THE 2002 TOP 250

Long-Term and Stock-Based Grant Practices for Executives and Directors

FREDERIC W. COOK & CO., INC.

INTRODUCTION

OVERVIEW

This report presents information on long-term incentive and stock-based grant types currently in use for executives and non-employee directors of the 250 largest U.S.-based companies in the Standard & Poor's 500 Index. Selection of these companies was based on their total market capitalization, i.e., share price multiplied by total common shares outstanding. The information in this report is presented both in summary form and on a company-by-company basis.

BACKGROUND

Since 1973, **Frederic W. Cook & Co.** has published an annual report on long-term incentive grant practices for executives of the largest U.S. companies. This 2002 report, our 30th edition, is based on the 250 largest companies as reported in the Special Spring 2002 issue of *Business Week* magazine ("The Top Companies of the S&P 500").

The following topics are covered in this report:

EXECUTIVES:

- Long-term incentive grants
- Stock option variations
- Other grant type variations
- Payment of annual incentives in stock
- Stock ownership guidelines

DIRECTORS:

- Stock-based grants
- Elections to receive stock in lieu of cash
- Stock ownership guidelines

Definitions for each grant type appear in the *Appendix*.

OTHER SURVEY PARAMETERS

The information in this report is based on company proxy statements, annual reports, and 10-K filings. In cases where publicly available information is unclear, direct inquires are made to the companies. It should be noted that comparisons to prior year practices do not reflect a constant company population, since, as noted above, a snapshot of company size determines inclusion in this report. Therefore, "trend" data can be influenced by changes in the company sample from year-to-year, as well as actual changes in grant usage. A total of 33 companies, representing 13% of the companies reviewed, are new to this year's report.

EXECUTIVE LONG-TERM INCENTIVE GRANTS

The information presented throughout this report focuses on long-term incentive grants actually being used, rather than on the company's ability to make a particular type of grant. A grant type is considered to be in use at a particular company if grants have been made within the previous three years, and there is no evidence that this granting practice has been discontinued. While most data reflect usage through fiscal year 2001, the survey attempts to present more current grant practices wherever possible.

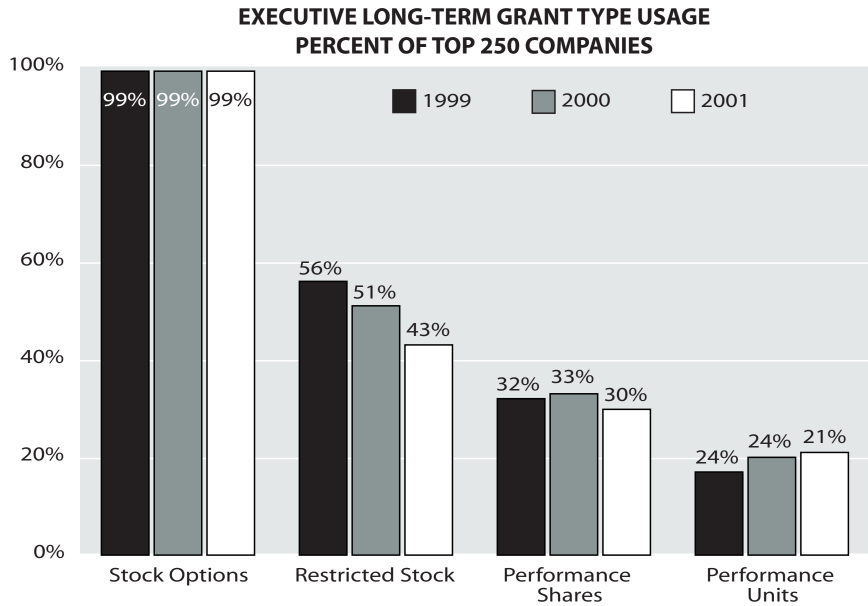
To be considered a "long-term incentive" for purposes of this report, a grant must possess the following three characteristics:

- The grant must generally be made under a formal plan or practice, and not be part of an individual agreement, arrangement, or contract. Therefore, a grant determined to be made specifically as a hiring incentive, replacement of lost benefits upon hiring, or other unique situation is typically excluded. There are instances, however, where a specific grant type is reported as being used, even though the only grant recipients appear to be the chief executive officer (CEO) and/or other top executives and the purpose of the grant is not determinable.
- The grant must not be merely a form of payment under an annual or other long-term incentive plan.
- The grant type must not be delivered primarily to accommodate foreign tax or securities laws. For example, a company that grants stock appreciation rights (SARs) in foreign countries as an alternative to the normal award of stock options in the U.S. is not considered to grant SARs as a long-term incentive.

NON-EMPLOYEE DIRECTOR STOCK-BASED GRANTS

With respect to non-employee directors, a stock-based grant type is considered to be in use at a particular company if the most recent disclosure indicates either that the particular grant type is being used, or that it could be granted in lieu of cash compensation, regardless of whether such election is actually made. Where companies have disclosed a prospective change in their directors' compensation program, the new grant practice is reflected rather than past practice.

SUMMARY OF MAJOR EXECUTIVE LONG-TERM INCENTIVE GRANT TYPES IN USE



STOCK OPTIONS are rights to purchase company stock at a specified exercise price over a stated option term, and represent the most widely used long-term incentive grant type among Top 250 companies; in fact, all but one of the companies grant stock options. Variations of the "plain vanilla" stock option are summarized in greater detail on page 6 of this report.

RESTRICTED STOCK includes actual shares or share "units" that are earned solely by continued employment. Currently, 43% of Top 250 companies regularly grant restricted stock. This figure excludes those companies that used restricted stock grants only in hiring situations or one-time awards made under special circumstances.

PERFORMANCE AWARDS consist of stock-denominated performance "shares" and cash-denominated performance "units," which are earned based on performance over a multi-year period. Currently, 46% percent of Top 250 companies use either one or both of these grant types, with more companies using performance shares than performance units.

SUMMARY OF EXECUTIVE LONG-TERM INCENTIVE GRANTS

		Percent of Companies Using Grant Type		
		2001	**2000**	**1999**
OVERALL:	(See Appendix for definition)			
	Any Type of Grant	**100%**	**100%**	**100%**
	Appreciation Grants	**99**	**99**	**99**
	Full-Value Grants	**65**	**69**	**72**
BY GRANT TYPE:				
	Stock Options	**>99%**	**99%**	**>99%**
	• Performance	16	16	18
	— *Vesting*	*4*	*6*	*5*
	— *Accelerated-Vesting*	*12*	*10*	*14*
	• Restoration (Reload)	16	n/a	18
	• Premium	6	9	9
	• Discount	2	2	2
	• Indexed	0	0	<1
	Restricted Stock	**43%**	**51%**	**56%**
	• PARSAPs	2	3	4
	Performance Shares	**30%**	**33%**	**32%**
	Performance Units	**21%**	**20%**	**17%**
	SARs	**1%**	**2%**	**3%**
	• Tandem	1	2	2
	• Freestanding	0	0	1
	• Additive	0	0	0
	Tandem Grants	**<1%**	**<1%**	**1%**
	Formula-Value Grants	**<1%**	**<1%**	**<1%**

Note: n/a indicates that data was not collected for that particular year

EXECUTIVE STOCK OPTION VARIATIONS

OVERVIEW – Among Top 250 companies, 33% incorporate one or more design variations into their stock option grants. The following are the principal option grant design variations in use at the Top 250 companies:

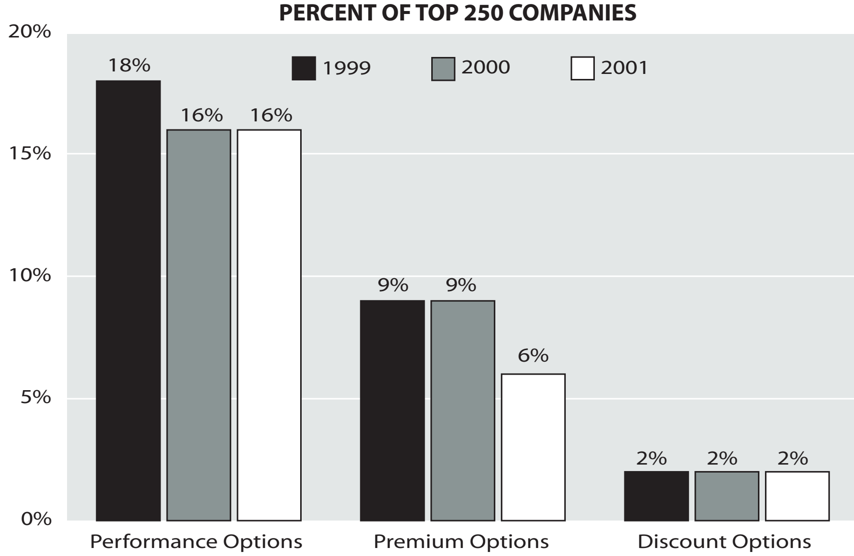
PERFORMANCE STOCK OPTIONS are stock options that have some aspect of their vesting tied to specified performance criteria. Performance options were used by 16% of Top 250 companies. Twelve percent of the Top 250 companies use performance criteria to accelerate the vesting schedule, thus preserving favorable "fixed" accounting treatment under APB Opinion No. 25. Four percent use performance-vesting options that are forfeited if the performance criteria are not met. Given the recent movement to voluntarily elect FAS 123 accounting for stock-based compensation, combined with the expectation that the Financial Accounting Standards Board (FASB) may mandate its adoption in the near future, we believe companies may move towards greater use of performance-vesting options.

RESTORATION (RELOAD) STOCK OPTIONS are options granted with a feature that typically allows for additional options to be granted to replace or "restore" the already-owned shares exchanged in a "stock-for-stock" exercise. They are designed to encourage management stock ownership. Among Top 250 companies, 16% use restoration options.

PREMIUM AND DISCOUNT STOCK OPTIONS have an exercise price above or below the market price at grant, respectively. Six percent of Top 250 companies use premium options. Use of discount options continues to be rare (only 2% of Top 250 companies).

INDEXED STOCK OPTIONS are options that have an exercise price that may fluctuate above or below market value at grant, depending on the company's stock price performance relative to a specified index or the movement of the index itself. Though no companies in this survey used indexed stock options, we expect that usage may increase among companies that adopt FAS 123.

EXECUTIVE STOCK OPTION VARIATIONS
PERCENT OF TOP 250 COMPANIES



EXECUTIVE STOCK OPTION VARIATIONS

PERFORMANCE STOCK OPTIONS:

PERFORMANCE VESTING -

Becton Dickinson	First Data	Sears, Roebuck
Conoco	Hartford Financial Services	St. Paul Companies
Dow Chemical	Hershey Foods	Unocal
DuPont	KeyCorp	

PERFORMANCE-ACCELERATED VESTING -

Adobe Systems	EMC	Mattel
Allergan	Fifth Third Bancorp	McDonald's
American Express	FirstEnergy	Nortel Networks
Amgen	Franklin Resources	Omnicom Group
Bank of America	Genzyme	Progressive
Bristol-Myers Squibb	Hartford Financial Services	Raytheon
Capital One Financial	Heinz (H.J.)	Synovus Financial
Chiron	J.P. Morgan Chase	Sysco
Clorox	Kroger	USA Education
Deere	Lehman Brothers Holdings	Williams Companies

RESTORATION STOCK OPTIONS:

Abbott Laboratories	DuPont	Philip Morris
Alcoa	FleetBoston Financial	PNC Financial Services
Allstate	International Paper	PPG Industries
American Express	Kellogg	Sara Lee
AT&T	Lincoln National	Sears, Roebuck
Bank One	Marathon Oil	Sprint
Burlington Northern Santa Fe	Masco	Tribune
Capital One Financial	McGraw-Hill	Tyco International
ChevronTexaco	Mellon Financial	US Bancorp
Chubb	Minnesota Mining & Mfg.	USA Education
Cigna	Morgan Stanley	Verizon Communications
Citigroup	National City	Wells Fargo
Colgate-Palmolive	Nortel Networks	XL Capital
Conoco	Northrop Grumman	

PREMIUM STOCK OPTIONS:

Air Products & Chemicals	Clorox	Genzyme
Allergan	Deere	KeyCorp
AOL Time Warner	DuPont	Mattel
Archer Daniels Midland	Fifth Third Bancorp	Phillips Petroleum
Chubb	Gap	Sears, Roebuck

DISCOUNT STOCK OPTIONS:

Computer Sciences	Hewlett-Packard	Southwest Airlines
EMC		

OTHER EXECUTIVE GRANT TYPE VARIATIONS

OVERVIEW - There are limited instances where other grant type variations (listed below) are in use at the Top 250 companies:

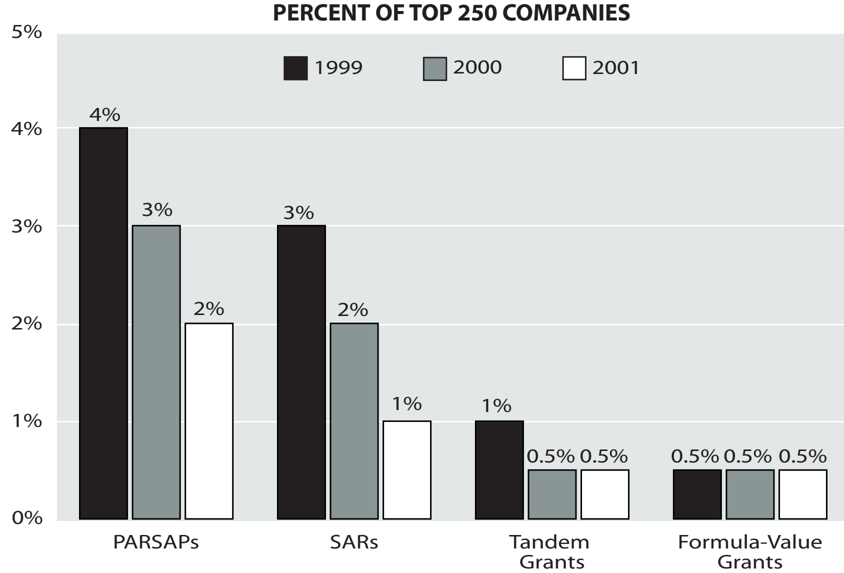
STOCK APPRECIATION RIGHTS ("SARS") are rights to receive at exercise the increase between the grant price and the market price of a share of stock. There are different types of SARs that can be granted. Tandem SARs are granted in "tandem" with stock options, with the exercise of one canceling the other. Freestanding SARs provide for a payment equal to the appreciation on "phantom" shares, without regard to any stock option, and additive SARs are rights granted in addition to a stock option. Currently, 1% of the Top 250 companies use tandem SARs. There are no freestanding or additive SARs reported in this survey.

PERFORMANCE-ACCELERATED RESTRICTED STOCK AWARD PLANS ("PARSAPS") represent grants of restricted stock or stock units in which time-based restrictions may be accelerated by attainment of specified performance objectives. Currently, 2% of the Top 250 companies grant PARSAPs.

FORMULA-VALUE GRANTS have a value based on a formula relating to financial measures, rather than the market value of company stock. Formula-value grants can be in the form of an "appreciation right" or a "full-value" grant. Only Johnson & Johnson makes formula-value grants, using a formula based on net asset value and a capitalized value of earnings averaged over five years.

TANDEM GRANTS represent the simultaneous award of two grant types (other than tandem stock options/SARs) where the exercise or vesting of one grant type cancels the other. Only International Paper makes tandem grants, using restricted stock and stock options.

OTHER EXECUTIVE GRANT TYPE VARIATIONS
PERCENT OF TOP 250 COMPANIES



EXECUTIVE GRANT TYPE VARIATIONS

SARS:

TANDEM

Ford Motor	Marathon Oil

PARSAPS:

Electronic Data Systems	Motorola	SunTrust Banks
Mellon Financial	Staples	

FORMULA-VALUE GRANTS:

Johnson & Johnson

TANDEM GRANTS:

International Paper

EXECUTIVE ANNUAL INCENTIVES PAID IN STOCK

ANNUAL INCENTIVES PAID IN STOCK OR STOCK OPTIONS seek to further align executive pay with shareholder interests and provide increased retention. Of the Top 250 companies, 17% have disclosed provisions for mandatory payment of annual incentives in the form of equity. In addition, many companies allow executives to voluntarily receive stock grants in lieu of cash compensation. These programs offer either full-value stock (often through deferral plans) or stock options, and may provide a premium to encourage participation.

Following are the *typical* characteristics of mandatory payments in stock:

- **PAYMENT IN STOCK OR STOCK UNITS** typically represent a specified percent of the award payout, as determined by the company's Compensation Committee. Thirty-six companies (14%) disclose the payment of at least a portion of annual incentives in shares of stock or stock units.
- **PAYMENT IN STOCK OPTIONS** is less common than payment in stock or stock units, with ten companies (4%) providing for mandatory payment in options.

MANDATORY PAYMENT OF ANNUAL INCENTIVES IN STOCK OR STOCK OPTIONS

STOCK OR STOCK UNITS:

American Express	FleetBoston Financial	Minnesota Mining & Mfg.
Bank One	Franklin Resources	Morgan Stanley
Boeing	Gannett	National City
Carnival	HCA	Norfolk Southern
Citigroup	J.P. Morgan Chase	PNC Financial Services
Computer Associates	Johnson & Johnson	PPG Industries
Conoco	KeyCorp	Praxair
Consolidated Edison	Lehman Brothers Holdings	Procter & Gamble
DuPont	Marsh & McLennan	Rohm & Haas
El Paso	Masco	St. Paul Companies
Electronic Data Systems	Mellon Financial	USA Education
Fannie Mae	Merrill Lynch	Wachovia

STOCK OPTIONS:

AOL Time Warner	Maxim Integrated Products	Procter & Gamble
Bristol-Myers Squibb	Merrill Lynch	State Street
CVS	Morgan Stanley	
John Hancock Financial Svcs	Northern Trust	

EXECUTIVE STOCK OWNERSHIP GUIDELINES

OVERVIEW – Among Top 250 companies, 35% have formal stock ownership guidelines that require executives to own a certain amount of company stock. We believe, however, that the actual percentage may be slightly higher because disclosure of guidelines is voluntary. The following describes the prevalence of the types of ownership guidelines at Top 250 companies that disclose guidelines. Eleven percent of companies with guidelines did not disclose the type of ownership guidelines:

MULTIPLE OF SALARY guidelines are the most common approach, with 72% of those with guidelines adopting this approach. Only 3% of companies with guidelines indicated their requirements as a multiple of annual compensation, e.g., salary plus target bonus.

NUMBER OF SHARES guidelines are used by 9% of Top 250 companies with guidelines.

RETENTION RATIO guidelines that require executives to retain a certain percentage of options profit shares or earned shares from long-term incentive plans are used by 3% of Top 250 companies with guidelines. Some companies use a retention ratio in addition to other types of guidelines. For example, General Electric, which has multiple of salary guidelines, requires executives to retain 100% of option profit shares for one year after exercise.

EXECUTIVE STOCK OWNERSHIP GUIDELINES

MULTIPLE OF SALARY:

Allergan
Allstate
American Express
Anadarko Petroleum
AT&T
Avon Products
Becton Dickinson
BellSouth
Boeing
Burlington Northern Santa Fe
Campbell Soup
CIGNA
Clorox
Coca-Cola
Comerica
Conoco
CVS
Deere
Dow Chemical
DuPont
Eastman Kodak
Exelon
Ford Motor
Gannett
General Electric
General Mills
General Motors
Hartford Financial Services
Hershey Foods
Household International
Illinois Tool Works
Ingersoll-Rand
John Hancock Financial Svcs
Keycorp
Kimberly-Clark
Lincoln National
Lockheed Martin
Marriott International
Masco
May Department Stores
McDonald's
McKesson
Minnesota Mining & Mfg.
Nortel Networks
Northrop Grumman
Pfizer
PG & E
Pitney Bowes
Praxair
Procter & Gamble
Progress Energy
Rohm & Haas
St. Paul Companies
Transocean Sedco Forex
Tribune
Union Pacific
USA Education
Verizon Communications
Wells Fargo
Weyerhaeuser
Wyeth
Xcel Energy
Wachovia

MULTIPLE OF ANNUAL COMPENSATION:

Agilent Technologies
Hewlett-Packard
International Business Machines

NUMBER OF SHARES:

Alcoa
American Electric Power
Caterpillar
Dominion Resources
Duke Energy
Motorola
National City
Sara Lee

RETENTION RATIO:

Bank One
Citigroup
Merck

SUMMARY OF DIRECTOR STOCK - BASED GRANTS

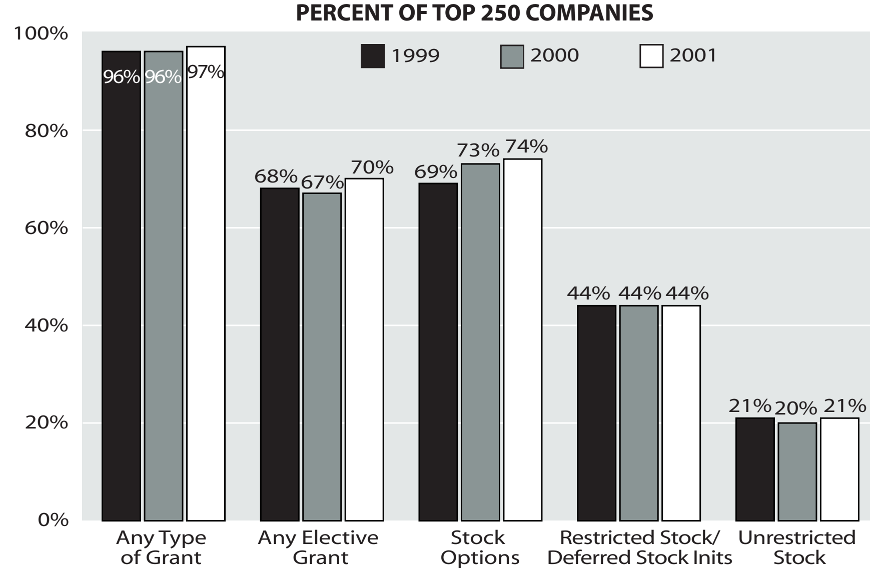
OVERVIEW – Among Top 250 companies, 97% pay all or a portion of their non-employee directors' compensation in stock or stock options.

STOCK OPTIONS are granted by 74% of Top 250 companies. Almost all stock option grants to non-employee directors are "plain-vanilla" stock options. Sysco grants *performance stock options* whereby a minimum of 10% growth in EPS from the prior year is required in order to receive option grants. *Restoration options* are granted at Chubb, Sara Lee, Tyco International, USA Education and Wells Fargo. *Tandem SARs* are granted with stock options at BellSouth.

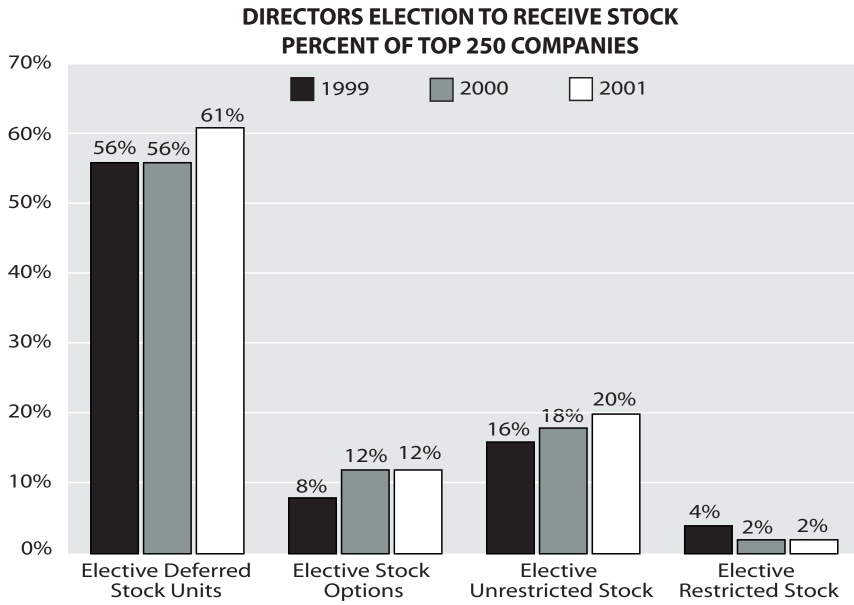
DEFERRED STOCK UNITS/RESTRICTED STOCK is granted by 44% of Top 250 companies. These shares are restricted from sale or transfer, usually until after retirement from the Board.

UNRESTRICTED STOCK is granted by 21% of Top 250 companies. These shares are free of any transferability restrictions and are typically granted in lieu of all or a portion of the cash annual retainer.

DIRECTOR STOCK-BASED GRANT TYPE USAGE
PERCENT OF TOP 250 COMPANIES



SUMMARY OF DIRECTOR STOCK-BASED GRANTS



ELECTIONS TO RECEIVE STOCK are offered by 70% percent of the Top 250 companies. Directors may elect to convert all or a portion of their cash retainers and fees into company stock in any of the following variations:

- **DEFERRED STOCK UNITS** were offered by 61% of Top 250 companies. This election allows for cash compensation to be deferred as stock units. Actual shares and accumulated dividends are typically paid out upon retirement or another specified date.
- **STOCK OPTIONS** were offered by 12% of Top 250 companies. This election allows options to be granted in lieu of cash compensation, e.g., at an exchange ratio of three or four dollars of option face value for each dollar forgone.
- **UNRESTRICTED STOCK** is the election to be paid in common shares instead of cash. This was offered by 20% of Top 250 companies.
- **RESTRICTED STOCK** is the election to be paid in shares which vest over a period of time. This was offered by 2% of Top 250 companies.

DIRECTOR STOCK OWNERSHIP GUIDELINES

OVERVIEW – Among Top 250 companies, 16% have formal stock ownership guidelines that require directors to own a certain amount of company stock. The following describes the prevalence of the types of ownership guidelines at Top 250 companies that disclosed guidelines (5% of companies with guidelines did not disclose the type of ownership guidelines):

MULTIPLE OF RETAINER guidelines are the most common type of ownership guideline in place for directors, with 60% of companies with guidelines adopting this approach. Five percent of companies with guidelines indicated their requirements as a multiple of annual retainer plus meeting fees. One company (AT&T Wireless) states their requirement as a multiple of cash retainer and equity.

NUMBER OF SHARES guidelines are used by 20% of Top 250 companies with formal ownership guidelines.

OTHER TYPES of guidelines include a retention ratio approach or specific dollar value requirements (Pitney Bowes). These are used by 8% of Top 250 companies with formal ownership guidelines.

MULTIPLE OF ANNUAL RETAINER:

Allergan	FedEx	McDonald's
AT&T	Gannett	Northrop Grumman
Avon Products	General Mills	PNC Financial Services
Becton Dickinson	Hewlett-Packard	Progress Energy
BellSouth	Household International	St. Paul Companies
Bristol-Myers Squibb	Illinois Tool Works	Tenet Healthcare
DuPont	International Business Machines	Union Pacific
Dynegy	Lincoln National	Wells Fargo & Company

MULTIPLE OF ANNUAL RETAINER AND FEES:

Ford Motor	Rohm & Haas

NUMBER OF SHARES:

American Electric Power	Duke Energy	Nortel Networks
American Express	Exelon	Safeway
Dow Chemical	National City	

RETENTION RATIO:

Citigroup	Mattel

SUMMARY OF EXECUTIVE AND DIRECTOR GRANT TYPE USAGE BY COMPANY

	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS							Ownership Guidelines	
	Appreciation		Full Value			Other	Automatic			Elective					
Comapny	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
Abbott Laboratories	●		●							●	●			●	
Ace Limited	●		●				●	●		●			●		
Adobe Systems	●		●				●								
AFLAC	●						●								
Agilent Technologies	●						●				●			●	
Air Products & Chemicals	●			●			●			●				●	
Albertsons	●		●	●				●	●	●	●				
Alcoa	●				●				●	●				●	
Allergan	●		●					●		●				●	●
Allstate	●		●		●		●	●		●			●	●	
Alltel	●				●		●					●			
Altera	●						●	●							
American Electric Power	●			●						●			●	●	●
American Express	●		●	●	●		●	●	●	●				●	●
American International Group	●			●			●		●						
Amgen	●						●								
Anadarko Petroleum	●		●				●						●	●	
Analog Devices	●						●	●	●						
Anheuser-Busch Companies	●						●			●			●		
AOL Time Warner	●						●								
Aon	●		●						●	●					
Applied Materials	●						●								
Archer Daniels Midland	●														
AT&T Wireless	●						●	●		●			●		●
AT&T	●		●	●			●			●				●	●
Automatic Data Processing	●		●				●	●							
Avon Products	●		●				●			●				●	●
Baker Hughes	●		●				●	●		●				●	
Bank of America	●		●				●	●	●	●					
Bank of New York	●		●	●					●	●					
Bank One	●		●				●		●	●			●	●	
Barrick Gold	●		●				●								
Baxter International	●						●								
BB&T	●				●						●				
Becton Dickinson	●						●			●				●	●
Bed Bath & Beyond	●							●					●		
BellSouth	●		●	●			●		●	●				●	●

Comapny	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS							Ownership Guidelines	
	Appreciation		Full Value			Other	Automatic			Elective					
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
Best Buy	●						●								
Boeing	●		●	●			●			●				●	
Boston Scientific	●						●	●		●					
Bristol-Myers Squibb	●		●	●	●		●			●				●	●
Broadcom	●						●	●							
Burlington Northern Santa Fe	●		●				●	●		●		●		●	
Campbell Soup	●			●			●	●	●	●	●			●	●
Capital One Financial	●		●				●				●				
Cardinal Health	●		●				●			●					
Carnival	●		●				●								
Caterpillar	●		●		●		●			●			●	●	
Cendant	●						●		●	●					
ChevronTexaco	●			●				●		●					
Chiron	●						●	●							
Chubb	●		●	●			●			●					
CIGNA	●		●		●			●	●	●			●	●	
Cintas	●						●	●		●					
Cisco Systems	●						●								
Citigroup	●		●				●		●	●	●			●	●
Clear Channel Communications	●						●								
Clorox	●			●			●			●			●	●	
Coca-Cola	●		●	●	●			●		●				●	
Colgate-Palmolive	●		●	●			●	●	●	●			●		
Comerica	●		●		●		●			●				●	
Computer Associates	●			●			●	●							
Computer Sciences	●							●							
ConAgra Foods	●			●			●	●	●						
Concord EFS	●						●				●				
Conoco	●		●					●		●				●	
Consolidated Edison	●							●							
Costco Wholesale	●						●								
CVS	●				●				●	●	●	●		●	
Danaher	●						●								
Deere	●		●					●		●				●	
Dell Computer	●						●				●				
Delphi	●				●					●					
Disney (Walt)	●						●	●		●			●		

SUMMARY OF EXECUTIVE AND DIRECTOR GRANT TYPE USAGE BY COMPANY

	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS							Ownership Guidelines	
	Appreciation		Full Value			Other	Automatic			Elective					
Comapny	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
Dominion Resources	●		●				●		●	●				●	
Dover	●				●			●	●						
Dow Chemical	●			●			●			●				●	●
DuPont	●						●	●		●				●	●
Duke Energy	●		●				●			●			●	●	●
Dynegy	●						●	●	●	●			●		●
Eastman Kodak	●			●			●		●	●				●	
El Paso	●		●	●	●		●	●		●					
Electronic Data Systems	●		●			PARSAP	●	●		●	●	●		●	
EMC	●						●								
Emerson Electric	●		●	●						●					
Entergy	●			●				●	●						
Equity Office Properties	●		●				●	●	●					●	
Exelon	●			●						●			●	●	●
Exxon Mobil	●		●		●			●		●					
Fannie Mae	●		●	●			●	●							
FedEx	●		●		●		●								●
Fifth Third Bancorp	●						●			●					
First Data	●				●		●				●				
FirstEnergy	●		●	●			●	●		●	●		●		
Fiserv	●						●								
FleetBoston Financial	●		●	●						●					
Ford Motor	●	●	●	●				●		●				●	●
Forest Laboratories	●						●	●							
FPL Group	●		●	●					●						
Franklin Resources	●									●					
Freddie Mac	●		●				●			●			●		
Gannett	●						●	●		●				●	●
Gap	●						●				●				
General Dynamics	●			●			●	●					●		
General Electric	●		●		●		●	●	●	●				●	
General Mills	●		●				●	●		●			●	●	●
General Motors	●			●			●			●				●	
Genzyme	●						●	●		●					
Gillette	●						●			●					
Golden West Financial	●							●							
Guidant	●						●	●							

Comapny	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS							Ownership Guidelines	
	Appreciation		Full Value			Other	Automatic			Elective					
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
Harley-Davidson	●						●						●		
Hartford Financial Services Group	●		●		●		●	●						●	
HCA	●						●	●		●					
Heinz (H.J.)	●								●					●	
Hershey Foods	●			●						●			●	●	
Hewlett-Packard	●		●	●			●	●	●					●	●
Home Depot	●		●				●	●		●					
Household International	●		●				●			●	●		●	●	●
Illinois Tool Works	●							●		●			●	●	●
Ingersoll-Rand	●			●			●	●		●				●	
Intel	●						●	●		●					
International Business Machines	●		●	●			●			●				●	●
International Paper	●		●	●		Tandem		●		●					
Interpublic Group Companies	●		●		●		●	●	●						
J.P. Morgan Chase	●		●	●	●		●		●	●					
John Hancock Financial Services	●		●		●		●		●	●			●	●	
Johnson & Johnson	●					Formula Value	●		●	●					
Kellogg	●		●		●		●	●		●					
KeyCorp	●				●		●	●		●				●	
Kimberly-Clark	●		●				●			●	●			●	
King Pharmaceuticals	●						●								
KLA-Tencor	●						●								
Kohl's	●						●								
Kroger	●		●	●			●								
Lehman Brothers	●		●	●							●				
Lilly (Eli)	●			●			●	●		●					
Lincoln National	●			●	●			●		●				●	●
Linear Technology	●						●	●							
Lockheed Martin	●		●		●		●			●				●	
Loews	●				●			●			●				
Lowes Companies	●						●			●					
Lucent Technologies	●						●			●	●		●		
Marathon Oil	●	●	●	●						●					
Marriott International	●		●	●				●		●	●			●	
Marsh & McLennan Companies	●		●					●	●	●			●		
Masco	●		●				●	●						●	
Mattel	●				●		●			●				●	●

SUMMARY OF EXECUTIVE AND DIRECTOR GRANT TYPE USAGE BY COMPANY

	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS							Ownership Guidelines	
	Appreciation		Full Value			Other	Automatic				Elective				
Comapny	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
Maxim Integrated Products	●						●								
May Department Stores	●		●		●			●		●				●	
MBNA	●		●				●	●							
McDonald's	●				●		●			●				●	●
McGraw-Hill	●			●				●		●					
McKesson	●		●		●		●	●		●	●			●	
MedImmune	●						●	●							
Medtronic	●			●			●				●				
Mellon Financial	●		●		●	PARSAP	●	●							
Merck	●						●			●				●	
Merrill Lynch	●		●				●	●		●					
MetLife	●				●		●	●	●	●			●		
Micron Technology	●						●			●			●		
Microsoft	●						●								
Minnesota Mining & Mfg	●				●				●	●			●	●	
Morgan Stanley	●		●				●	●		●	●		●		
Motorola	●		●		●	PARSAP	●	●	●	●		●	●	●	
National City	●		●		●			●		●				●	●
Newell Rubbermaid	●						●								
Nike	●			●			●								
Norfolk Southern	●			●						●					
Nortel Networks	●			●			●	●						●	●
Northern Trust	●		●					●	●	●					
Northrop Grumman	●		●	●			●		●	●			●	●	●
Occidental Petroleum	●		●	●					●						
Omnicom Group	●		●	●				●					●		
Oracle	●						●								
Paychex	●						●								
PeopleSoft	●						●								
PepsiCo	●				●		●		●	●	●		●		
Pfizer	●		●	●						●				●	
PG & E	●				●		●	●		●				●	
Pharmacia	●			●			●	●	●	●				●	
Philip Morris Companies	●		●		●		●		●	●					
Phillips Petroleum	●			●					●			●	●		
Pitney Bowes	●				●			●			●			●	●
PNC Financial Services	●		●	●			●	●	●	●					●

Comapny	EXECUTIVE LONG-TERM INCENTIVE GRANTS — Appreciation		Full Value			Other	DIRECTOR STOCK-BASED GRANTS — Automatic			Elective				Ownership Guidelines	
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
PPG Industries	●			●			●			●					
Praxair	●			●			●	●		●				●	
Procter & Gamble	●				●		●	●					●	●	
Progress Energy	●		●	●				●		●				●	●
Progressive	●						●	●		●					
Public Service Enterprise	●				●				●						
QUALCOMM	●						●	●							
Qwest Communications	●		●		●		●			●			●		
Raytheon	●		●					●		●					
Rohm & Haas	●		●		●					●				●	●
Safeway	●						●	●		●					●
Sara Lee	●		●				●			●	●		●	●	
SBC Communications	●									●			●		
Schering-Plough	●		●	●				●		●					
Schlumberger	●							●	●						
Schwab (Charles)	●		●				●			●	●				
Sears, Roebuck	●		●	●			●				●			●	
Siebel Systems	●						●								
Southern Company	●				●					●					
SouthTrust	●		●	●	●			●		●			●		
Southwest Airlines	●						●								
Sprint	●						●	●		●			●		
St. Paul Companies	●		●				●			●				●	●
Staples	●					PARSAP	●	●							
Starbucks	●						●								
State Street	●		●							●			●		
Stryker	●						●	●							
Sun Microsystems	●						●								
SunTrust Banks	●			●	●	PARSAP	●			●					
Synovus Financial	●		●										●		
Sysco	●								●				●		
Target	●						●			●			●		
Tenet Healthcare	●						●	●		●					●
Texas Instruments	●						●			●					
TJX Companies	●		●	●	●		●	●							
Transcoean Sedco Forex	●		●				●	●		●				●	
Tribune Company	●						●		●	●				●	●

SUMMARY OF EXECUTIVE AND DIRECTOR GRANT TYPE USAGE BY COMPANY

	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS							Ownership Guidelines	
	Appreciation		Full Value			Other	Automatic			Elective					
Comapny	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Other Types	Stock Options	Restricted Stk./ Deferred Stk. Units	Unrestricted Stock	Deferred Stock Units	Stock Options	Restricted Stock	Unrestricted Stock	Executive	Director
TXU			●	●						●					
Tyco International	●			●			●			●	●				
Union Pacific	●		●	●	●		●	●		●				●	●
United Technologies	●						●	●		●	●				
UnitedHealth Group	●				●		●	●		●					
Univision Communications	●						●								
Unocal	●			●	●		●			●					
U.S. Bancorp	●		●				●	●		●	●				
USA Education	●		●	●			●							●	
Veritas Software	●						●								
Verizon Communications	●			●			●			●				●	
Viacom	●						●	●		●					
Wachovia	●		●							●					
Wal-Mart Stores	●		●				●	●	●						
Walgreen	●			●				●	●	●					
Washington Mutual	●			●			●								
Waste Management	●						●			●					
Wells Fargo & Company	●		●				●		●	●				●	●
Weyerhaeuser	●						●			●				●	
Williams Companies	●		●				●		●	●			●		
Worldcom	●						●						●		
Wrigley (W.M)	●		●	●			●			●					
Wyeth	●		●	●			●	●		●				●	
Xcel Energy	●			●	●					●				●	
Xilinx	●						●	●							
XL Capital	●		●				●			●			●		
Yahoo!	●						●	●							
YUM! Brands	●						●		●	●				●	

GRANT TYPE CLASSIFICATIONS

For purposes of this report, grant types are classified according to how value is delivered to the recipient, differentiating between "appreciation" grants, "full-value" grants, and "formula-value" grants as summarized below:

APPRECIATION GRANTS:

- Stock Options
- Stock Appreciation Rights (SARs)

FULL-VALUE GRANTS:

- Performance Units
- Performance Shares
- Restricted Stock
- Performance Accelerated Restricted Stock Award Plans (PARSAPs)

Appreciation grants typically have no intrinsic value at the time of grant and depend upon the appreciation of a company's stock price to deliver value to the recipient. Full-value grants, on the other hand, have value at the time of grant and may either increase or decrease in value depending on company performance and/or subsequent changes in stock price. Formula-value grants use financial measures instead of stock price to determine value and may be either an appreciation grant or a full-value grant.

Definitions for each of the above grant types, as well as other grant type variations, appear on the following pages of this *Appendix*.

APPENDIX: DEFINITION OF GRANT TYPES

APPRECIATION GRANTS

STOCK OPTIONS are rights to purchase shares of company stock at a specified price over a stated period, usually ten or fewer years. Typically, the option price is 100% of market value at the time of grant, but several variations of this "plain-vanilla" type option are frequently used in practice:

- **PERFORMANCE-ACCELERATED STOCK OPTIONS ("PASOPS")** are options that have a set vesting schedule, but may be exercised earlier if specified performance criteria are met, e.g., attaining specific stock price goals. Options with performance-accelerated vesting provisions become exercisable later in their option term, regardless of attaining the performance goals, and receive favorable "fixed" accounting treatment under APB Opinion 25.
- **PERFORMANCE-VESTING STOCK OPTIONS** are considered to have "vesting with teeth", because the options are forfeited if predetermined performance criteria are not met prior to or by the end of the option term. These grants are typically larger than a normal grant as there is more risk tied to the award. They do not receive favorable accounting treatment under APB Opinion 25 and therefore are generally limited to the CEO and other senior executives.
- **PREMIUM STOCK OPTIONS** are options that have an exercise price *above* market value at the time of grant.
- **DISCOUNT STOCK OPTIONS** are options that have an exercise price *below* market value at the time of grant.
- **INDEXED STOCK OPTIONS** are options that have an exercise price that may fluctuate above or below market value at grant, depending on the company's stock price performance relative to a specified index or the movement of the index itself. Indexed options differ from performance options in that the exercise price of indexed options typically remains variable until the option is exercised. These options also do not receive favorable accounting treatment under APB Opinion 25.

STOCK APPRECIATION RIGHTS ("SARS") are rights to receive the increase between the grant price and market price of the company stock. This survey covers three types of market-based SARs:

- **TANDEM SARS** are rights to receive the gain on a stock option in lieu of exercising the option, with the exercise of one canceling the other.
- **FREESTANDING SARS** are rights to receive the gain on a "phantom" stock option. Freestanding SARs are granted independently from stock options and, therefore, the exercise of the SAR does not cancel any outstanding stock options.
- **ADDITIVE SARS** are rights granted in addition to a stock option. In most cases, the exercise of the underlying option triggers the SAR payment and the two are paid simultaneously (unlike tandem SARs where the exercise of the stock option will cancel the SAR payment and vice versa). Additive SARs are typically used to offset income taxes on the related stock option gain, as well as the tax on the SAR payment.

FULL-VALUE GRANTS

PERFORMANCE UNITS are grants of cash or dollar-denominated units whose payment or value is contingent on performance against predetermined objectives over a multi-year period of time. Actual payouts may be in cash or stock.

PERFORMANCE SHARES are grants of actual shares of stock or stock "units" whose payment is contingent on performance as measured against predetermined objectives over a multi-year period of time, and differ from performance units in that the value paid fluctuates with stock price changes, as well as performance against objectives. The payout may be settled in cash or stock.

RESTRICTED STOCK consists of grants of actual shares of stock or stock "units" subject to restrictions and risk of forfeiture until vested by continued employment. Typically, dividends or dividend equivalents are paid during the restriction period, either currently or reinvested, and subject to the same restrictions and risk of forfeiture.

PERFORMANCE-ACCELERATED RESTRICTED STOCK AWARD PLANS ("PARSAPS"), also known as time-accelerated restricted stock award plans ("TARSAPs"), are grants of restricted stock that may vest early upon attainment of specified performance objectives. Otherwise, a time-vesting schedule remains in effect.

FORMULA-VALUE GRANTS are rights to receive value based on a formula using financial measures rather than the market value of company stock, e.g., book value per share. Final value delivered is either the appreciation over the initial grant value and the value of the grant at exercise, like a SAR, or the full value of a formula-derived "share," resembling restricted stock.

COMPANY PROFILE

Frederic W. Cook & Co., Inc. provides management compensation consulting services to business clients. Formed in 1973, our firm has served over 1,400 corporations in a wide variety of industries from our offices in New York, Chicago, and Los Angeles. Our primary focus is on performance-based compensation programs which help companies attract and retain key employees, motivate and reward them for improved performance, and align their interests with shareholders. Our range of consulting services encompasses the following:

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