2012 Director Compensation Report

Non-Employee Director Compensation Across Industries and Size

OCTOBER 2012

FREDERIC W. COOK & CO., INC.

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I. EXECUTIVE SUMMARY

In recent years, we have observed less variability in director compensation, with similarly-sized companies paying in a tighter range. A primary reason is the heightened competition for qualified directors, combined with the increased time commitment to serve on a board. In addition, most companies now review their programs annually and make more frequent and smaller increases to director compensation, instead of larger periodic adjustments that draw scrutiny if out of sync with company performance.

The structure of this year's report is similar to last year's and focuses on director compensation across different industry sectors and company size groupings. Our research covers 240 publicly traded companies in the financial services, industrial, retail, and technology sectors, divided into three size categories based on market capitalization.

Similar to last year, we observe that director compensation levels vary primarily based on company size, while the structure of compensation is influenced by both company size and industry. Amounts are increasing slightly in the aftermath of the Dodd–Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which again increased the time commitment for regulatory, compliance, and governance-related activities. 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 a more rapid pace over the next several years.

Key findings from the 2012 Board of Directors Compensation Report include:

Compensation Levels

- Compensation levels are largely dependent on company size, while the relationship between pay levels and industry is less apparent. As stated earlier, there is less variability in compensation levels for similarly-sized companies.
- 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)	$359	$2,462	$15,050
Total Compensation	$118,000	$178,000	$229,000
Year-Over-Year Increase	1%	5%	2%

- Of the four industries reviewed, technology companies have the highest median total compensation level, followed by industrial and retail, with financial services the lowest.

Cash/Equity Mix

- The financial services sector pays the highest portion of total compensation for board service in cash (56% of total compensation), while technology companies pay the lowest portion in cash (34% of total compensation).

Equity Compensation

- For all size and industry segments, the most prevalent form of equity compensation is full-value stock awards (or stock units), determined as a fixed-dollar value.
- Equity compensation continues to shift toward full-value stock awards determined under annual fixed-dollar formulas, and away from options and fixed-share grants. There was approximately a 25% year-over-year decline in the number of companies that utilize stock options as a means of compensation from our prior year study.
- With the exception of technology companies, stock option use is minimal (utilized by less than 15% of financial services, industrial, and retail companies, compared to 34% of technology companies).

Program Structure

- Large cap companies (market capitalization greater than $5 billion) tend to have simpler compensation structures, 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 retainers for leadership of the audit, compensation, and 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 risk and workload assumed by compensation committees continue to increase in response to Dodd-Frank.
- When provided, compensation for committee member service 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-nine percent of all companies have a non-executive chairman (with 87% of such companies providing additional compensation), 44% have a combined CEO and chairman position, and the remaining 17% have a separate executive chairman position.
- In addition, we found that 58% of all companies reported a lead director to chair executive sessions of the independent directors, 72% of which receive additional compensation for this responsibility (up from 65% last year). The median additional retainer paid for lead director service is $15,000 for small cap, $20,000 for mid cap, and $25,000 for large cap companies.

Research Sample

The companies in this report reflect mostly the same random sample of 240 companies in our 2011 report (88% overlap), 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, 2012. 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, 2012, and trailing 12-month revenue for the research sample are shown below:

	MARKET CAPITALIZATION AS OF 4/30/12 ($M)			TRAILING 12-MONTH REVENUE ($M)		
Industry	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Financial Services	$481	$2,520	$9,417	$254	$994	$4,124
Industrial	$614	$2,896	$7,650	$1,252	$3,617	$9,828
Retail	$481	$2,225	$10,897	$1,109	$3,546	$9,356
Technology	$515	$1,973	$8,940	$482	$1,233	$3,692
Size	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Small Cap	$182	$359	$518	$181	$547	$1,052
Mid Cap	$1,687	$2,462	$3,313	$1,061	$2,148	$3,804
Large Cap	$9,019	$15,050	$29,832	$4,542	$9,981	$26,072

II. OVERVIEW AND METHODOLOGY

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, 2012.

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 eight 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, 2012.
- 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	3
Large Cap	11	4	4	4

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

Median Number of Board and Committee Meetings

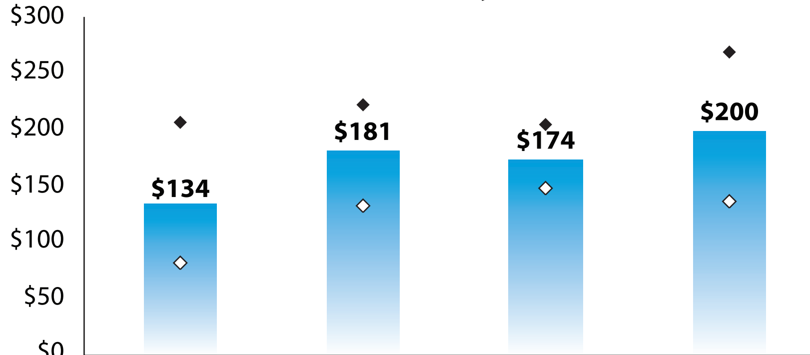
MEDIAN NUMBER OF MEETINGS				
	Board	Audit	Compensation	Nominating & Governance
Small Cap	8	8	6	3
Mid Cap	8	8	6	4
Large Cap	8	9	6	4

As the table above shows, the median number of board meetings does not vary by company size, and there are only slight variations at the committee level.

Total Compensation – Pay Levels

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

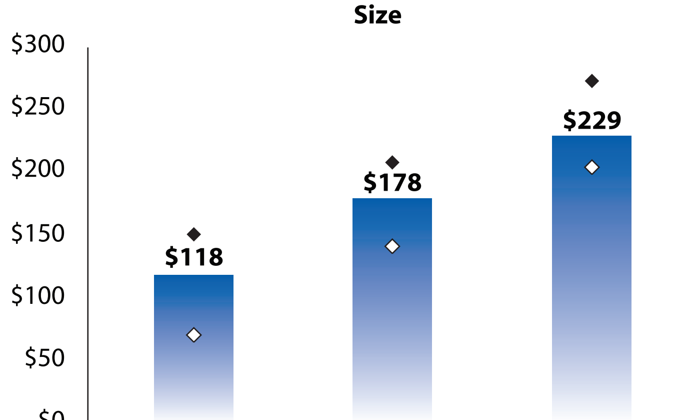
Industry



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$207	$223	$206	$269
■ Median	$134	$181	$174	$200
◇ 25th Percentile	$82	$132	$149	$136

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 in each industry, combined with the fact that most technology companies determine option grants based on number of shares versus target value.

Size

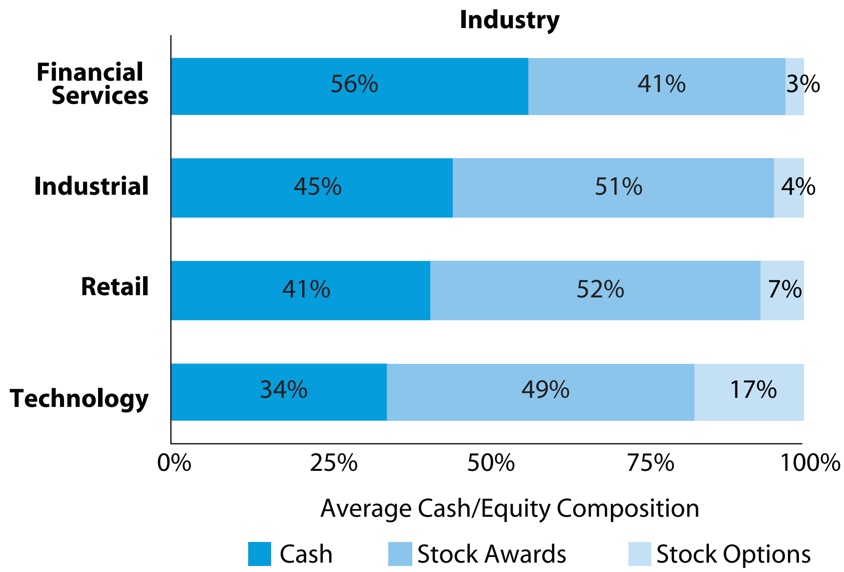


	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$150	$207	$273
■ Median	$118	$178	$229
◇ 25th Percentile	$70	$142	$204

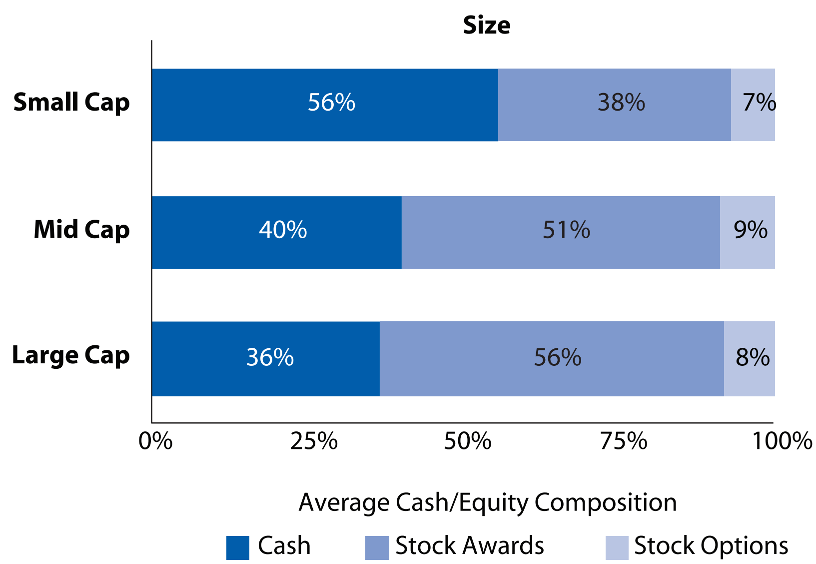
Variation in total board compensation levels is mostly related to the size of the company, as opposed to industry. The median total compensation level received by directors in large cap companies is almost twice as much as small cap companies. We note the range between the 25th and 75th percentile values 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 mix of a director compensation program varies across industry and size.



The financial services sector places the most emphasis on cash (56% of total compensation), while the technology sector provides the least cash at 34% 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, and the difficulty of exercising options for directors during short "window periods". 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.

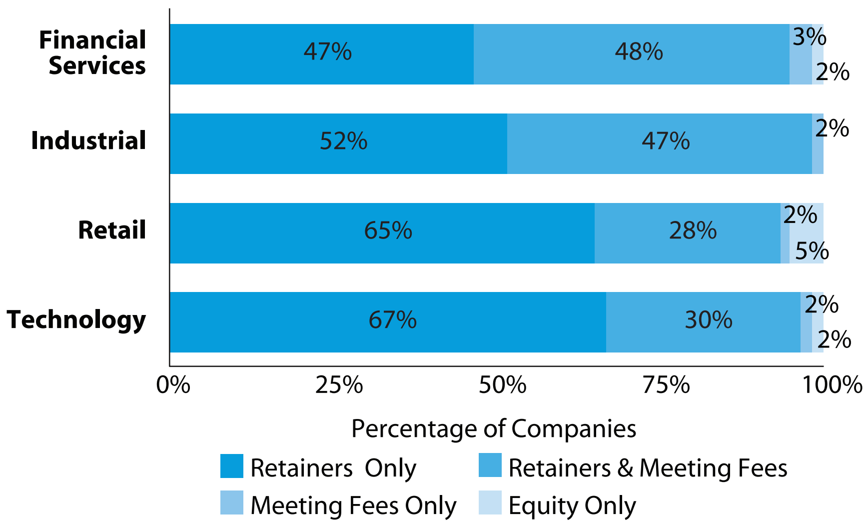


When segmented by size, our findings show that larger companies tend to offer a greater portion of total compensation in the form of equity. Larger companies, under intense scrutiny by the media and shareholders, are more likely to be concerned about alignment with shareholders, and therefore put more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

Cash Compensation Pay Structure

Director service is usually compensated through a fixed annual fee (i.e. retainer), a meeting fee for each board meeting attended, or a combination of both. While meeting fees used to be majority practice, many companies have eliminated board meeting fees and increased their board retainers to recognize meeting attendance as an expected part of board service.

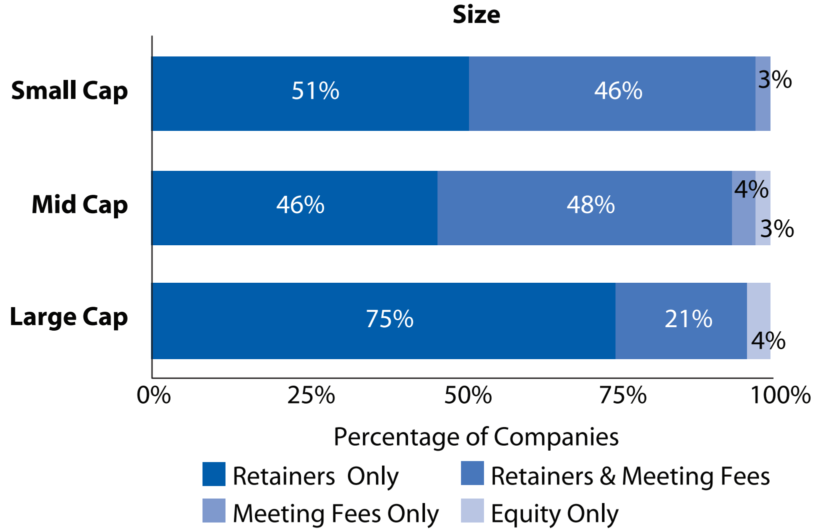
Industry



More than half of the companies in the industrial, retail, and technology sectors do not pay meeting fees. The number of companies utilizing meeting fees across all four industries has decreased an average of 10% compared to last year's study.

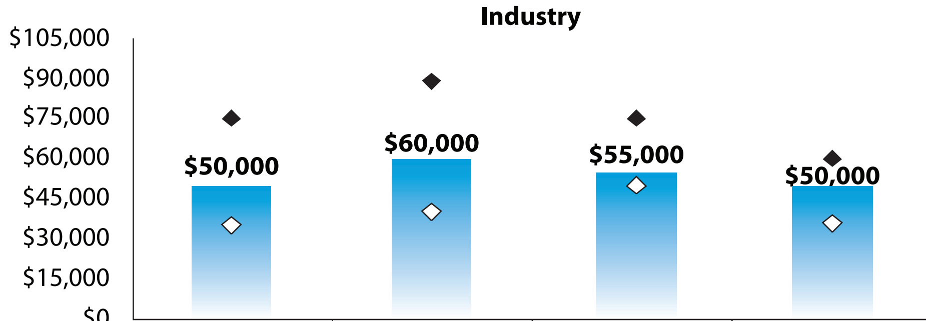
Seventy-five percent of large cap companies, up from 67% in last year's study, use a retainer-only board compensation structure, compared to approximately half of the small and mid cap companies. Many of the small and mid cap companies continue to provide both retainers and meeting fees for board service.

Size



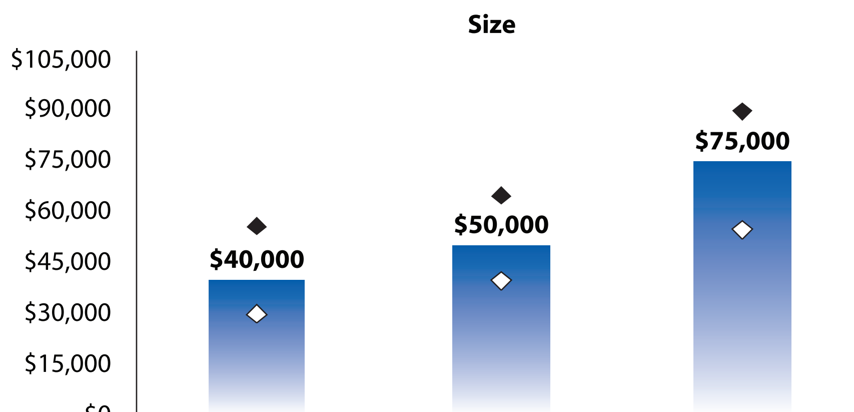
Board Cash Retainers

Our findings show a clear relationship between company size and board retainer levels, but only a slight variation across the four industry sectors. The median retainer across industries is tightly clustered between $50,000 to $60,000, but as seen below, the range between the 25th percentile and median is wider among financial services and industrial companies.



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$75,000	$89,000	$75,000	$60,000
■ Median	$50,000	$60,000	$55,000	$50,000
◇ 25th Percentile	$35,000	$40,000	$50,000	$35,750

Retainers paid to directors of small, mid, and large cap companies are $40,000, $50,000, and $75,000 at the median, respectively. This represents a $5,000 increase for all three segments over last year.



	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$55,875	$65,000	$90,000
■ Median	$40,000	$50,000	$75,000
◇ 25th Percentile	$30,000	$40,000	$55,000

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. Prevalence of meeting fees is far less for large cap companies, as the vast majority have adapted the more simplified approach of providing retainers only. Retail and technology companies pay higher meeting fees than financial services and industrial companies.

INDUSTRY	Prevalence	25th Percentile	Median	75th Percentile
Financial Services	52%	$1,100	$1,500	$2,000
Industrial	48%	$1,500	$1,500	$2,000
Retail	30%	$1,500	$2,000	$2,875
Technology	32%	$2,000	$2,000	$2,500

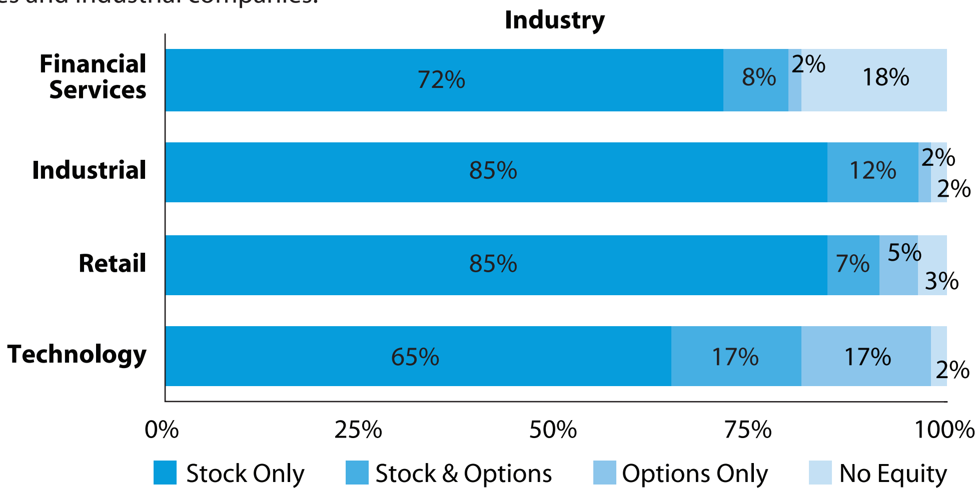
SIZE	Prevalence	25th Percentile	Median	75th Percentile
Small Cap	49%	$1,375	$1,500	$2,000
Mid Cap	51%	$1,500	$2,000	$2,500
Large Cap	21%	$1,500	$2,000	$2,500

VI. EQUITY AWARD TYPE

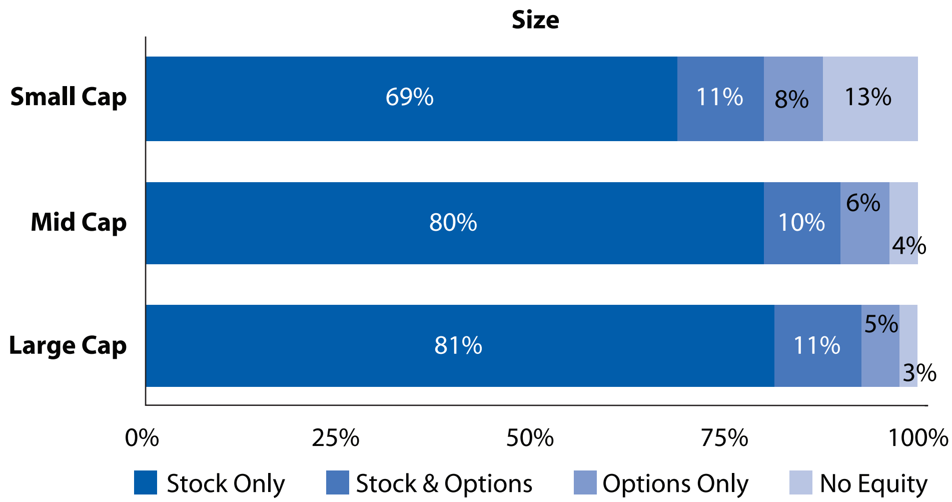
The most prevalent equity program for board service consists of only full-value stock awards, because stock or stock units are commonly viewed as providing stronger alignment with long-term shareholder interests than stock options.

Trends in equity award type are easiest to identify among industry sectors. Industrial and retail sectors continue to be the heaviest users of stock awards, with 85% of the companies using stock awards as the sole form of equity compensation. This is an increase from 78% and 79%, respectively, in the prior year's study.

Seventeen percent of technology companies use a combination of stock awards and stock options; only 7% to 12% of the companies in the remaining sectors use this approach. Seventeen percent of technology companies and 5% of retail companies provide stock options as their only equity award, but this practice is nearly nonexistent among financial services and industrial companies.



The graph below illustrates that providing stock awards only is the most prevalent equity award practice across all size segments, albeit slightly less prevalent among small cap companies (69% of the sample versus 80% of mid cap and large cap companies). Finally, nearly a quarter of small cap companies continue to provide stock options only or no equity at all.



VII. EQUITY AWARD DENOMINATION

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 in compensation.

The use of a fixed-dollar value for stock awards is clearly the most prevalent practice regardless of industry or size segments; practice varies between fixed-share and fixed-value 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, while stock option denomination practices vary greatly across the four industries.

INDUSTRY: PERCENTAGE OF COMPANIES

	Options		Stock Awards	
	Number of Shares	Dollar Value	Number of Shares	Dollar Value
Financial Services	50%	50%	20%	80%
Industrial	25%	75%	15%	85%
Retail	29%	71%	20%	80%
Technology	80%	20%	27%	73%

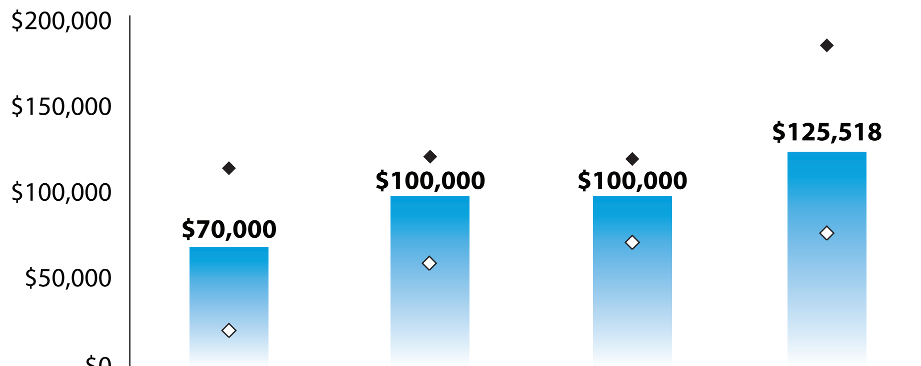
SIZE: PERCENTAGE OF COMPANIES

	Options		Stock Awards	
	Number of Shares	Dollar Value	Number of Shares	Dollar Value
Small Cap	60%	40%	28%	72%
Mid Cap	62%	38%	21%	79%
Large Cap	46%	54%	13%	87%

VIII. EQUITY COMPENSATION VALUES

Equity compensation ranges from approximately $100,000 to $125,000 for industrial, retail, and technology companies at the median; the median value is much lower for financial services at $70,000. The range of equity values between the 25th and 75th percentile is wider for the technology sector in comparison to other industries. This is likely due to the use of stock options as an equity vehicle, which is more heavily influenced by stock price volatility.

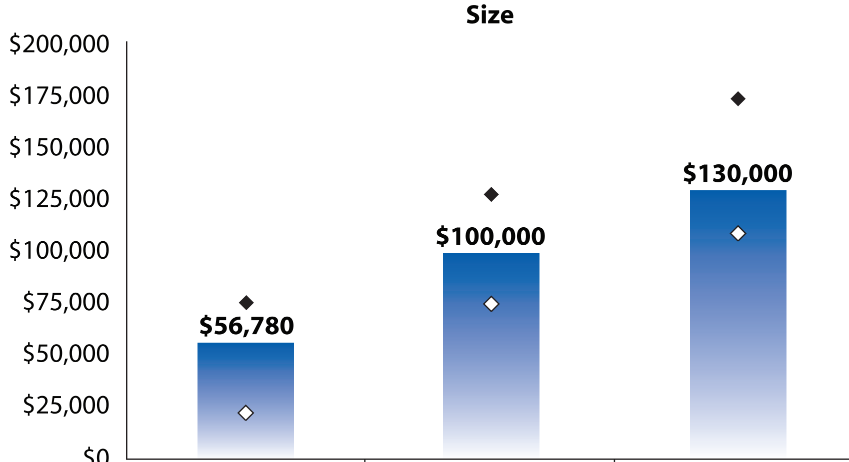
Industry



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$116,500	$122,750	$121,250	$187,567
■ Median	$70,000	$100,000	$100,000	$125,518
◇ 25th Percentile	$22,110	$60,525	$73,750	$78,750

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 $57,000, 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.

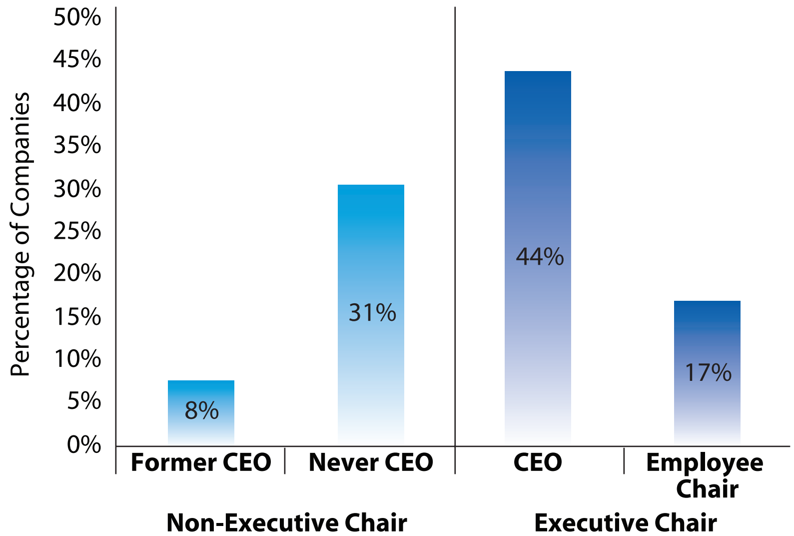
Size



	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$76,250	$128,470	$175,045
■ Median	$56,780	$100,000	$130,000
◇ 25th Percentile	$23,264	$75,750	$110,000

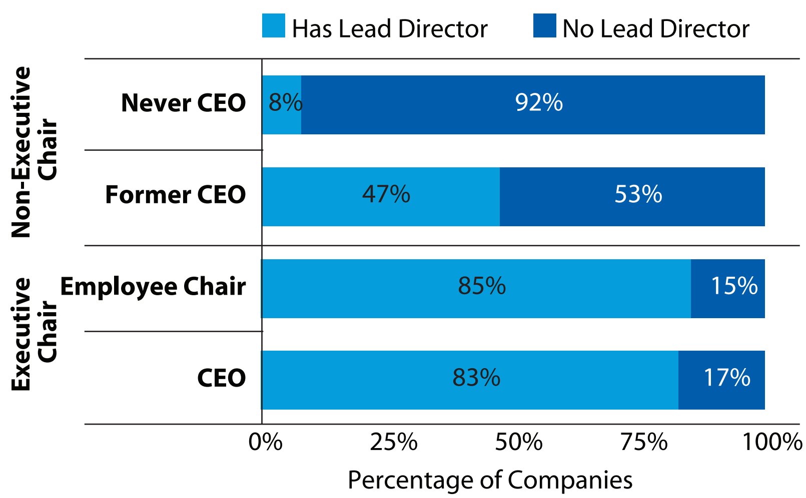
Prevalence of Various Chairman Structures

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 the CEO also serve as board chair, but this practice still does not represent the majority (44% of all companies in research sample). Thirty-one percent of companies have a non-executive chairman who has never served as CEO of the company; this is followed by 17% 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 (8% of total companies).



Prevalence of Lead Directors

There are 138 lead directors reported in our sample (58% 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 typically no lead director. One exception is where the chairman is a majority shareholder and therefore not considered to be an independent director of the company.

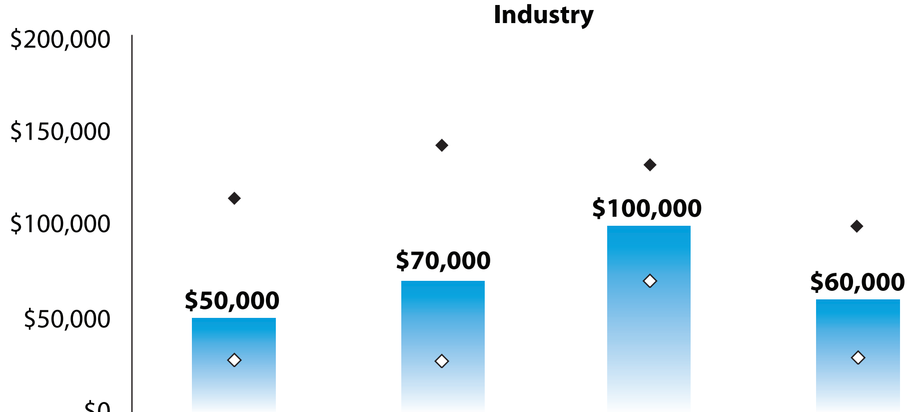


Chairman of the Board Retainer

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 retail sector provide the highest additional retainer for board chair service, followed by industrial, technology, and financial services 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 less than half that amount.

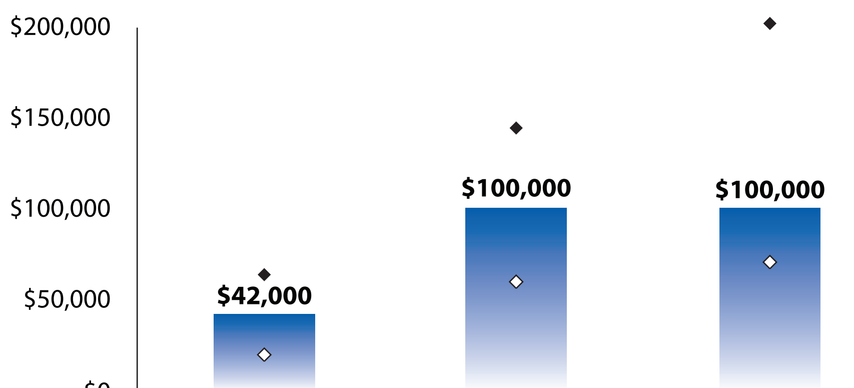
The wide range between the 25th and 75th percentiles among industrial companies and large cap companies indicates the variation in the chairman role at different companies, likely related to leadership structure and time commitment.

Industry



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$114,375	$142,500	$132,500	$100,000
■ Median	$50,000	$70,000	$100,000	$60,000
◇ 25th Percentile	$28,750	$28,750	$71,250	$30,000

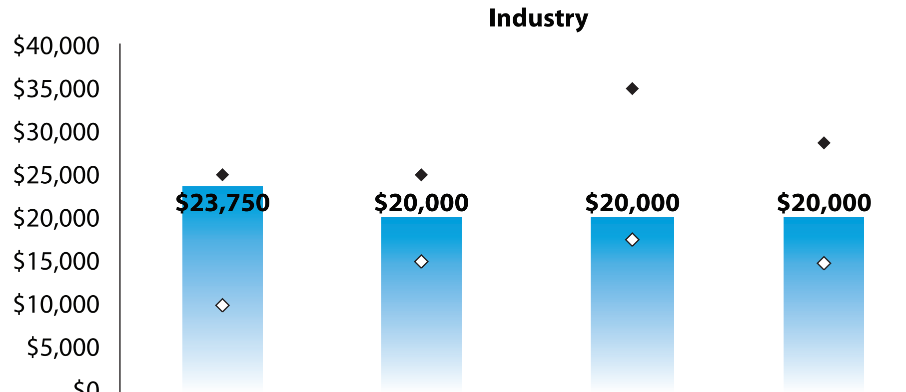
Size



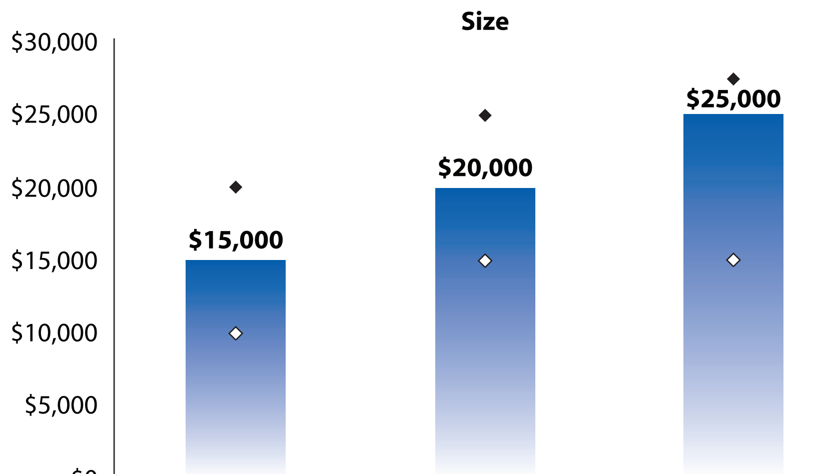
	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$63,500	$143,750	$201,138
■ Median	$42,000	$100,000	$100,000
◇ 25th Percentile	$20,000	$60,000	$71,250

Lead Director Retainer

Of the 138 lead directors in our study, 99 (72%) 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. The median retainer is $20,000 for all industries, with the exception of financial services companies where the median is almost 20% higher ($23,750). Finally, we note a gradual increase in median lead director retainer as we move up the size segments from small cap to large cap companies.



	Financial Services	Industrial	Retail	Technology
◆ 75th Percentile	$25,000	$25,000	$35,000	$28,750
■ Median	$23,750	$20,000	$20,000	$20,000
◇ 25th Percentile	$10,000	$15,000	$17,500	$15,000



	Small Cap	Mid Cap	Large Cap
◆ 75th Percentile	$20,000	$25,000	$27,500
■ Median	$15,000	$20,000	$25,000
◇ 25th Percentile	$10,000	$15,000	$15,000

X. COMMITTEE CHAIR COMPENSATION

Most companies provide additional compensation to committee chairs to recognize the time required to lead the committee. Some boards have questioned whether compensation committee chair retainers will become equal to audit committee chairs as scrutiny of executive compensation intensifies and responsibility levels increase. While over 90% of the companies in our research provide compensation to both audit and compensation committee chairs, 23% of those companies pay their audit and committee chairs the same, compared to 20% in our study last year. 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 are usually consistent with 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)*	**94%**	**92%**	**88%**	**42%**	**42%**	**40%**
Industry						
Financial Services	$15,000	$10,000	$10,000	$1,250	$1,250	$1,250
Industrial	$15,000	$10,000	$9,500	$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	$1,500	$1,500
Size						
Small Cap	$15,000	$10,000	$7,500	$1,500	$1,500	$1,500
Mid Cap	$20,000	$14,000	$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 ($10,000 to $15,000).

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

XI. COMMITTEE MEMBER COMPENSATION

Directors may receive additional compensation for serving on a board committee. The audit committee is commonly perceived to have the most responsibility and personal risk exposure; however, the heightened scrutiny over executive compensation has increased the time commitment and the personal 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)*	**40%**	**30%**	**30%**	**42%**	**42%**	**41%**
Industry						
Financial Services	28%	15%	15%	58%	58%	53%
Industrial	32%	20%	20%	47%	47%	45%
Retail	33%	30%	27%	30%	30%	30%
Technology	65%	57%	53%	33%	33%	30%
Size						
Small Cap	33%	29%	28%	33%	29%	28%
Mid Cap	48%	35%	34%	48%	48%	45%
Large Cap	39%	28%	25%	31%	31%	28%
Median Pay Levels *(All Companies)*	**$10,000**	**$8,000**	**$6,000**	**$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, over 40% 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). However, it is important to note that (when compared to our study in 2011) the prevalence of meeting fees has decreased, and the prevalence of retainers has increased across the board. Making similar observations at the industry level, we note that the technology sector is far more likely to provide retainers for committee service (53% to 65% 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 use 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, $8,000 and $6,000, respectively.

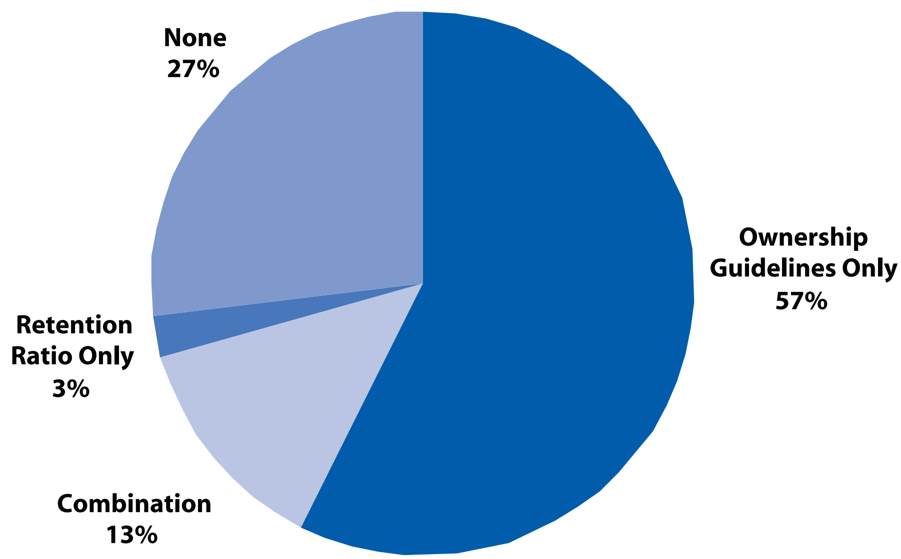
XII. STOCK OWNERSHIP GUIDELINES

Stock ownership guidelines are commonly used to align director and shareholder interests. The graph below illustrates that the most prevalent approach 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-seven percent of the companies in our study 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, 60% percent are small cap companies, followed by mid caps (22%), and large caps (18%).

A slow but emerging trend is a retention ratio or a holding period used in combination with 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. Thirteen percent of the companies use this combination approach, while 3% have retention ratios only. Finally, we note that 73% of the companies have stock ownership guidelines and/or retention requirements in place.

This analysis excludes deferred stock units that are distributed at termination of board service or later, but we note that 18 companies in our study have this practice. While the use of deferred stock units until the end of board service eliminates the need for formal ownership guidelines, we found eight of those companies also have ownership guidelines in place.

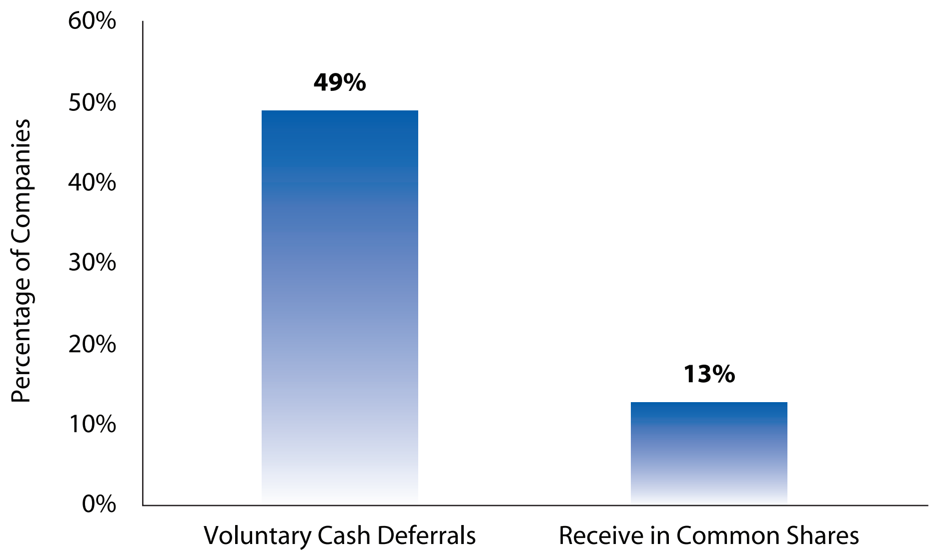
Types of Stock Ownership Guidelines



XIII. VOLUNTARY COMPENSATION DEFERRALS

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 to defer as company stock units 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.

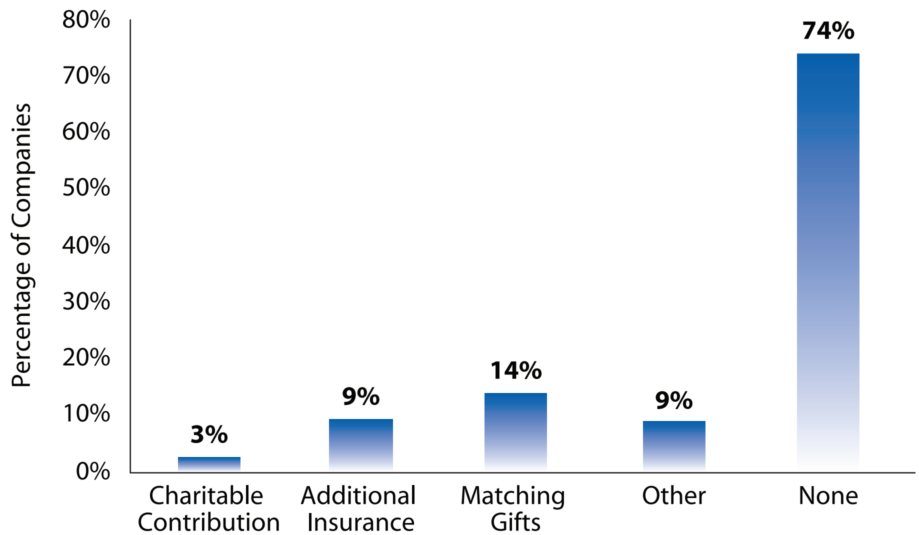
Prevalence of Cash Deferral Alternatives



XIV. BENEFITS AND PERQUISITES

In general, providing benefits and perquisites for directors is not considered "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



XV. RESEARCH COMPANY LIST

SMALL CAP

Financial Services

CASCADE BANCORP
CITIZENS REPUBLIC BANCORP
COWEN GROUP
DIME COMMUNITY BANCSHARES
DUFF & PHELPS
FBL FINANCIAL GROUP
FIRST ACCEPTANCE
FIRST DEFIANCE FINANCIAL
GUARANTY BANCORP
HARRIS & HARRIS GROUP
ICG GROUP
KBW
OCEANFIRST FINANCIAL
PIPER JAFFRAY
PRESIDENTIAL LIFE
SUN BANCORP
TOMPKINS FINANCIAL
UNITED FIRE GROUP
WASHINGTON BANKING
WILSHIRE BANCORP

Industrial

ALAMO GROUP
ARKANSAS BEST
CBIZ
CENVEO
CERADYNE
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

Retail

1-800-FLOWERS.COM
AMERICAN GREETINGS
BEBE STORES
BON TON STORES
BROWN SHOE CO
BUILD A BEAR WORKSHOP
CACHE
COLDWATER CREEK
COST PLUS
JAKKS PACIFIC
JOHNSON OUTDOORS
KIRKLAND'S
MIDAS
OFFICE DEPOT
OFFICEMAX
OVERSTOCK.COM
PACIFIC SUNWEAR OF CALIFORNIA
RADIOSHACK
TALBOTS
ZALE

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
TELETECH HOLDINGS
TNS
UNITED ONLINE

MID CAP

Financial Services

APARTMENT INVESTMENT & MANAGEMENT
ASSURANT
BROWN & BROWN
CATHAY GENERAL BANCORP
CNO FINANCIAL GROUP
DUKE REALTY
E TRADE FINANCIAL
FIRSTMERIT
GAMCO INVESTORS
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
WEBSTER FINANCIAL
ZIONS BANCORPORATION

Retail

ABERCROMBIE & FITCH
AEROPOSTALE
ANN
BANK JOS A CLOTHIERS
BIG LOTS
BRUNSWICK
CHILDRENS PLACE RETAIL STORES
DILLARDS
EXPRESS
FINISH LINE
FOOT LOCKER
GAMESTOP
GENTEX
GUESS
MADDEN STEVEN
NETFLIX
PIER 1 IMPORTS
RENT-A-CENTER
SAKS
WILLIAMS SONOMA

Industrial

ATLAS AIR WORLDWIDE HOLDINGS
AVERY DENNISON
BARNES GROUP
BELDEN
COLFAX
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
DST SYSTEMS
FAIRCHILD SEMICONDUCTOR INTERNATIONAL
INGRAM MICRO
ITRON
JABIL CIRCUIT
JDS UNIPHASE
LEXMARK INTERNATIONAL
LSI
MAXIMUS
MENTOR GRAPHICS
MOLEX
NCR
REALPAGE
SAPIENT
STRATASYS
TAKE-TWO INTERACTIVE
WEBMD

XV. RESEARCH COMPANY LIST

LARGE CAP

Financial Services

ALLSTATE
BB&T
CAPITAL ONE FINANCIAL
CINCINNATI FINANCIAL
COMERICA
GOLDMAN SACHS GROUP
HARTFORD FINANCIAL SERVICES GROUP
INVESCO
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

Industrial

3M
CATERPILLAR
CUMMINS
DEERE & CO
EXPEDITORS INTERNATIONAL OF WASHINGTON
FLUOR
GENERAL DYNAMICS
GENERAL ELECTRIC
GOODRICH
IRON MOUNTAIN
JACOBS ENGINEERING
JOY GLOBAL
LOCKHEED MARTIN
NORTHROP GRUMMAN
ROCKWELL COLLINS
TEXTRON
TIMKEN
UNION PACIFIC
UNITED PARCEL SERVICE
WASTE MANAGEMENT

Retail

ADVANCE AUTO PARTS
AMAZON.COM
AUTOZONE
BED BATH & BEYOND
BEST BUY
DICKS SPORTING GOODS
GAP
HOME DEPOT
J C PENNEY
KOHLS
LIMITED BRANDS
LOWES COMPANIES
MACY'S
MATTEL
NORDSTROM
PRICELINE.COM
ROSS STORES
STAPLES
TARGET
TJX COMPANIES

Technology

ADOBE SYSTEMS
ALTERA
ANALOG DEVICES
APPLIED MATERIALS
BROADCOM
CA
CITRIX SYSTEMS
COGNIZANT TECHNOLOGY SOLUTIONS
EQUINIX
F5 NETWORKS
HARRIS
INTEL
JUNIPER NETWORKS
KLA TENCOR
MICRON TECHNOLOGY
NETAPP
ORACLE
RED HAT
TRIMBLE NAVIGATION
XILINX

XVI. 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 2,700 corporations, in a wide variety of industries from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, Houston, 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' Compensation
- Incentive Grants and Guidelines
- Long-Term Incentive Design
- Ownership Programs
- Performance Measurement
- Recruitment/Retention Incentives
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- Shareholder Voting Matters
- Specific Plan Reviews
- Strategic Incentives
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