structure

- Large companies (market capitalization greater than $5 billion) tend to have simple compensation structures. A typical compensation program is composed of two parts: 1) retainers for board and committee chair service, and 2) equity awards delivered in full value stock or stock units.
- Committee chairs are usually provided additional retainer compensation for leadership of the audit, compensation, or nominating and governance committees. Audit committee chairpersons and members continue to receive the highest level of compensation for committee service, but this may change as the visibility of risk and workload assumed by compensation committees increases in response to Dodd-Frank.
- Compensation for committee member service, when provided, is usually in the form of meeting fees. The median meeting fee for the entire research sample is $1,500, with minimal variation when segmented by industry or size.
- Thirty-eight percent of all companies appointed a non-executive chairman, 41% have a combined CEO and chairman role, and the remaining 21% have a separate executive chairman role.
- In addition, we found that 59% of all companies reported a lead director to chair independent director sessions, of which 65% receive additional compensation for this responsibility. The additional retainer paid for lead director service ranges from $20,000 to $25,000 at the median (the higher end for large-cap companies).

Research Sample

The companies in this report reflect a random sample of 240 companies selected to include the financial services, industrial, retail, and technology sectors of various sizes. Industry classifications were based on Standard & Poor's Global Industry Classification Standard Industry Group code (GICS). The same companies were grouped by size into small, mid-sized, and large segments based on market capitalization as of April 30, 2011. The complete list of companies included in this year's study is disclosed at the end of the report.

Market Capitalization Segments

	Small Cap Less than $1B	Mid Cap $1B - $5B	Large Cap Greater than $5B	Total
Financial Services	20	20	20	60
Industrial	20	20	20	60
Retail	20	20	20	60
Technology	20	20	20	60
Total	**80**	**80**	**80**	**240**

Market capitalization as of April 30, 2011 and trailing 12-month revenue for the research sample are shown below.

	Market Capitalization as of 4/30/11 ($M)			Trailing 12-Month Revenue ($M)		
Industry	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Financial Services	$516	$2,338	$9,428	$316	$985	$3,749
Industrial	$790	$3,431	$8,635	$1,114	$3,156	$6,860
Retail	$564	$2,019	$10,228	$1,380	$3,507	$9,113
Technology	$707	$2,605	$7,505	$354	$1,013	$3,703
Size	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Small Cap	$212	$398	$688	$208	$536	$929
Mid Cap	$1,574	$2,519	$3,932	$887	$2,106	$4,211
Large Cap	$8,849	$13,000	$24,990	$3,393	$9,043	$24,332

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 in the one-year period ending May 31, 2011.

Methodology

This report examines the prevalence and value of the components of board compensation. In addition to compensation for basic board service, we also analyze compensation for service on each of the three most typical independent board committees (i.e., audit, compensation, and nominating and corporate governance). Pay components examined in this study include:

- Annual cash retainers and meeting fees for board service.
- Additional compensation for chairing the board or serving as lead director.
- Annual cash retainers and meeting fees for committee member and chair service.
- 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, and other benefits.

In addition to the above pay components, we also examined board and committee composition, meeting frequency, the prevalence of elective cash deferrals, and stock ownership guidelines.

Assumptions used to normalize the data across companies include:

- Each board meets seven times per year.
- A director holds one committee membership and attends six committee meetings per year.
- All equity compensation is valued using closing stock prices as of April 30, 2011.
- 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 Standards Codification (“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.

The three most common independent committees are the audit, compensation and nominating and governance committees. In some instances, usually among smaller companies, the governance function is handled by the board, and there is simply a nominating committee, or the responsibilities are combined to form a compensation and nominating committee.

Median Number of Board and Committee Members

Median Number of Members				
	Board	Audit	Compensation	Nominating & Governance
Small Cap	8	4	4	4
Mid Cap	9	4	4	4
Large Cap	10	4	4	4

The number of directors serving on the entire board varies slightly among the three size segments, while committee memberships (four members per committee) at the median is the same, suggesting the size of a committee is influenced by efficiency and effectiveness versus company or board size.

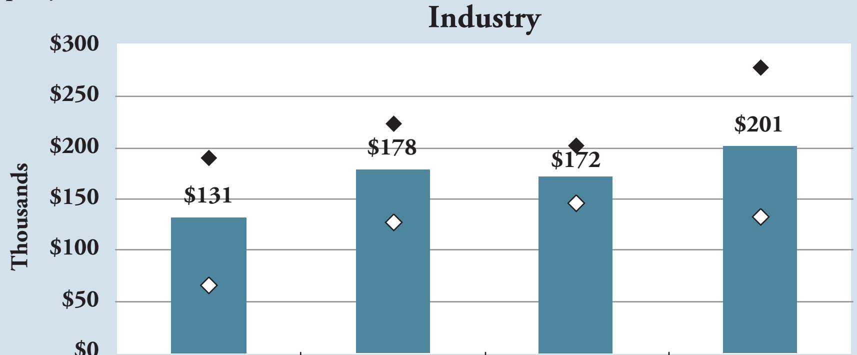
Median Number of Board and Committee Meetings

Median Number of Meetings				
	Board	Audit	Compensation	Nominating & Governance
Small Cap	7	7	5	3
Mid Cap	7	8	6	4
Large Cap	7	9	6	4

As the table above shows, the median number of board meetings does not vary by company size, but there are slight variations at the committee level. Mid- and large-cap companies in general held the same number of committee meetings, while small-cap companies held slightly fewer meetings.

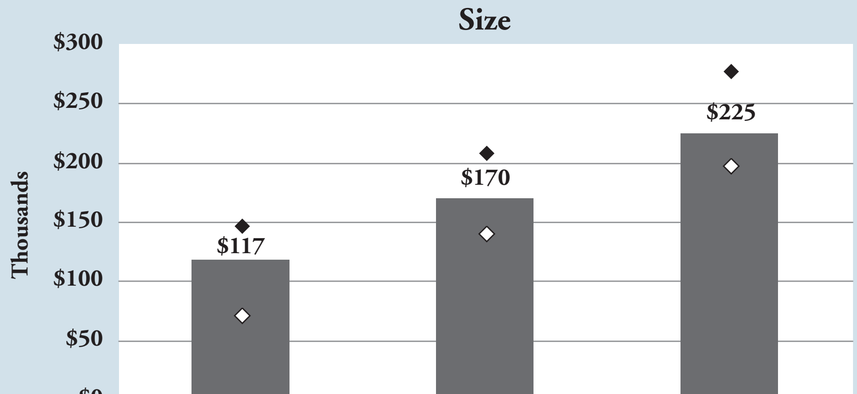
Total Compensation – Pay Levels

Total compensation assumes a director attends seven board meetings, holds one committee membership and attends six committee meetings per year.



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$190	$224	$202	$279
■ Median	$131	$178	$172	$201
◇ 25th Percentile	$66	$128	$146	$132

When segmented by industry, median total compensation levels are highest for technology companies, followed by industrial and retail companies, and financial services companies are the lowest. This is largely driven by different equity pay levels at each industry, as well as the relatively stronger stock performance experienced by technology companies in the past year, combined with the fact that most technology companies determine option grants based on number of shares versus target value.

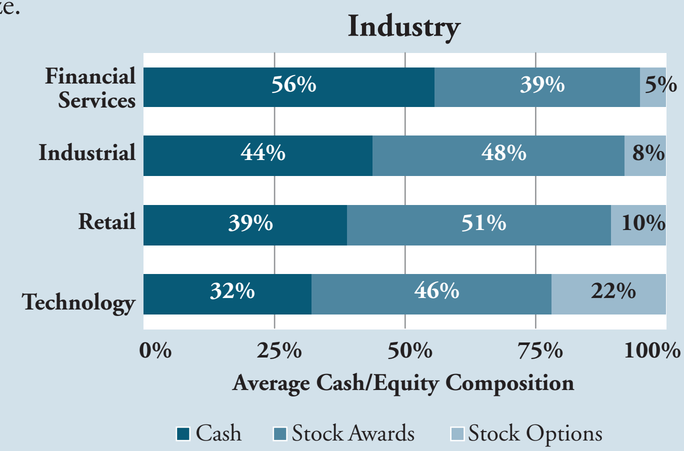


	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$147	$209	$278
■ Median	$117	$170	$225
◇ 25th Percentile	$71	$140	$197

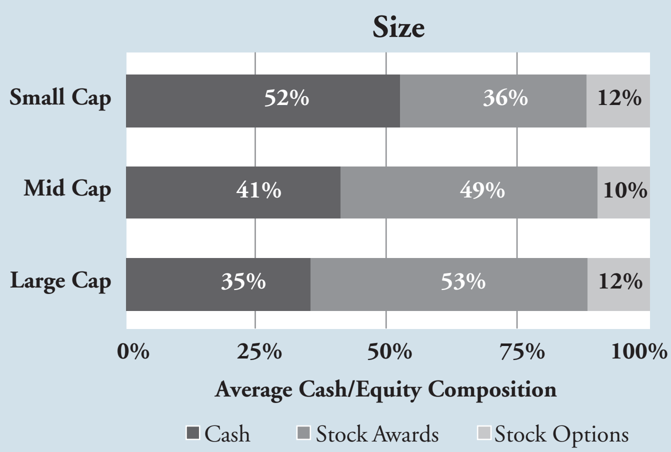
Variation in total board compensation levels is more correlated to company size, as opposed to industry. The median total compensation level received by directors in large-cap companies is twice as much as small-cap companies. We note the range between the 25th and 75th percentile values is narrower for large-cap companies, indicating that in determining comparable peer organizations, it is more important for large-cap companies to focus on revenue size and market capitalization levels to determine comparable pay levels, as opposed to industry.

Total Compensation – Cash vs. Equity

Compensation for board service is typically composed of cash and equity awards (i.e. stock awards/equivalents and stock options). The illustrations below show how the average pay structure of a director compensation program varies across industry and size.



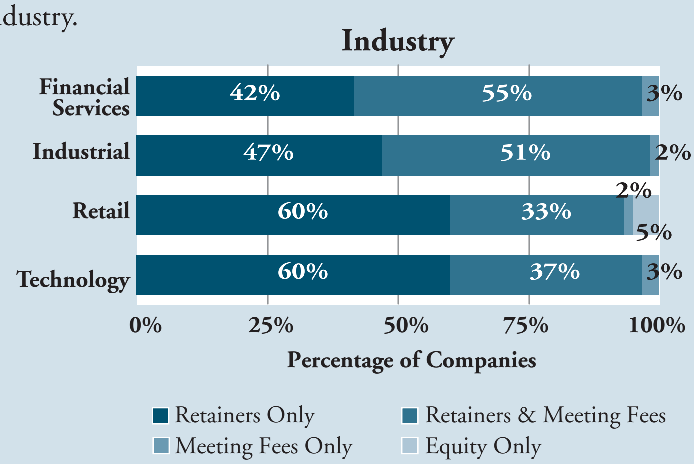
With the exception of the technology sector, the three other sectors provide at least 40% of compensation in cash, with the remaining in stock awards and stock options. The financial services sector places the most emphasis on cash (56% of total compensation), while the technology sector provides the least cash at 32% of total compensation. Stock options are the least prevalent equity vehicle in director compensation, and will likely stay that way in light of the perceived relationship between stock options and risk-taking behavior, along with the fiduciary nature of the board role today. Stock options comprise 10% or less of average director total compensation among the financial services, industrial, and retail sectors, but continue to be used by technology companies of all sizes.



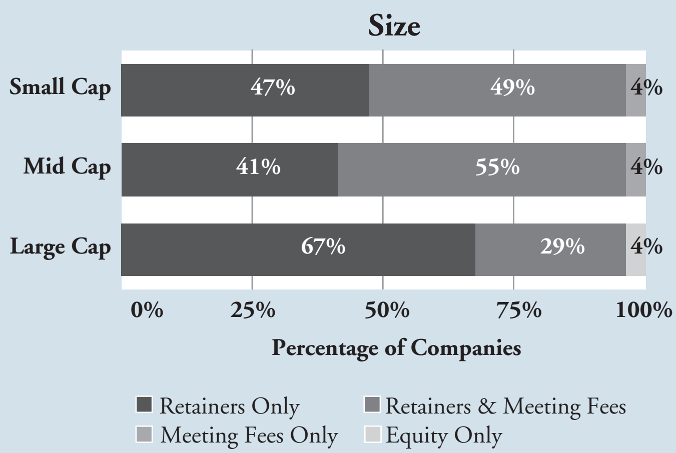
When segmented by size, our findings show that larger companies tend to offer a greater portion of total compensation in the form of equity. Larger companies, under intense scrutiny by the media and shareholders, are likely to be more concerned about the fiduciary role of outside directors and the alignment with shareholders, and therefore prefer to provide equity compensation over cash compensation.

Cash Compensation Pay Structure

Director service is usually compensated through a fixed annual fee (i.e. a retainer), a meeting fee for each board meeting attended, or a combination of both. While meeting fees used to be almost universal, today many companies have folded meeting fees into the retainer. Our findings below show large-cap companies typically provide a retainer only, while smaller companies are more likely to use a combination of retainers and meeting fees. In rare instances, directors receive equity awards only as compensation; coincidentally, this small handful of companies is all large-cap companies in the retail industry.



More than half of the companies in the retail and technology sectors do not pay meeting fees. The combined use of retainers and meeting fees continues to be prevalent among the financial services and industrial sectors.

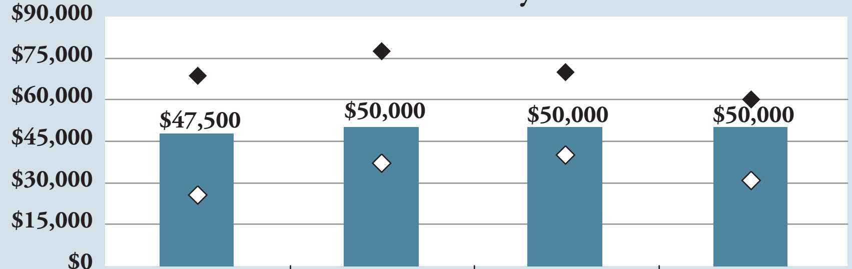


Nearly 70% of large-cap companies use a retainer-only board compensation structure, compared to less than half of the small- and mid-cap companies. Many of the small- and mid-cap companies continue to provide both retainers and meeting fees for board service.

Board Cash Retainers

Our findings show a clear relationship between company size and board retainer levels, while cash retainer levels are essentially the same across all four industry sectors. The median retainer across industries is tightly clustered between $48,000 to $50,000, but as seen below, the range between the 25th and 75th percentiles is wider among financial services and industrial companies.

Industry



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$68,750	$77,500	$70,000	$60,000
■ Median	$47,500	$50,000	$50,000	$50,000
◇ 25th Percentile	$25,500	$37,000	$40,000	$31,000

Retainers paid to directors of small-cap, mid-cap and large-cap companies range from $35,000, $45,000 and $70,000 at the median respectively.

Size

	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$50,000	$60,000	$80,000
■ Median	$35,000	$45,000	$70,000
◇ 25th Percentile	$25,000	$34,000	$50,000

Board Meeting Fees

Median board meeting fees range from $1,500 to $2,000, with $2,000 being more typical among mid- and large-cap companies who have not adapted the more simplified approach of providing retainers only. The technology sector also seems to be an outlier, with a median meeting fee of $2,000.

Industry	Prevalence	25th %-tile	Median	75th %-tile
Financial Services	58%	$1,125	$1,500	$2,000
Industrial	53%	$1,500	$1,500	$2,000
Retail	35%	$1,500	$1,500	$3,000
Technology	40%	$1,875	$2,000	$2,500

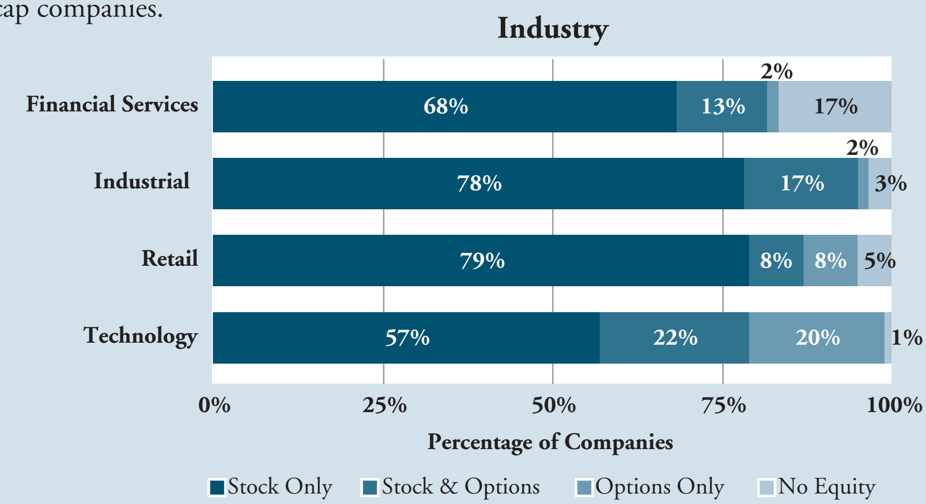
Size	Prevalence	25th %-tile	Median	75th %-tile
Small Cap	53%	$1,500	$1,500	$2,000
Mid Cap	59%	$1,500	$2,000	$2,500
Large Cap	29%	$1,500	$2,000	$2,250

EQUITY AWARD TYPE

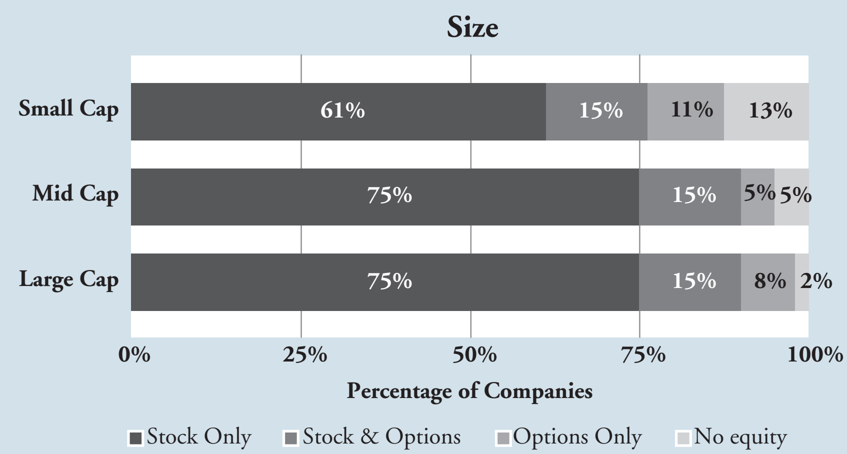
The most prevalent form of equity awards for board service is full-value stock awards only, commonly viewed as stronger alignment with long-term shareholder interests than stock options.

Trends in equity award type are easiest to identify among industry sectors. Stock awards are used as the sole equity vehicle at nearly three-fourths of financial services, industrial, and retail companies, and 57% of technology companies.

Twenty-two percent of technology companies use a combination of stock awards and stock options; only 8% to 17% of the companies in the remaining sectors use this approach. Twenty percent of technology companies and 8% of retail companies provide stock options as their only equity award, but this trend is nearly nonexistent among financial services and industrial companies. We also note that most of the financial services companies that do not offer any equity are small-cap companies.



The graph below illustrates that providing stock awards only is the most prevalent equity award trend across all size segments, albeit slightly less prevalent among small-cap companies (61% of the sample vs. 75% of mid-cap and large-cap companies). It is more difficult to characterize the type of company that offers both stock awards and stock options by market capitalization. Finally, nearly a quarter of small-cap companies continue to provide stock options only or no equity at all.



Director equity programs utilize the more stable approach of providing fixed dollar values instead of a fixed number of shares. Denominating equity awards as a fixed value is a common approach because it eliminates stock price volatility and therefore, year-over-year fluctuation.

The use of a fixed dollar value for stock awards is clearly the most prevalent regardless of industry or size segments; the answer is less apparent for stock options. The table below shows the percentage of companies that denominate option and stock awards as a number of shares or a dollar value. Most companies offer stock awards as a fixed dollar value, but the number is split almost evenly among technology companies. Finally, companies seem to lean towards offering stock options as a fixed number of shares, but this is based on a small sample size.

Industry: Percentage of Companies

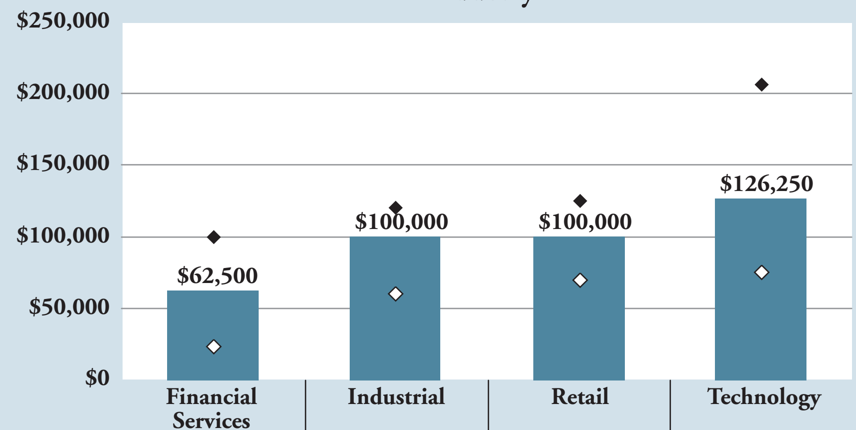
	Options		Stock Awards	
	Number of Shares	Dollar Value	Number of Shares	Dollar Value
Financial Services	60%	40%	16%	84%
Industrial	50%	50%	16%	84%
Retail	40%	60%	19%	81%
Technology	88%	12%	45%	55%

Size: Percentage of Companies

	Options		Stock Awards	
	Number of Shares	Dollar Value	Number of Shares	Dollar Value
Small Cap	77%	23%	30%	70%
Mid Cap	59%	41%	25%	75%
Large Cap	61%	39%	17%	83%

Equity compensation ranges from approximately $100,000 to $125,000 for retail, industrial, and technology companies at the median; the median value is much lower for financial services at $62,500. The range of equity values between the 25th and 75th percentile is wider for the technology sector in comparison to the other industries. This is likely due to 1) the use of stock options as an equity vehicle, which is more influenced by stock price volatility and 2) as shown on the previous page, most of the technology companies denominate their option awards as a fixed number of shares, whose value may have also increased significantly in the past year.

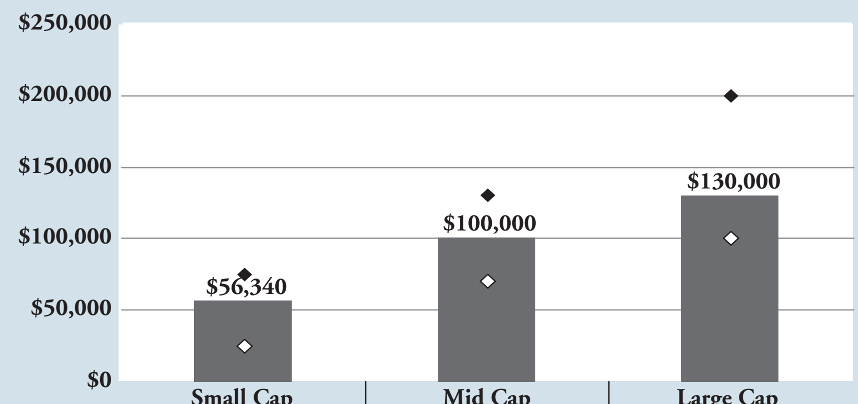
Industry



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$100,000	$120,500	$125,000	$206,175
■ Median	$62,500	$100,000	$100,000	$126,250
◇ 25th Percentile	$23,525	$60,000	$70,000	$75,000

Similar to our findings for cash compensation, the table below shows a positive relationship between company size and equity pay levels. The median equity value for small-cap companies is $56,000, nearly half the value of equity awards for mid-cap companies. We noted earlier that equity values for technology companies are higher than the other industries, but the positive correlation between equity pay and company size still holds true when technology companies are excluded from the analysis.

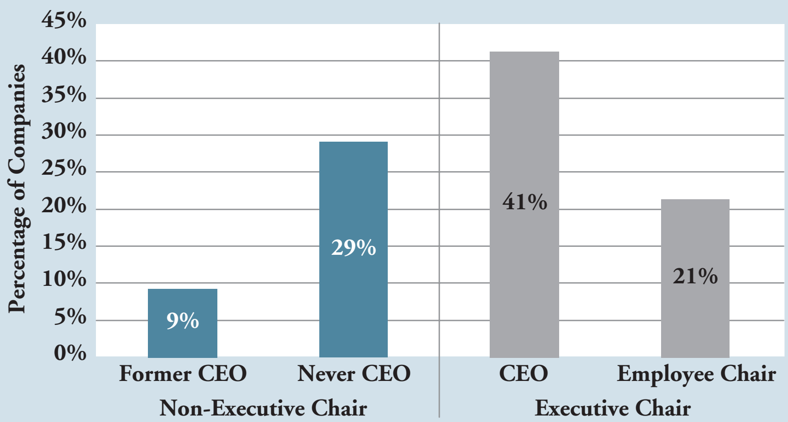
Size



	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$75,000	$130,208	$200,000
■ Median	$56,340	$100,000	$130,000
◇ 25th Percentile	$25,000	$70,388	$100,000

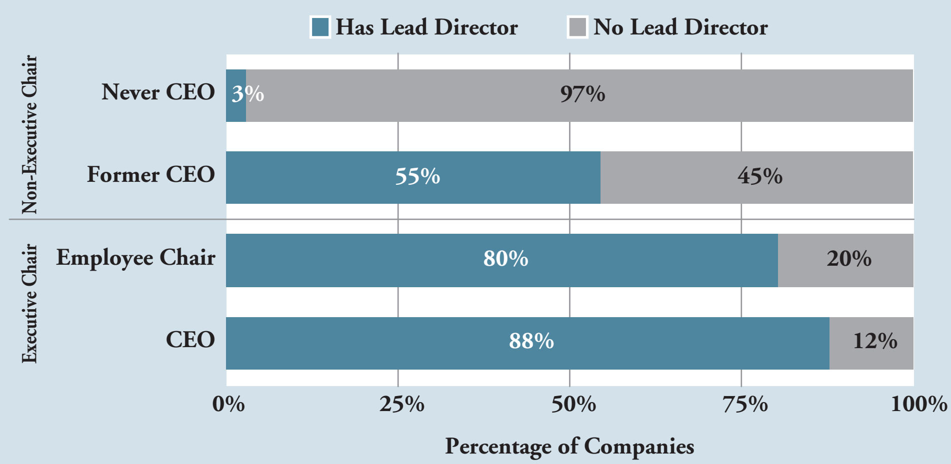
Prevalence of Various Chairman Structures

Company proxy statements are required to include a discussion of why a company chooses to have one executive serve as both the board chairman and CEO, or to have the board chairman and CEO as separate roles. The table below shows the most prevalent practice is to have a combined CEO and chairman, but this practice still does not represent the majority (41% of all companies in research sample). Twenty-nine percent of companies have a non-executive chairman who has never served as CEO of the company; this is closely followed by 21% of companies who have an employee chairman in place. The least prevalent chairman structure is electing the former CEO of a company as a non-executive chair (9% of total companies).



Prevalence of Lead Directors

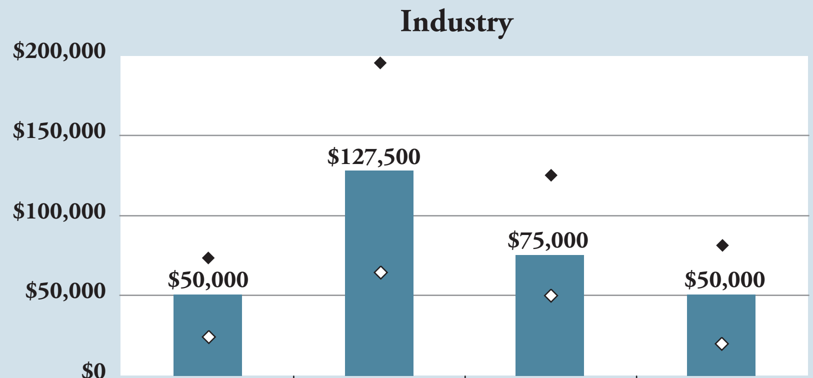
There are a total 142 lead directors reported in our sample (59% of total companies). The table below shows the majority of companies have a lead independent director when there is an executive chairman. If the non-executive chairman has never served as CEO of the company, there is usually no need for a lead director. One exception is where the chairman is a majority shareholder and therefore not considered to be an independent director of the company.



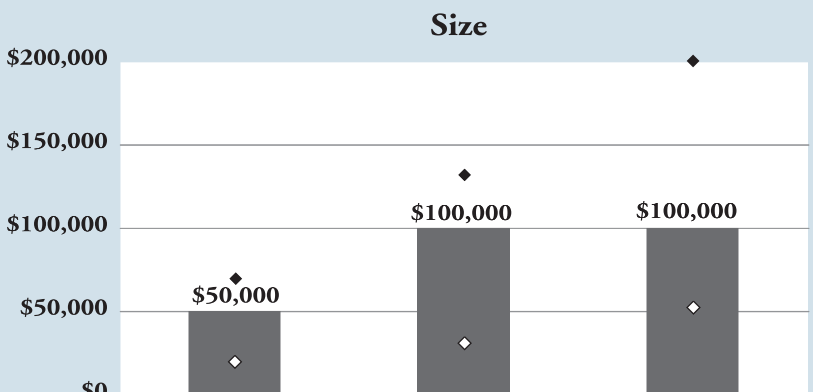
Chairman of the Board Retainer

Compensation for the chairman of the board, paid in addition to regular board member service, can be in the form of cash or equity. Interestingly, companies in the industrial sector provide the highest additional retainer for board chair service, followed by retail, financial services and technology companies. When segmented by size, mid- and large- cap companies provide the highest retainer at the median, with the additional retainer at small-cap companies being half that amount.

The wide range between the 25th and 75th percentiles among industrial companies and large-cap companies indicates the variation in the chairman role at different companies, likely related to leadership structure and time commitment.



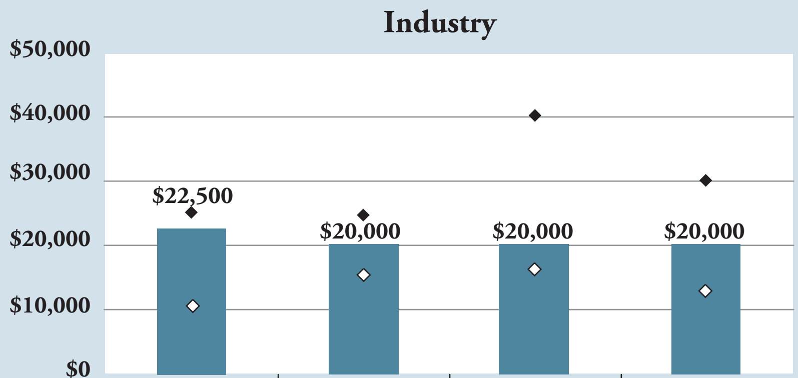
	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$73,500	$195,000	$125,000	$81,250
■ Median	$50,000	$127,500	$75,000	$50,000
◇ 25th Percentile	$24,000	$64,228	$50,000	$20,000



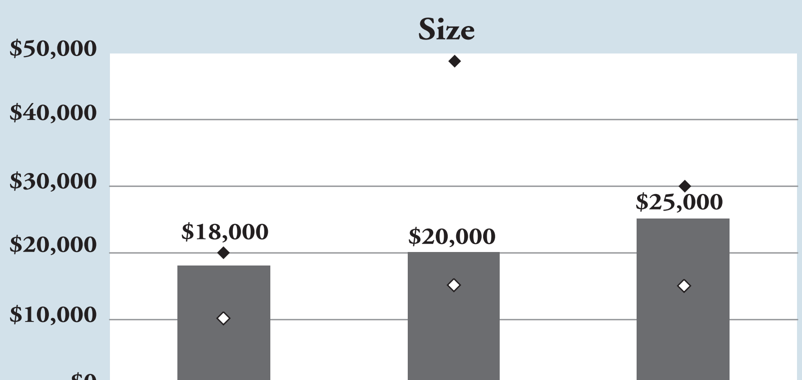
	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$69,433	$132,500	$200,000
■ Median	$50,000	$100,000	$100,000
◇ 25th Percentile	$20,000	$31,250	$52,500

Lead Director Retainer

Of the 142 lead directors reported in our entire sample, 92 (65%) received additional compensation for their service. The tables below show there is far less variation in lead director compensation across industries and size in comparison to chairman of the board retainers. There is significant variation between the median and the 75th percentile retainer among mid-cap companies due to several companies providing additional equity awards for lead director service, but the median retainer in general is $20,000, and slightly higher for large-cap companies ($25,000).



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$25,000	$25,000	$40,000	$30,000
■ Median	$22,500	$20,000	$20,000	$20,000
◇ 25th Percentile	$10,500	$15,250	$16,250	$13,125



	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$20,000	$48,810	$30,000
■ Median	$18,000	$20,000	$25,000
◇ 25th Percentile	$10,000	$15,000	$15,000

Most companies provide additional compensation to committee chairs to recognize the time required to lead the committee. Some boards have questioned whether compensation chair retainers will become equal to audit committee chairs as scrutiny over executive compensation intensifies and responsibility levels increase. While 90% of the companies in our research provide compensation to both audit and compensation committee chairs, only 20% of those companies pay their audit and committee chairs at equal levels. Given that Dodd-Frank executive compensation regulatory requirements are still relatively new, this trend may increase over the next few years.

The table below shows the prevalence and median levels of retainers and meeting fees paid to directors who chair the audit, compensation, or nominating and governance committees. Meeting fees paid to committee chairs range from $1,250 to $1,500, and usually are not higher than meeting fees paid to committee members. The amounts shown are in addition to compensation for board service.

Additional Compensation for Committee Chair (Median)

	Retainers			Meeting Fees		
	Audit	Compensation	Nominating & Governance	Audit	Compensation	Nominating & Governance
Prevalence *(All Companies)*	93%	90%	88%	47%	47%	46%
Industry						
Financial Services	$15,000	$10,000	$10,000	$1,500	$1,250	$1,250
Industrial	$15,000	$10,000	$7,500	$1,500	$1,500	$1,500
Retail	$20,000	$15,000	$10,000	$1,500	$1,500	$1,500
Technology	$20,000	$15,000	$10,000	$1,500	$1,250	$1,500
Size						
Small Cap	$15,000	$10,000	$7,500	$1,500	$1,250	$1,500
Mid Cap	$17,500	$12,500	$10,000	$1,500	$1,500	$1,500
Large Cap	$20,000	$15,000	$10,000	$1,500	$1,500	$1,500

Overall, directors who serve as chairpersons of the audit committee receive the highest retainer, followed by the compensation committee and the nominating and governance committee.

Retail and technology companies provide relatively higher retainers ($10,000 to $20,000) when compared to the financial services and industrial sectors ($7,500 to $15,000).

Compensation for committee chairmanship also varies by company size. Large-cap companies provide committee chair retainers ranging from $10,000 to $20,000 at the median, followed by mid-cap companies ($10,000 to $17,500), and small-cap companies ($7,500 to $15,000).

Directors may receive additional compensation for serving on a board committee. The audit committee is commonly perceived to have the most responsibility and risk exposure, but this trend may change as the remaining rules of the Dodd-Frank Act are implemented. The heightened scrutiny over executive compensation has increased the time commitment and risk assumed by members of the compensation committee.

The table below shows the prevalence and median levels of retainers and meeting fees paid to directors who serve on the audit, compensation, or nominating and governance committees. The amounts shown are in addition to compensation for board service.

Prevalence of Retainers and Meeting Fees for Committee Service

	Retainers			Meeting Fees		
	Audit	**Compensation**	**Nominating & Governance**	**Audit**	**Compensation**	**Nominating & Governance**
Prevalence *(All Companies)*	**38%**	**29%**	**28%**	**47%**	**47%**	**46%**
Industry						
Financial Services	28%	12%	12%	62%	62%	57%
Industrial	30%	20%	20%	50%	50%	48%
Retail	33%	30%	27%	37%	37%	37%
Technology	62%	53%	50%	40%	40%	37%
Size						
Small Cap	35%	31%	30%	35%	31%	30%
Mid Cap	40%	29%	28%	55%	55%	53%
Large Cap	40%	26%	24%	36%	36%	33%
Median Pay Levels *(All Companies)*	**$10,000**	**$7,500**	**$5,000**	**$1,500**	**$1,500**	**$1,500**

Compensation for committee member service is usually delivered in the form of meeting fees. As shown in the table above, almost 50% of companies provide meeting fees to members of all three committees, while only one-third of companies provide retainers (slightly higher for audit committee members). Making similar observations at the industry level, we noticed the technology sector is far more likely to provide retainers for committee service (50% to 62% of the technology companies). On the opposite end of the spectrum, financial services companies are less likely to provide retainers for committee service; instead, nearly 60% of financial services companies prefer the use of meeting fees.

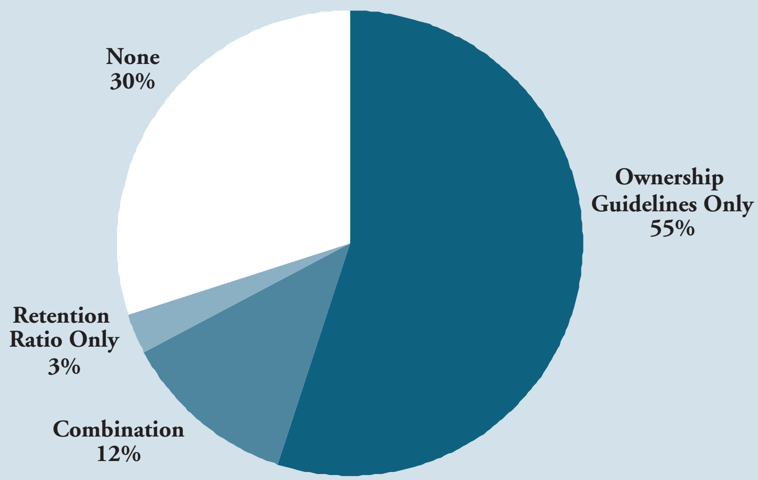
In general, compensation for committee service does not vary significantly by size or industry; when provided, it is most common and usually highest for the audit committee. The median retainer for service on the audit, compensation, and nominating and governance committee is $10,000, $7,500 and $5,000, respectively. Large-cap companies provide a higher retainer for compensation committee service ($10,000 at the median) while small-cap companies provide a lower retainer ($5,000 at the median); no significant pay variation is seen among size and industry segments for service on other committees.

Stock ownership guidelines are commonly used to align director and shareholder interests. The graph below illustrates that the most prevalent approach to establishing director ownership guidelines is to provide a specific level that directors must attain in a certain number of years, usually a fixed multiple of a director's cash board retainer, a fixed dollar value, or a fixed number of shares. Fifty-five percent of the companies have some type of ownership guidelines in place (defined as "ownership guidelines only" in the graph below). Of the companies that do **not** have ownership guidelines, 51% percent are small-cap companies, followed by mid caps (32%), and a small minority of large caps (17%).

A slow but emerging trend is a retention ratio or a holding period in combination with the use of ownership guidelines. Retention ratios express ownership requirements as a percentage of "net shares" acquired, i.e. shares retained by the director through the exercise of options or vesting of full value shares, net of shares used to fulfill tax obligations. Holding periods require directors to hold shares for a time period (e.g. one year) after exercise or vesting of shares. Twelve percent of the companies use this combination approach while 3% have retention ratios only; none of the companies in our sample use holding periods only.

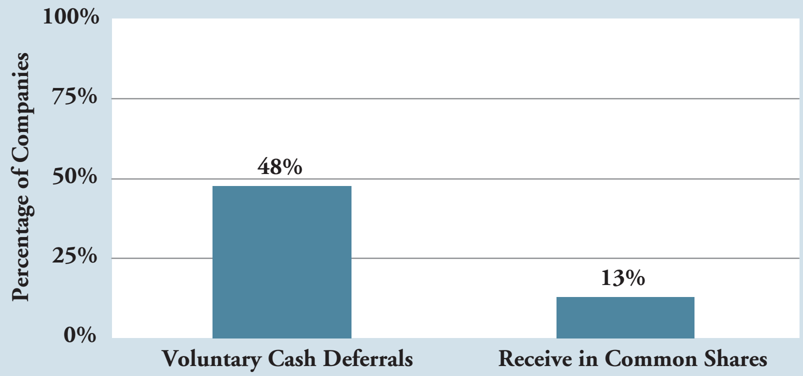
Lastly, this analysis excludes deferred stock units that are not distributable until termination of board service or later, but we note that 17 companies in the research sample have this practice. While the use of deferred stock units are just as effective as formal ownership guidelines in ensuring that directors acquire and hold significant amounts of company stock, we found 14 of those companies also have an ownership guideline in place.

Types of Stock Ownership Guidelines



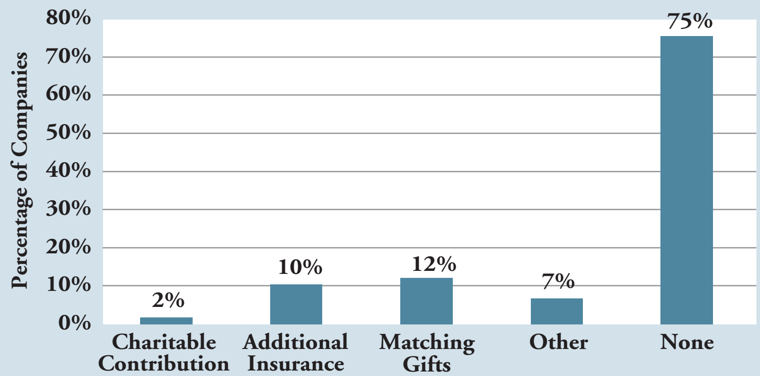
Approximately one-half of the companies allow directors to voluntarily defer cash compensation into alternative investments, e.g. cash investment accounts that reflect investments similar to the company's 401(k) account for its employees, or defer as restricted stock units or company unit accounts that do not pay out until a director's retirement from the board. Election to receive common shares in lieu of cash compensation is less common.

Prevalence of Cash Deferral Alternatives



In general, providing benefits and perquisites for directors is not considered a best practice, and as depicted below is not prevalent. Of companies that do, common benefits and perquisites include matching gift programs, additional health, disability and life insurance programs, and charitable bequests. “Other” perquisites include discounted or free company products and financial planning services. Matching gifts and additional insurance coverage is typically offered to directors of large-cap companies in the financial services or industrial sectors. Programs that have been discontinued for new directors but are still provided to existing directors are excluded.

Prevalence of Benefits and Perquisites



SMALL CAP

Financial Services

CASCADE BANCORP
CITIZENS REPUBLIC BANCORP
DIME COMMUNITY BANCSHARES
DUFF & PHELPS
FBL FINANCIAL GROUP
FIRST ACCEPTANCE
FIRST DEFIANCE FINANCIAL
GAMCO INVESTORS
GUARANTY BANCORP
HARRIS & HARRIS GROUP
INTERNET CAPITAL GROUP
KBW
OCEANFIRST FINANCIAL
PIPER JAFFRAY
PRESIDENTIAL LIFE
SUN BANCORP INC
TOMPKINS FINANCIAL
UNITED FIRE & CASUALTY
WASHINGTON BANKING
WILMINGTON TRUST

Retail

A.C. MOORE ARTS & CRAFTS
BARNES & NOBLE
BEBE STORES
BON TON STORES
BROWN SHOE CO
BUILD A BEAR WORKSHOP
CACHE
COLDWATER CREEK
COST PLUS
DRUGSTORE.COM
DSW
GENESCO
JOHNSON OUTDOORS
KIRKLAND'S
MIDAS
OFFICEMAX
OVERSTOCK.COM
PACIFIC SUNWEAR OF CALIFORNIA
TALBOTS
ZALE

Industrial

ALAMO GROUP
ARKANSAS BEST
CBIZ
CENVEO
COLFAX
ENPRO INDUSTRIES
FUELCELL ENERGY
GRIFFON
INTERLINE BRANDS
KELLY SERVICES
KORN FERRY INTERNATIONAL
PACER INTERNATIONAL
PLUG POWER
RESOURCES CONNECTION
SAIA
SKYWEST
STANDARD PARKING
SYPRIS SOLUTIONS
TENNANT
WABASH NATIONAL

Technology

ACCELRYS
APPLIED MICRO CIRCUITS
AXCELIS TECHNOLOGIES
COMSCORE
CSG SYSTEMS INTERNATIONAL
CTS
EARTHLINK
EMCORE
FALCONSTOR SOFTWARE
MAXWELL TECHNOLOGIES
OPENWAVE SYSTEMS
PLX TECHNOLOGY
POWER ONE
QUANTUM
RIMAGE
SIGMA DESIGNS
STAMPS.COM
TEKELEC
TNS
UNITED ONLINE

MID CAP

Financial Services

APARTMENT INVESTMENT & MANAGEMENT
ASSURANT
BROWN & BROWN
CNA SURETY
CNO FINANCIAL GROUP
DUKE REALTY
E TRADE FINANCIAL
FIRSTMERIT
HANCOCK HOLDING
HEALTHCARE REALTY TRUST
JEFFERIES GROUP
LASALLE HOTEL PROPERTIES
MACK CALI REALTY
SOVRAN SELF STORAGE
STANCORP FINANCIAL GROUP
TANGER FACTORY OUTLET CENTERS
TCF FINANCIAL
VALLEY NATIONAL BANCORP
WHITNEY HOLDING
ZIONS BANCORP

Retail

AEROPOSTALE
ANN
BIG LOTS
CHILDRENS PLACE RETAIL STORES
DICKS SPORTING GOODS
DILLARDS
EXPRESS
FINISH LINE
FOOT LOCKER
GAMESTOP
GENERAL NUTRITION CENTERS
GUESS
JOS A BANK CLOTHIERS
OFFICE DEPOT
PETSMART
PIER 1 IMPORTS
RADIOSHACK
SAKS
TRACTOR SUPPLY
WILLIAMS SONOMA

Industrial

ATLAS AIR WORLDWIDE HOLDINGS
AVERY DENNISON
BRIGGS & STRATTON
CERADYNE
CINTAS
CON-WAY
GENESEE & WYOMING
GRAFTECH INTERNATIONAL
HALF ROBERT INTERNATIONAL
HUB GROUP
OWENS CORNING
PENTAIR
QUANTA SERVICES
REGAL BELOIT
RR DONNELLEY & SONS
RYDER SYSTEM
SPX
UNITED RENTALS
URS
WASTE CONNECTIONS

Technology

CADENCE DESIGN SYSTEMS
COGNEX
CREE
DIGITAL RIVER
FAIRCHILD SEMICONDUCTOR INTL
INGRAM MICRO
INTEGRATED DEVICE TECHNOLOGY
JABIL CIRCUIT
JDS UNIPHASE
LEXMARK INTERNATIONAL
LSI
MAXIMUS
MENTOR GRAPHICS
MOLEX
NCR
SONUS NETWORKS
STRATASYS
TIBCO SOFTWARE
TTM TECHNOLOGIES
WEBSENSE

LARGE CAP

Financial Services

AMB PROPERTY
BB&T
CAPITAL ONE FINANCIAL
CINCINNATI FINANCIAL
COMERICA
GOLDMAN SACHS GROUP
HARTFORD FINANCIAL SERVICES GROUP
LEGG MASON
LINCOLN NATIONAL
M&T BANK
METLIFE
MORGAN STANLEY
PRICE T ROWE GROUP
PRINCIPAL FINANCIAL GROUP
PROLOGIS
TD AMERITRADE HOLDING
TRAVELERS COMPANIES
US BANCORP
VORNADO REALTY TRUST
WELLS FARGO

Retail

ABERCROMBIE & FITCH
AMAZON.COM
AUTOZONE
BED BATH & BEYOND
BEST BUY
GAP
HOME DEPOT
J C PENNEY
KOHLS
LIMITED BRANDS
LOWES COMPANIES
MACY'S
NETFLIX
NORDSTROM
PRICELINE.COM
ROSS STORES
STAPLES INC
TARGET
TIFFANY & CO
TJX COMPANIES

Industrial

3M CO
CATERPILLAR
CUMMINS
DEERE & CO
EXPEDITORS INTL OF WASHINGTON
FLUOR
GENERAL DYNAMICS
GENERAL ELECTRIC
GOODRICH
IRON MOUNTAIN
JACOBS ENGINEERING GROUP
JOY GLOBAL
METTLER TOLEDO INTERNATIONAL
NORTHROP GRUMMAN
ROCKWELL COLLINS
SHERWIN WILLIAMS
TIMKEN
UNION PACIFIC
WALTER ENERGY
WASTE MANAGEMENT

Technology

ADOBE SYSTEMS
ALTERA
ANALOG DEVICES
APPLIED MATERIALS
BROADCOM
CITRIX SYSTEMS
COGNIZANT TECHNOLOGY SOLUTIONS
COMPUTER SCIENCES
F5 NETWORKS
HARRIS
INFORMATICA
INTEL
JUNIPER NETWORKS
KLA TENCOR
LAM RESEARCH
MICRON TECHNOLOGY
NETAPP
ORACLE
TRIMBLE NAVIGATION
XILINX

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 2,500 corporations, in a wide variety of industries from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, and Tarrytown. 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

Chicago
190 South LaSalle Street
Suite 2120
Chicago, IL 60603
312-332-0910

Los Angeles
2121 Avenue of the Stars
Suite 2500
Los Angeles, CA 90067
310-277-5070

San Francisco
135 Main Street
Suite 1750
San Francisco, CA 94105
415-659-0201

Atlanta
One Securities Centre
3490 Piedmont Road NE, Suite 550
Atlanta, GA 30305
404-439-1001

Tarrytown
303 South Broadway
Suite 108
Tarrytown, NY 10591
914-460-1100

Web Site: www.fwcook.com

This report was authored by Elaine Yim in our San Francisco office, with research assistance from other Frederic W. Cook & Co. consultants. Questions and comments should be directed to Ms. Yim at **eyim@fwcook.com** or **415-659-0208**.