

# FREDERIC W. COOK & CO., INC.



## 2002 BOARD OF DIRECTORS PROFILE AND COMPENSATION AT NASDAQ-100 COMPANIES

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## ***OVERVIEW***

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This report is our second annual study on the structure, demographics and compensation for boards of directors of the companies included in the NASDAQ-100 Index as of December 31, 2002. This index continues to be the universal standard for evaluating the performance of technology companies. It reflects the NASDAQ's 100 largest companies across major industry groups.

The information in this report is presented both in summary form and on a company-by-company basis. All information was taken from company proxy statements, annual reports, and 10-K filings for shareholder meetings during the year 2002. In cases where publicly available information was unclear, direct inquiries were made to the companies. Where appropriate, we have made comparisons with last year's results.

The first section of the report summarizes the key structural and demographic aspects of a board of directors such as size, length of term, number of board meetings, number of committees, etc. The second section of the report analyzes the pay components of director compensation. It focuses on the following:

- Annual Board Retainer
- Board Meeting Fees
- Committee Meeting Fees and/or Retainers
- Committee Chairman Fees and/or Retainers
- Stock Option Grants

## ***SECTION I – BOARD STRUCTURE DEMOGRAPHICS***

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Now more than ever, a company's board of directors is a vital component to its long-term success. Recent scandals at such high profile companies as Enron, WorldCom, Tyco and ImClone have placed increased emphasis on the work that board members perform on behalf of shareholders. This section provides an overview of the structure and demographics of the boards within the NASDAQ-100, including:

- Number of Board Members
- Average Age of Board
- Length of Board Term
- Board Meetings Per Year
- Board Committees
  - Types of Committees
  - Number of Committee Members Per Committee
  - Number of Meetings Per Committee

## ***COMPANY FINANCIAL PROFILES***

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Of the 100 companies analyzed in last year's survey (i.e., last year's NASDAQ-100), 71 are represented again this year, while 29 are new to this survey. The table below provides a snapshot of the financial size and performance of companies that comprised the NASDAQ-100 as of December 31, 2002.\*

Financial size is measured by revenues as of the most recently completed fiscal year and market capitalization as of December 31, 2002. Performance is gauged by examining one-year total shareholder return for these companies for the period ending December 31, 2002.

Costco Wholesale has the most sales of any company listed in the survey. In terms of market capitalization, Microsoft was the index leader with over \$275 billion and PETSMART led the NASDAQ-100 in 2002 with a one-year total shareholder return close to 75%.

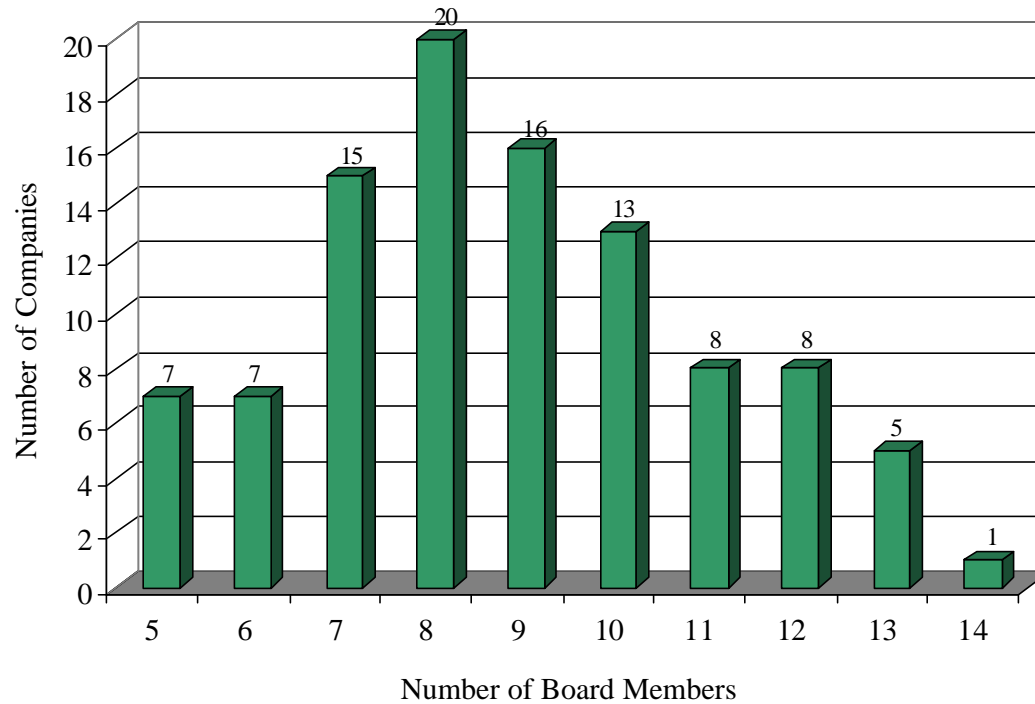
	Most Recent FY Sales <u>\$(Millions)</u>	Market Capitalization As of 12/31/02 <u>\$(Millions)</u>	One Year Total Shareholder <u>Return</u>
High	\$38,763	\$276,411	74.58%
75th Percentile	\$3,102	\$7,687	2.92%
Average	\$3,879	\$12,154	-22.99%
Median	\$1,285	\$4,187	-21.92%
25th Percentile	\$781	\$2,716	-51.52%
Low	\$13	\$970	-87.50%

\* All data provided by Standard and Poor's Research Insight

## ***SIZE OF BOARD***

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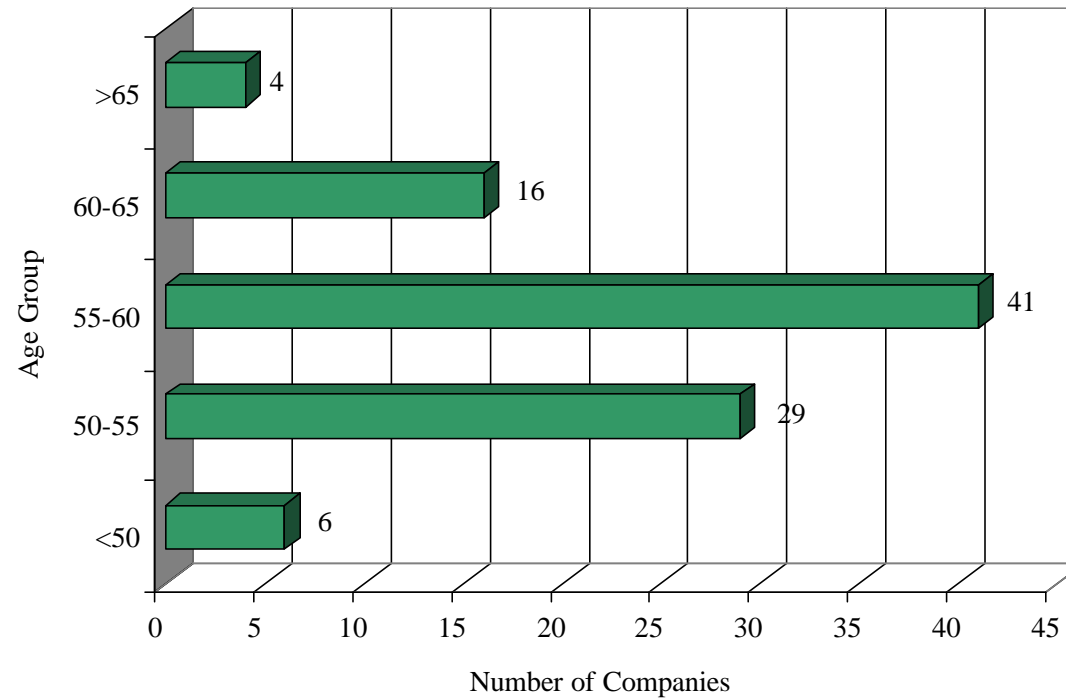
The median number of members per board is nine, which is roughly unchanged from our previous study. The bar graph below displays the number of board members per company, ranging from a low of five to a high of 14.



## ***AVERAGE AGE OF BOARD***

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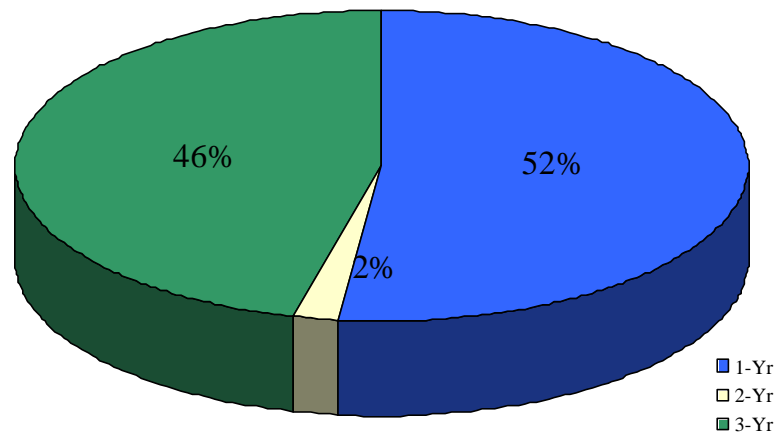
Unlike “old economy” companies, which tend to have more senior executives at the helm, many NASDAQ-100 companies have relatively young executives and directors in place. Our findings indicate that the median age for NASDAQ-100 board members increased from fifty-five to fifty-six in 2002. Six of the 100 companies have average ages below fifty and the youngest company, VeriSign, has an average age of forty-six. The most senior board, Gilead Sciences, has an average age of sixty-eight.



## ***LENGTH OF BOARD TERM***

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Board members are typically elected on either an annual basis or every three years. In cases where a company has a three-year board term, the board is usually staggered so that only a portion (one-third) of the board is elected at each annual meeting. Many institutional shareholder activists strongly favor annual board terms. Our research indicates that annual terms hold a slight majority over companies with three-year terms. Only two companies within the study have two-year terms: Adobe Systems and PeopleSoft.



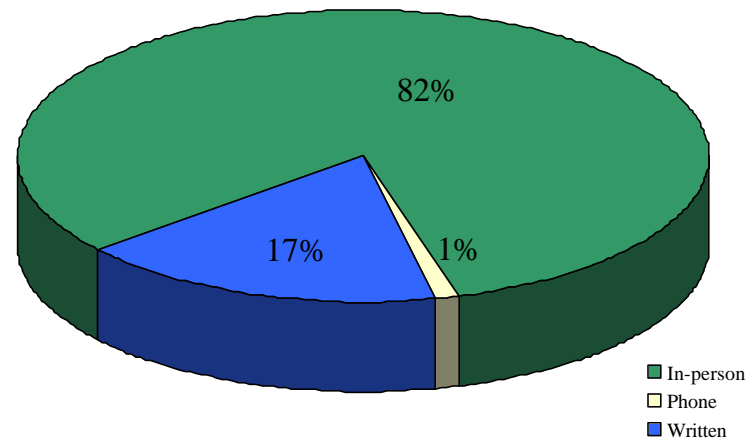


## ***BOARD MEETINGS PER YEAR***

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Generally, boards meet on at least a quarterly basis, although more frequent meetings are not uncommon. Additionally, the frequency of board meetings may increase in certain years, particularly when a company is considering a major strategic decision such as a merger, divestiture, restructuring, or other financial transaction.

Board meetings are usually, but not always, conducted in-person. The pie chart below indicates the relative percentages of board meetings at NASDAQ-100 companies that were conducted in-person, by written consent and telephonically. As reflected below, the vast majority of meetings were in-person. The average number of in-person board meetings per company, however, declined over the past year from eight to six.



## ***BOARD COMMITTEES***

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Typically, a board of directors will have several committees that address specific issues or functions. We identified the following main categories of committees:

- Audit Committee
- Compensation Committee
- Nominating/Governance Committee
- Executive Committee
- Stock Option Committee

The table below summarizes the relative prevalence, size and meeting frequency of the various committees.

	<u>Audit</u>	<u>Compensation</u>	<u>Nominating</u>	<u>Executive</u>	<u>Stock Option</u>	<u>Other</u>
% of Companies	100%	98%	54%	26%	13%	27%
Avg. Members Per Committee	3.3	3.1	3.2	3.4	2.5	3.5
Avg. Meetings Per Committee	5.2	5.6	1.4	1.6	2.7	3.3
Total Avg. Meetings Per Committee	4.1					

Our analysis confirms that all 100 companies have an audit committee composed of independent directors in compliance with NASDAQ's current listing requirements. The compensation committee is the next most prevalent committee. While not absolutely required in 2002\*, companies must have a compensation committee (consisting of at least two outside directors) to ensure that certain elements of compensation paid to the CEO and the next four highest-paid executives are deductible as an expense under Section 162(m) for corporate tax purposes. All but two of the companies have a compensation committee; however, one of these two companies (Bed Bath & Beyond) has a stock option committee, which may act as a compensation committee. In 2002, several companies began adopting formal charters outlining the responsibilities of compensation committee members.

*\*We anticipate that this will change in 2003 when the NASDAQ's new rules are adopted.*

## ***BOARD COMMITTEES (CONT'D)***

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Although the total average meetings per committee dropped slightly from last year (4.3 to 4.1), several committees, including the audit and nominating committee, showed a distinct increase in the average number of meetings. In contrast, the stock option committee showed a significant reduction in the average number of meetings, falling from approximately nine in 2001 to less than three in this year's survey. Compensation committee meetings stayed relatively constant at 5.6 meetings per year in 2002 versus 6.2 meeting per year in 2001.

Overall, the number of meetings held by each committee varies significantly. The nominating committee has the lowest number of meetings at slightly more than one meeting per year. Note that many companies have expanded the role of their nominating committee to also include a strong focus on corporate governance issues. As a result, the average number of nominating committee meetings significantly increased, as did the number of companies utilizing a nominating committee.

Generally, the average number of board members per committee is three, except for the stock option committee, which averages between two and three members.

## ***SECTION II – BOARD COMPENSATION***

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To quantify the compensation provided to directors during fiscal year 2001\* for board service, the following assumptions have been made:

- Each director serves on the board for the entire year, with 100% participation in scheduled board and committee meetings
- Each board meets six times per year, and each committee meets four times per year
- Each director serves on one committee of which he/she is not the chairman
- All board or committee meetings are held in-person and no board actions are taken by unanimous written consent or via a special meeting
- All stock options are granted at 100% fair market value on the company's shareholder meeting date and valued using a 50% Black-Scholes value\*\*
- Initial one-time option grants are annualized over five years; front-loaded grants are typically annualized over three years (i.e., the director's term)\*\*\*

A profile of director compensation for each company can be found in the summary compensation table starting on page 22 of this report.

*\* Note that several assumptions were changed from last year's survey including: 1) board meetings were reduced from eight to six, 2) directors serve on one committee as opposed to two, 3) chairman fees/retainers are excluded from total compensation, and 4) equity grants are valued as of the annual meeting date instead of December 31st for all companies.*

*\*\* The actual Black-Scholes ratios for many companies within the group reached 90% or higher. We have used the 50% assumption to simplify the analysis and to minimize the effect of recent market volatility.*

*\*\*\* In some cases, we annualized grants to obtain a value where a company made grants to directors once during a multi-year term. For example, directors at Dentsply International are elected to a three-year term and receive a "front-loaded" grant of 9,000 options at election and then again only upon reelection. For comparison purposes, we spread the grant over three years to get an annualized number (i.e., 3,000 options).*

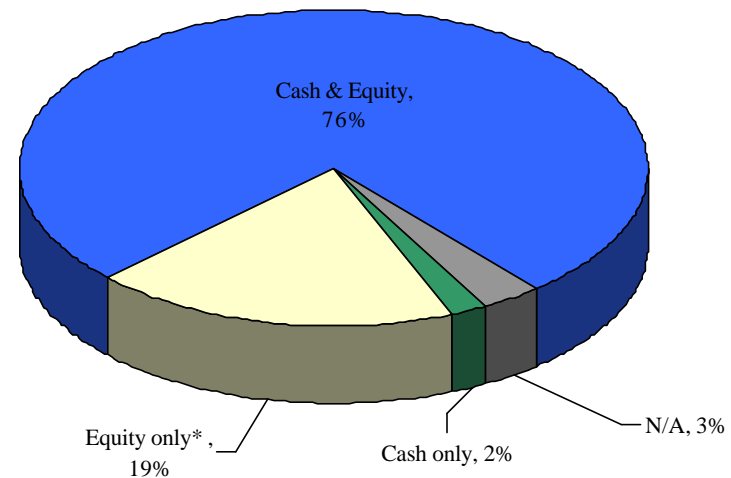
## ***CASH VERSUS EQUITY***

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In recent years, equity has become a larger portion of director compensation. The emphasis on equity compensation, especially in NASDAQ-100 companies, is driven by a variety of factors, two of the most significant of which are:

- 1) Accounting and cash flow considerations (options generally do not affect reported earnings and provide cash flow upon their exercise); and
- 2) Leveraged return opportunities.

The pie chart to the right illustrates the pay philosophy (i.e., cash versus equity) within the NASDAQ-100 companies. Slightly less than one-fifth of the companies pay directors entirely with equity\*, which is typically in the form of stock options. A limited number of companies (2%) pay directors strictly in cash. Three companies were excluded from the analysis because they are non-US companies that do not provide detailed disclosure with regard to director compensation.



Notably, the percentage of companies using only equity to compensate directors decreased from nearly 30% in our 2001 study to 19% in this year's survey. This decrease is offset by an 11% increase in companies that use a combination of cash and equity (65% in our 2001 survey to 76% this year) for director compensation.

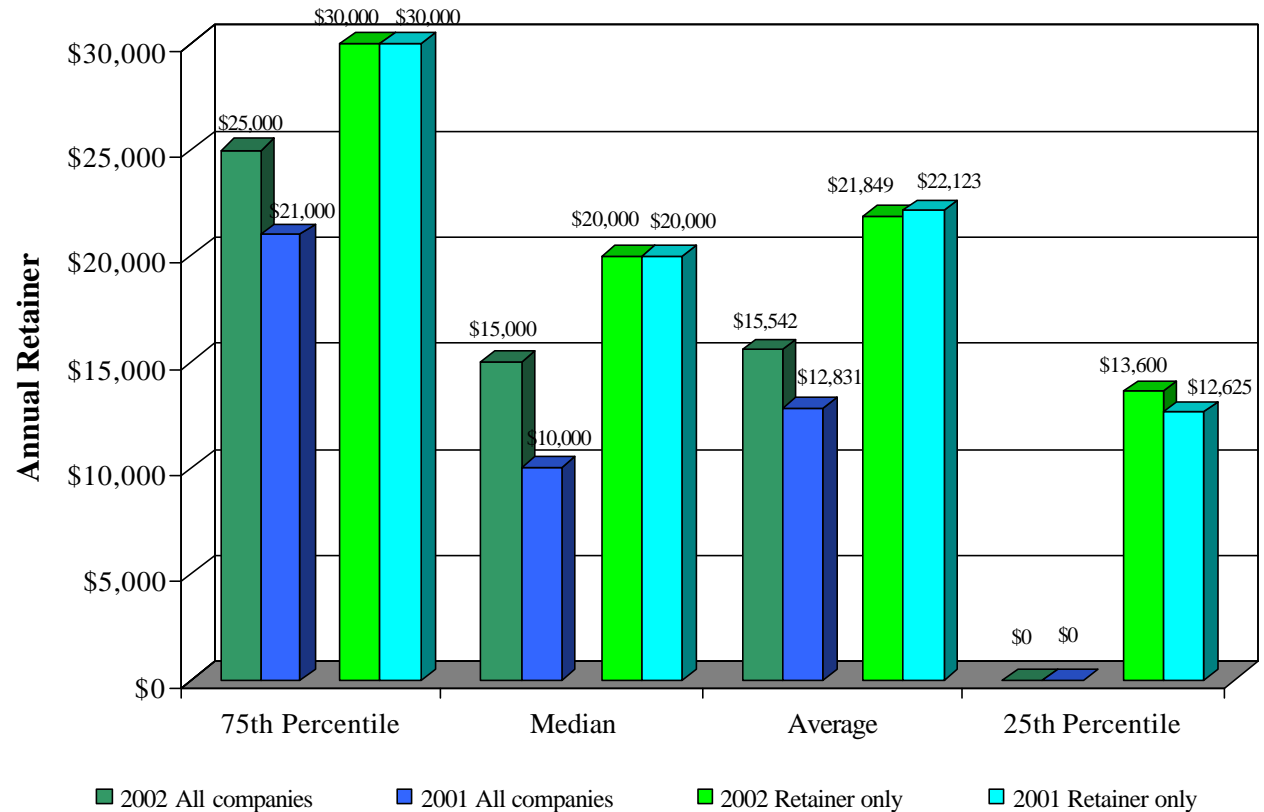
*\*It should be noted that two companies (Lamar Advertising and Lincare Holdings) made large equity grants in the past to their directors, but we are unable to identify an established grant pattern and therefore have excluded these companies from the equity and total compensation analysis.*

## **ANNUAL BOARD RETAINER**

Among the NASDAQ-100, 69% of the companies pay directors an annual retainer as part of their total compensation. This is an increase from last year when only 58% of companies paid directors an annual retainer for service on a board. As with last year, the vast majority of these companies pay the retainer solely in cash.\* Some companies pay part or all of the retainer in equity.

The bar graph to the right summarizes the average, median and the 25<sup>th</sup> and 75<sup>th</sup> percentile retainers for both 2002 and 2001 among the entire NASDAQ-100 and those companies that provide annual retainers only.

Looking just at the companies who pay only an annual retainer, the value of that retainer has not changed significantly from last year. In 2002, companies paid annual retainers of \$13,600 at the 25<sup>th</sup> percentile and \$30,000 at the 75<sup>th</sup> percentile.



\* Please refer to the section “Additional Compensation Information” for more information on deferred compensation plans that permit directors to defer a portion of their retainer in the form of stock units or cash with interest.

## **BOARD AND COMMITTEE MEETING FEES**

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It is common practice for companies to reimburse directors for travel expenses incurred while attending board or committee meetings. In addition, companies often pay directors' meeting fees for attendance at these meetings. Payment is predominately in the form of cash, but a few companies have chosen to pay in stock options.

Some companies distinguish between "in-person" meetings and telephonic meetings, generally, paying larger fees for "in-person" meetings. The table below summarizes 2002 and 2001 meeting fee practices among the NASDAQ-100:

	<u>Meeting Fees</u>			
	<u>Board</u>		<u>Committee</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Companies Paying Meeting Fees	64	57	51	46
Avg. In-Person Fee Per Meeting	\$2,301	\$2,020	\$1,155	\$1,062
Median In-Person Fee Per Meeting	\$1,500	\$1,500	\$1,000	\$1,000

For the most part, the number of companies paying board meeting fees and committee meeting fees increased slightly, as did the average fee paid per meeting. The median meeting fees for both board and committee meetings stayed constant at \$1,500 and \$1,000, respectively. Of the companies paying fees for board meetings, 83% also pay for committee meetings.

## **COMMITTEE MEMBER RETAINER AND CHAIRMAN COMPENSATION**

Some companies pay additional retainers to members of a committee. In addition, chairmen of committees are sometimes paid either additional fees on a per meeting basis, or annual retainers for chairing a committee. These retainers and fees provide extra compensation for the increased time and effort required to chair a committee.

Chairman Compensation – Almost one-third of the survey group (thirty companies) pay either an annual retainer or additional committee meeting fees to the chairman of a committee.

- **Chairman Retainer** - Of the twenty-five companies paying a chairman retainer, eighteen pay the retainer in cash, five pay it in stock options, one uses a combination of both cash and options and one uses performance accelerated restricted stock (PARS). The median retainer for chairing a committee is \$4,000 if paid in cash and 5,700 option shares if paid in equity.
- **Chairman Fees Per Meeting** - Of the six companies paying additional meeting fees to the chairman, five pay in cash and one pays in stock options. The median fee per meeting for the chairman of a committee is \$1,750 versus \$1,000 per meeting for other committee members.

Committee Member Retainer - A small percentage of the survey group (10%) pays all committee members using an annual retainer method, with four companies paying the retainer in cash and six paying it in stock options. Looking exclusively at cash retainers, the median is \$4,000. In contrast, for companies that pay committee member retainer fees in options, the median number of option shares is 5,000.

	Committee Chairman			Committee Members	
	Fees Per Mtg.	Retainer		Retainer	
		Cash	Options (#)	Cash	Options (#)
Companies	6	19	6	4	6
Median Compensation	\$1,750	\$4,000	5,700	\$4,000	5,000



## ***STOCK OPTION VALUATION METHODOLOGY***

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Companies that award stock options and other forms of equity compensation do so primarily to align director interests with shareholders. Stock options facilitate increased ownership among directors and tie director compensation to changes in stock price.

As indicated earlier in this report, 76% of the NASDAQ-100 companies compensate directors using both cash and equity and 19% use equity grants exclusively. Virtually all of the equity grants to directors are in the form of stock options, which can be classified into one of three categories: 1) initial grant, 2) front-loaded grant, and 3) annual grant. Typically, companies make an initial grant to directors when first elected to the board. This is usually followed by annual grants that commence at the next annual meeting. Some companies use front-loaded grants that provide the director with a large number of options in the first year of a multiple-year term, with no additional options until the next large grant when reelected. Thus, a front-loaded grant is more like several annual grants that are granted at one time, as opposed to being spread out over the length of the director's term.

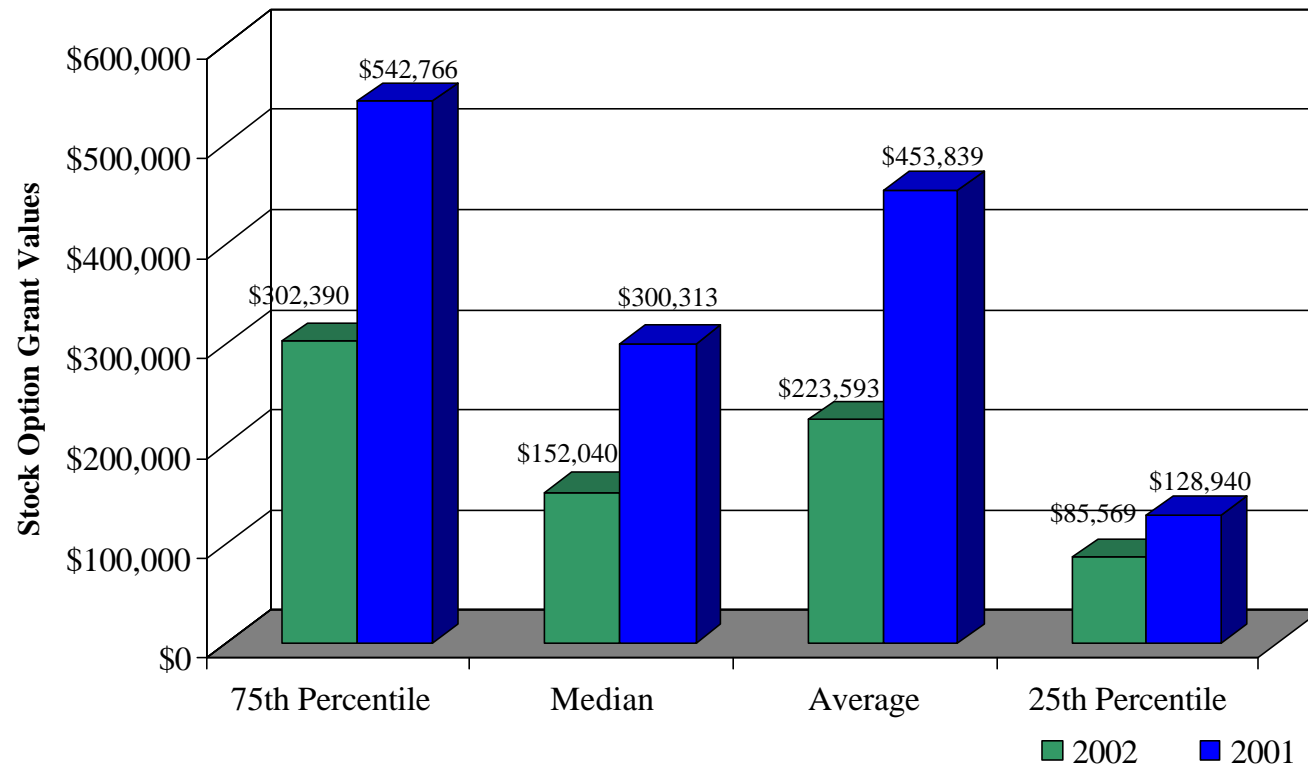
In valuing director options at NASDAQ-100 companies, we assumed a 50% Black-Scholes value to avoid the impact of recent stock market volatility and to simplify the analysis. Actual Black-Scholes values within the group generally are in the 80%-90% range or higher.

We multiplied the 50% Black-Scholes value by the closing price of the company's stock on its particular annual meeting date under the general assumption that most companies grant options to directors in conjunction with the annual meeting date. Note that this is a change from last year's survey when we used a constant date for all equity grants (December 31, 2000).

## ***STOCK OPTION GRANT VALUES***

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The bar graph below summarizes the annualized present value of stock option grants for NASDAQ-100 companies that have disclosed established stock option grant patterns. Stock option grant values range from \$85,569 at the 25<sup>th</sup> percentile to \$302,390 at the 75<sup>th</sup> percentile for all 100 companies in the index.\* As reflected in the table below, stock option grant values dropped considerably from last year due, in large part, to the drastic decline in stock values during the last year.

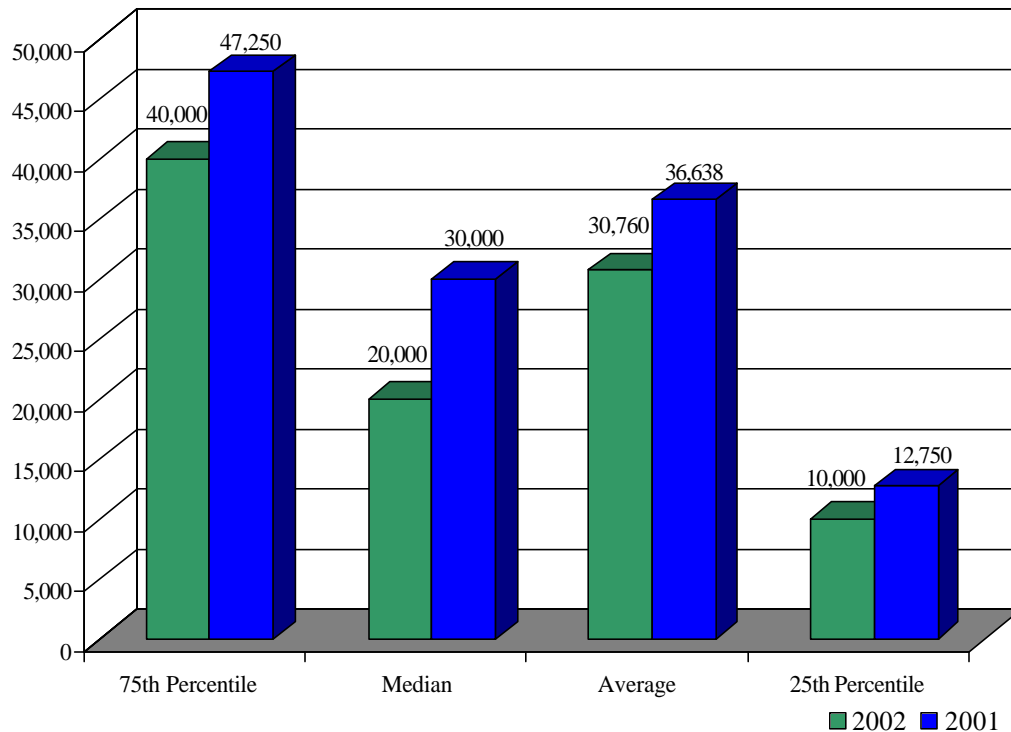


*\*Excludes five companies, three of which are foreign companies that did not provide detailed disclosure on director compensation and were therefore excluded from the analysis; two others that provide cash compensation and have made equity grants previously, were excluded because we are unable to identify an established grant pattern.*

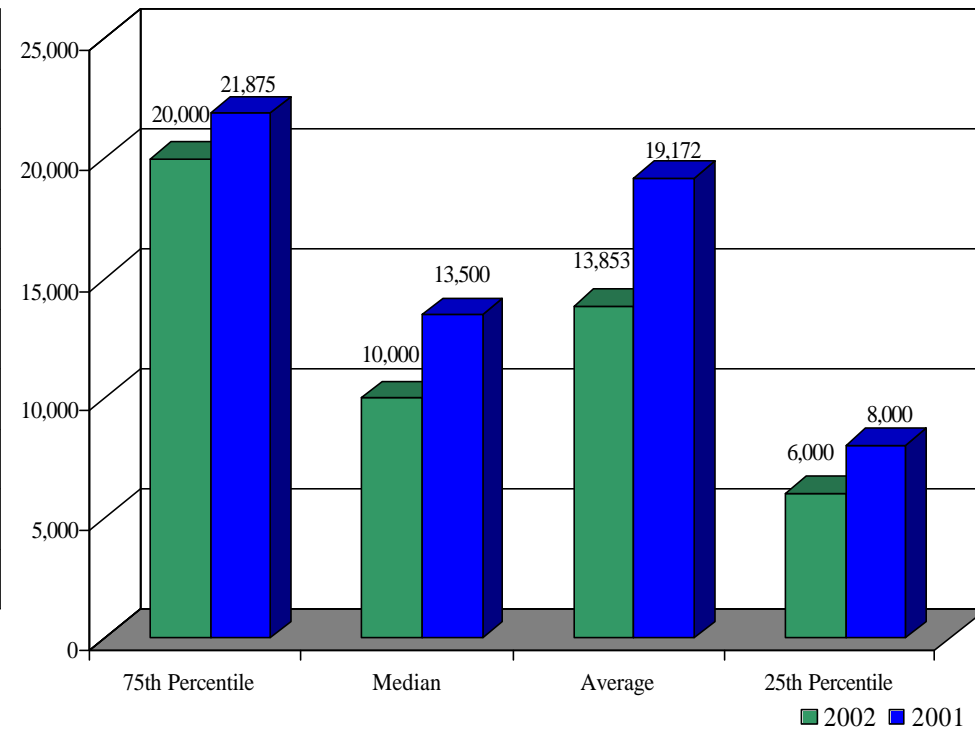
## **STOCK OPTION GRANT SIZES**

Many companies, particularly those in the technology industry, focus on the size of director grants in terms of shares as opposed to their face value. Below, we summarize the survey data on shares granted in 2002 versus 2001. In the bar graph to the left, the median initial number of options granted at hire for NASDAQ-100 companies\* in 2002 is 20,000. In the bar graph to the right, the median annual number of ongoing options granted in 2002 is 10,000. It is apparent from the bar graphs below that initial and annual option share grants to directors have fallen from last year.

**Initial Option Grants**



**Annual Option Grants**

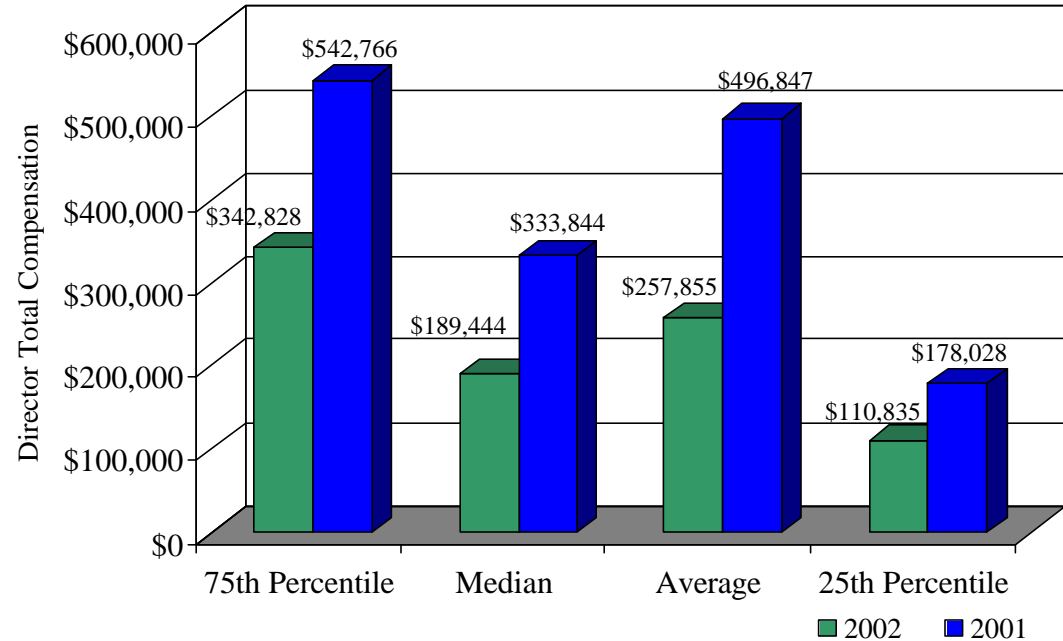
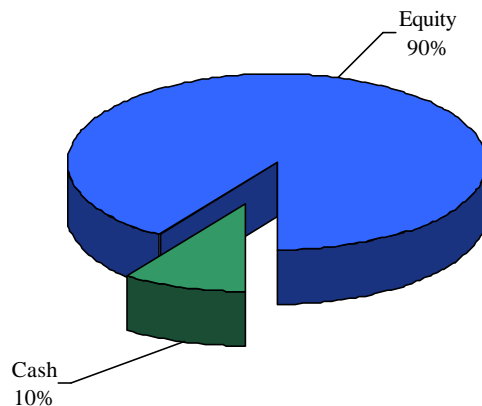


*\*Excludes five companies, three of which are foreign companies that did not provide detailed disclosure on director compensation and were therefore excluded from the analysis; two others that provide cash compensation and have made equity grants previously, were excluded because we are unable to identify an established grant pattern.*

## ***DIRECTOR TOTAL COMPENSATION***

The size of director total compensation for NASDAQ-100 companies ranges from a low of \$10,000 to a high of \$1,650,300. The bar graph on the lower right summarizes the level of annual total director compensation among NASDAQ-100 companies\* for 2002 versus 2001. Total compensation has dropped substantially from last year with the median level of compensation at \$189,444 as compared with \$333,844 in 2001. Much of this decrease in value can be attributed to stock price declines. As noted earlier, several assumptions were changed from last year's survey which would attribute to some of the decline, including: 1) board meetings were reduced from eight to six, 2) directors serve on one committee as opposed to two, 3) chairman fees/retainers are excluded from total compensation, and 4) equity grants are valued as of the annual meeting date instead of one particular date for all companies.

In addition, the pie chart on the left below shows that the total compensation value to directors is largely weighted in favor of equity over cash. Many of these options are currently underwater due to the continuing price decline among technology stocks.



*\* Excludes five companies, three of which are foreign companies that did not provide detailed disclosure on director compensation and were therefore excluded from the analysis; two others that provide cash compensation and have made equity grants previously, were excluded because we are unable to identify an established grant pattern.*

## **ADDITIONAL COMPENSATION INFORMATION**

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- Sixteen companies offer directors an opportunity to defer their annual retainer and other meeting fees. The majority of plans let directors defer into stock units of the company or in a cash fund that accumulates interest.

ADC Telecommunications	Genzyme	Sun Microsystems
Altera	Intel	Tellabs
Biogen	Molex	USA Networks
Cintas	PACCAR	Xilinx
Dell	PanAmSat	
Dentsply International	PETsMART	

- In what may be a developing trend, several companies provide additional compensation for the audit committee
  - Biomet provides an additional \$9,000 retainer to audit committee members that are not provided to either nominating or compensation committee members
  - Oracle awards an additional \$100,000 annual retainer and 60,000 option shares to the finance and audit chairman and \$60,000 and 20,000 option shares to the vice chairman (note that the company also provides similar amounts to the executive chairman and lesser amounts to the compensation chairman)
  - Paychex provides an additional \$500 per meeting and Sigma-Aldrich provides an additional \$1,000 per meeting for the chairman of the audit committee
  - Note that several companies pay additional fees for audit and compensation committee service but not for other committees including Intuit, QLogic and Ross Stores
- In addition, several companies mentioned special pay for lead independent directors of the board
  - Bed Bath & Beyond awards its lead director an annual retainer of \$25,000

## **ADDITIONAL COMPENSATION INFORMATION (CONT'D)**

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- Gilead Sciences awards its Chairman of Board or lead independent director an additional 80,000 options upon initial appointment to the Chairman position and 12,000 option shares annually thereafter
- Intel awards an additional annual retainer of \$6,000 to the lead independent director
- PETsMART provides an additional \$20,000 annual retainer for the lead director
- Millennium Pharmaceuticals awards an additional 1,500 options per year to the lead outside director
- Whole Foods Market provides an annual retainer of \$30,000 to the lead director
- Some companies disclose perquisites available to directors
  - Altera allows directors to receive medical, dental and vision insurance benefits at the same level generally available to employees
  - Directors of Siebel Systems can participate in an employee stock purchase plan and 401(k) plan
  - Smurfit-Stone provides a matching gift program up to \$5,000 for directors
  - Symantec directors are entitled to medical coverage (FMV per member is \$18,000)
- Two companies disclosed stock ownership requirements for board members
  - Electronic Arts requires directors to own common shares having a value of at least three times the annual retainer of \$16,000 within three years of election to the board
  - Comcast requires directors to own five times the annual board retainer of \$35,000

## **ADDITIONAL COMPENSATION INFORMATION (CONT'D)**

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- Three companies link director compensation to performance measures (other than stock price)
  - ADC Telecommunications states that directors receive a stock option grant “provided that the company’s return on equity for the fiscal year immediately preceding that annual meeting is at least 10%”
  - Compuware grants options to directors if the company achieves earnings per share equal to or exceeding the executive bonus plan target and additional options if the company achieves EPS equal to or exceeding the maximum for the executive bonus plan (directors did not receive either in Fiscal 2002)
  - Molex increases the number of option grants from 200 to 500 per year of service if the following two financial conditions are met:
    - 1) Net profits (after taxes) are at least 10% of net sales revenue, and
    - 2) Net sales revenue increases at least one and one-half times the “Worldwide Growth” of the general connector market as compared to the previous year’s net sales revenue
- Several companies penalize directors who do not attend at least 75% of the meetings
  - ADC Telecommunications reduces the director’s stock option grant by 25% (from 12,000 option shares to 9,000 option shares)
  - Converse Technology makes directors forfeit 5,400 shares per meeting missed (approximately 20% of the annual grant) in the event that the director fails to attend at least five meetings of the board and any of its committees which the director is a member
  - NVIDIA makes vesting on options more restrictive
  - Whole Foods Market awards 2,000 options shares only to directors who attended at least 2/3rds of the prior year’s meetings

**SUMMARY OF  
DIRECTOR  
COMPENSATION  
BY COMPANY**

Company	Meeting Date	Stock Price	Annual Retainer	Board Meeting Fee <sup>(A)</sup>	Committee Meeting Fee <sup>(B)</sup>	Committee Member Retainer	Total Annual Retainer & Fees	Committee Chair Fees/Retainer <sup>(C)</sup>	Annualized Equity Grant Value <sup>(D)</sup>	Total Compensation <sup>(E)</sup>	Initial Stock Option Grant - Shares	Annual Stock Option Grant - Shares
ADC Telecommunications <sup>(1)</sup>	2/19/02	\$3.69	\$20,000	\$6,000	\$3,400	\$0	\$29,400	\$3,000	\$46,125	\$75,525	25,000	25,000
Adobe	4/11/02	\$36.37	\$24,000	\$9,000	\$4,000	\$0	\$37,000	\$0	\$800,140	\$837,140	60,000	40,000
Altera <sup>(2)</sup>	4/30/02	\$20.56	\$12,000	\$12,000	\$8,000	\$0	\$32,000	\$0	\$328,960	\$360,960	40,000	30,000
Amazon.com <sup>(3)</sup>	5/29/02	\$18.91	\$0	\$0	\$0	\$0	\$0	\$0	\$141,825	\$141,825	75,000	0
American Power	6/11/02	\$13.00	\$20,000	\$9,000	\$6,000	\$0	\$35,000	\$0	\$130,000	\$165,000	20,000	20,000
Amgen <sup>(4)</sup>	5/16/02	\$50.35	\$20,000	\$7,500	\$3,000	\$0	\$30,500	\$6,000	\$624,340	\$654,840	60,000	16,000
Apollo Group	1/23/02	\$29.41	\$24,000	\$12,000	\$4,000	\$0	\$40,000	\$6,000	\$297,776	\$337,776	20,250	20,250
Apple <sup>(5)</sup>	4/24/02	\$23.77	\$0	\$0	\$0	\$0	\$0	\$0	\$95,080	\$95,080	30,000	8,000
Applied Materials <sup>(6)</sup>	3/21/02	\$26.01	\$18,000	\$16,200	\$2,000	\$0	\$36,200	\$0	\$416,160	\$452,360	48,000	28,000
BEA Systems	6/19/02	\$9.95	\$0	\$0	\$0	\$0	\$0	\$49,750	\$248,750	\$248,750	50,000	50,000
Bed Bath & Beyond <sup>(7)</sup>	6/27/02	\$37.69	\$10,000	\$0	\$0	\$0	\$10,000	\$0	\$0	\$10,000	0	0
Biogen <sup>(8), (9)</sup>	6/14/02	\$42.42	\$20,000	\$9,000	\$3,000	\$0	\$32,000	\$4,000	\$424,200	\$456,200	70,000	20,000
Biomet <sup>(10), (11)</sup>	9/21/02	\$28.51	\$17,000	\$6,000	\$4,000	\$9,000	\$36,000	\$0	\$28,510	\$64,510	2,000	2,000
Broadcom <sup>(12)</sup>	4/25/02	\$35.03	\$0	\$0	\$0	\$0	\$0	\$0	\$910,780	\$910,780	100,000	35,000
Brocade <sup>(13)</sup>	4/18/02	\$26.28	\$0	\$0	\$0	\$0	\$0	\$0	\$420,480	\$420,480	80,000	20,000
CH Robinson <sup>(14)</sup>	5/7/02	\$33.03	\$6,000	\$9,000	\$3,000	\$0	\$18,000	\$0	\$49,545	\$67,545	3,000	3,000
CDW Computer <sup>(15)</sup>	5/22/02	\$52.98	\$30,000	\$0	\$0	\$0	\$30,000	\$0	\$317,880	\$347,880	20,000	10,000
Cephalon	5/15/02	\$58.67	\$25,000	\$18,000	\$0	\$3,000	\$46,000	\$0	\$322,685	\$368,685	15,000	10,000
Checkpoint Software <sup>(16)</sup>	7/31/02	\$16.78	\$0	\$0	\$0	\$0	\$0	\$0	\$125,850	\$125,850	30,000	11,250
Chiron <sup>(17)</sup>	5/16/02	\$38.18	\$16,000	\$12,000	\$4,000	\$0	\$32,000	\$5,000	\$343,620	\$375,620	30,000	15,000
CIENA <sup>(18)</sup>	3/7/02	\$9.70	\$0	\$15,000	\$5,000	\$0	\$20,000	\$0	\$135,800	\$155,800	60,000	20,000
Cintas	10/16/02	\$45.71	\$14,000	\$16,500	\$4,800	\$0	\$35,300	\$3,000	\$22,855	\$58,155	1,000	1,000
Cisco	11/19/02	\$13.66	\$32,000	\$0	\$0	\$0	\$32,000	\$0	\$122,940	\$154,940	30,000	15,000
Citrix <sup>(19)</sup>	5/16/02	\$12.38	\$0	\$9,000	\$2,000	\$0	\$11,000	\$0	\$173,320	\$184,320	60,000	20,000
Comcast	7/10/02	\$21.54	\$35,000	\$12,000	\$4,000	\$0	\$51,000	\$1,000	\$65,912	\$116,912	9,000	5,400
Compuware <sup>(20), (21)</sup>	8/27/02	\$3.48	\$0	\$20,880	\$0	\$1,740	\$22,620	\$0	\$34,800	\$57,420	20,000	20,000
Comverse	12/3/02	\$12.33	\$0	\$16,500	\$11,000	\$0	\$27,500	\$0	\$166,455	\$193,955	27,000	27,000
Costco <sup>(22)</sup>	1/30/02	\$45.60	\$30,000	\$6,000	\$2,000	\$0	\$38,000	\$0	\$273,600	\$311,600	12,000	12,000
Dell <sup>(23)</sup>	5/28/02	\$26.85	\$40,000	\$0	\$0	\$0	\$40,000	\$0	\$452,578	\$492,578	72,238	24,080
Dentsply Int'l <sup>(24)</sup>	5/22/02	\$38.85	\$22,000	\$6,000	\$4,000	\$0	\$32,000	\$4,000	\$58,275	\$90,275	9,000	3,000
Dollar Tree	5/30/02	\$37.51	\$15,000	\$6,000	\$4,000	\$0	\$25,000	\$0	\$140,663	\$165,663	7,500	7,500



**SUMMARY OF  
DIRECTOR  
COMPENSATION  
BY COMPANY**

<b>Company</b>	<b>Meeting Date</b>	<b>Stock Price</b>	<b>Annual Retainer</b>	<b>Board Meeting Fee <sup>(A)</sup></b>	<b>Committee Meeting Fee <sup>(B)</sup></b>	<b>Committee Member Retainer</b>	<b>Total Annual Retainer &amp; Fees</b>	<b>Committee Chair Fees/Retainer <sup>(C)</sup></b>	<b>Annualized Equity Grant Value <sup>(D)</sup></b>	<b>Total Compensation <sup>(E)</sup></b>	<b>Initial Stock Option Grant - Shares</b>	<b>Annual Stock Option Grant - Shares</b>
Ebay	6/5/02	\$55.01	\$0	\$0	\$0	\$0	\$0	\$0	\$1,650,300	\$1,650,300	180,000	30,000
EchoStar <sup>(25)</sup>	5/6/02	\$24.58	\$0	\$6,000	\$0	\$0	\$6,000	\$0	\$24,580	\$30,580	10,000	0
Electronic Arts <sup>(26), (27), (28), (29)</sup>	8/1/02	\$58.82	\$16,000	\$7,200	\$4,000	\$0	\$27,200	\$0	\$335,274	\$362,474	25,000	8,000
Expeditors <sup>(30)</sup>	5/8/02	\$28.47	\$10,000	\$6,000	\$4,000	\$0	\$20,000	\$0	\$227,760	\$247,760	16,000	16,000
Express Scripts <sup>(31), (32)</sup>	5/22/02	\$53.35	\$10,000	\$9,000	\$6,000	\$0	\$25,000	\$5,000	\$245,410	\$270,410	14,000	8,667
Fastenal <sup>(33)</sup>	4/16/02	\$41.19	\$1,000	\$18,000	\$12,000	\$0	\$31,000	\$0	\$0	\$31,000	0	0
First Health	5/15/02	\$28.02	\$35,000	\$0	\$0	\$0	\$35,000	\$56,040	\$268,992	\$303,992	32,000	16,000
Fiserv <sup>(34), (35), (36)</sup>	3/28/02	\$45.99	\$16,000	\$62,388	\$0	\$0	\$78,388	\$0	\$91,980	\$170,368	12,000	4,000
Flextronics	8/29/02	\$9.51	\$0	\$0	\$0	\$0	\$0	\$0	\$71,325	\$71,325	25,000	12,500
Gentex	5/9/02	\$31.89	\$7,000	\$6,000	\$3,000	\$0	\$16,000	\$0	\$95,670	\$111,670	6,000	6,000
Genzyme <sup>(37), (38)</sup>	5/30/02	\$32.52	\$25,000	\$6,000	\$2,000	\$0	\$33,000	\$2,000	\$117,270	\$150,270	18,000	18,000
Gilead Sciences <sup>(39), (40), (41)</sup>	5/22/02	\$35.30	\$25,000	\$9,000	\$4,000	\$56,480	\$94,480	\$118,960	\$564,800	\$659,280	100,000	15,000
Henry Schein	6/5/02	\$48.81	\$30,000	\$9,000	\$4,400	\$0	\$43,400	\$0	\$146,430	\$189,830	6,000	6,000
Human Genome Sciences <sup>(42)</sup>	5/22/02	\$15.82	\$25,000	\$0	\$4,000	\$0	\$29,000	\$0	\$189,840	\$218,840	48,000	8,000
ICOS <sup>(43)</sup>	5/17/02	\$24.53	\$24,000	\$12,000	\$4,000	\$0	\$40,000	\$0	\$131,575	\$171,575	17,082	9,139
IDEC Pharm	5/23/02	\$47.30	\$12,500	\$15,000	\$4,000	\$0	\$31,500	\$0	\$354,750	\$386,250	35,000	10,000
Intel <sup>(44), (45)</sup>	5/22/02	\$29.59	\$24,000	\$24,000	\$0	\$0	\$48,000	\$0	\$236,720	\$284,720	20,000	15,000
Intuit <sup>(46)</sup>	12/12/02	\$48.24	\$0	\$0	\$0	\$120,600	\$120,600	\$0	\$506,520	\$627,120	45,000	15,000
Invitrogen	5/23/02	\$42.54	\$20,000	\$0	\$0	\$0	\$20,000	\$4,000	\$212,700	\$232,700	10,000	10,000
JDS Uniphase <sup>(47)</sup>	10/31/02	\$2.25	\$0	\$9,000	\$2,000	\$0	\$11,000	\$3,375	\$18,000	\$29,000	40,000	10,000
Juniper Networks <sup>(48), (49)</sup>	5/8/02	\$9.62	\$10,000	\$6,000	\$2,000	\$0	\$18,000	\$0	\$28,860	\$46,860	20,000	3,333
KLA Tencor <sup>(49)</sup>	11/8/02	\$37.05	\$20,000	\$6,000	\$2,000	\$0	\$28,000	\$0	\$185,250	\$213,250	10,000	10,000
Lamar Advertising <sup>(50)</sup>	5/23/02	\$42.56	\$18,000	\$0	\$0	\$0	\$18,000	\$0	N/A	N/A	N/A	N/A
Lincare Holdings <sup>(50)</sup>	5/20/02	\$30.18	\$30,000	\$0	\$0	\$0	\$30,000	\$0	N/A	N/A	N/A	N/A
Linear Technologies	11/6/02	\$30.58	\$20,000	\$9,000	\$0	\$0	\$29,000	\$0	\$305,800	\$334,800	20,000	20,000
LM Ericsson <sup>(51)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maxim Integrated	11/14/02	\$37.46	\$4,000	\$6,000	\$0	\$0	\$10,000	\$0	\$187,300	\$197,300	2,000	12,000
MedImmune <sup>(52)</sup>	5/23/02	\$33.17	\$10,000	\$15,000	\$4,000	\$0	\$29,000	\$0	\$497,550	\$526,550	30,000	30,000
Mercury Interactive	5/15/02	\$38.70	\$25,000	\$0	\$0	\$0	\$25,000	\$0	\$348,300	\$373,300	50,000	10,000
Microchip Technology <sup>(53)</sup>	8/16/02	\$22.81	\$13,600	\$10,200	\$0	\$0	\$23,800	\$0	\$82,116	\$105,916	12,000	6,000
Microsoft	11/5/02	\$56.68	\$35,000	\$0	\$0	\$0	\$35,000	\$0	\$283,400	\$318,400	10,000	10,000

**SUMMARY OF  
DIRECTOR  
COMPENSATION  
BY COMPANY**

<b>Company</b>	<b>Meeting Date</b>	<b>Stock Price</b>	<b>Annual Retainer</b>	<b>Board Meeting Fee <sup>(A)</sup></b>	<b>Committee Meeting Fee <sup>(B)</sup></b>	<b>Committee Member Retainer</b>	<b>Total Annual Retainer &amp; Fees</b>	<b>Committee Chair Fees/Retainer <sup>(C)</sup></b>	<b>Annualized Equity Grant Value <sup>(D)</sup></b>	<b>Total Compensation <sup>(E)</sup></b>	<b>Initial Stock Option Grant - Shares</b>	<b>Annual Stock Option Grant - Shares</b>
Millennium Pharm <sup>(54), (55), (56)</sup>	4/25/02	\$18.85	\$15,000	\$9,000	\$3,000	\$0	\$27,000	\$18,850	\$113,100	\$140,100	30,000	7,500
Molex <sup>(57)</sup>	10/25/02	\$27.31	\$35,000	\$12,000	\$0	\$0	\$47,000	\$0	\$13,655	\$60,655	1,000	1,000
Network Appliance <sup>(58)</sup>	8/29/02	\$9.80	\$0	\$0	\$0	\$0	\$0	\$0	\$112,700	\$112,700	55,000	15,000
Nextel <sup>(59), (60), (61)</sup>	5/30/02	\$4.96	\$0	\$0	\$0	\$0	\$0	\$12,400	\$54,560	\$54,560	10,000	25,000
Novellus Systems	5/17/02	\$51.32	\$30,000	\$9,000	\$2,000	\$0	\$41,000	\$0	\$256,600	\$297,600	10,000	10,000
NVIDIA <sup>(62)</sup>	7/11/02	\$19.93	\$0	\$0	\$0	\$49,825	\$49,825	\$0	\$348,775	\$398,600	75,000	25,000
Oracle <sup>(63), (64), (65), (66)</sup>	10/14/02	\$9.25	\$40,000	\$9,000	\$12,000	\$0	\$61,000	\$602,500	\$222,000	\$283,000	80,000	40,000
PACCAR <sup>(67)</sup>	4/30/02	\$46.06	\$60,000	\$30,000	\$20,000	\$0	\$110,000	\$0	\$0	\$110,000	0	0
PanAmSat <sup>(68)</sup>	5/31/02	\$24.60	\$50,000	\$0	\$0	\$0	\$50,000	\$5,000	\$6,150	\$56,150	500	500
Patterson Dental <sup>(69)</sup>	9/9/02	\$47.98	\$10,000	\$7,500	\$0	\$0	\$17,500	\$0	\$172,728	\$190,228	12,000	6,000
Patterson UTI	5/30/02	\$29.70	\$24,000	\$0	\$0	\$0	\$24,000	\$0	\$133,650	\$157,650	15,000	7,500
Paychex <sup>(70)</sup>	10/17/02	\$28.25	\$10,000	\$6,000	\$2,000	\$0	\$18,000	\$0	\$120,063	\$138,063	22,500	5,000
Peoplesoft	5/29/02	\$19.39	\$20,000	\$0	\$0	\$5,000	\$25,000	\$0	\$232,680	\$257,680	60,000	15,000
PETsMART <sup>(71), (72), (73)</sup>	6/27/02	\$15.96	\$24,000	\$9,000	\$6,000	\$0	\$39,000	\$4,000	\$21,000	\$60,000	5,639	1,880
Pixar <sup>(74)</sup>	10/4/02	\$43.20	\$0	\$6,000	\$4,000	\$0	\$10,000	\$0	\$216,000	\$226,000	30,000	10,000
Qlogic <sup>(75), (76)</sup>	8/27/02	\$35.91	\$24,000	\$1,000	\$0	\$0	\$25,000	\$4,000	\$430,920	\$455,920	40,000	20,000
QUALCOMM <sup>(77), (78)</sup>	2/12/02	\$40.50	\$0	\$6,000	\$4,000	\$0	\$10,000	\$2,500	\$243,000	\$253,000	20,000	10,000
RF Micro Devices	7/23/02	\$7.13	\$12,000	\$6,000	\$0	\$2,000	\$20,000	\$0	\$71,300	\$91,300	20,000	20,000
Ross Stores <sup>(78)</sup>	5/23/02	\$41.79	\$31,000	\$6,000	\$2,000	\$0	\$39,000	\$5,000	\$150,444	\$189,444	20,000	4,000
Ryanair Holdings PLC <sup>(51)</sup>	9/25/02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sanmina-SCI	1/28/02	\$14.54	\$10,000	\$12,000	\$4,000	\$0	\$26,000	\$0	\$87,240	\$113,240	20,000	10,000
Siebel Systems <sup>(79)</sup>	6/6/02	\$18.08	\$0	\$0	\$0	\$0	\$0	\$0	\$188,032	\$188,032	40,000	16,000
Sigma-Aldrich <sup>(80), (81)</sup>	5/7/02	\$50.40	\$13,500	\$18,000	\$4,000	\$0	\$35,500	\$8,000	\$90,720	\$126,220	10,000	2,000
Smurfit-Stone <sup>(82)</sup>	5/9/02	\$17.03	\$35,000	\$9,000	\$6,000	\$0	\$50,000	\$5,000	\$45,545	\$95,545	3,000	3,000
Staples <sup>(83)</sup>	6/11/02	\$19.64	\$0	\$186,580	\$0	\$0	\$186,580	\$3,928	\$147,300	\$333,880	15,000	15,000
Starbucks	2/26/02	\$22.31	\$0	\$0	\$0	\$0	\$0	\$0	\$557,750	\$557,750	50,000	50,000
Sun Microsystems	11/7/02	\$3.40	\$0	\$6,000	\$4,000	\$0	\$10,000	\$8,000	\$20,400	\$30,400	20,000	10,000
Symantec <sup>(84)</sup>	7/26/02	\$32.49	\$25,000	\$0	\$0	\$0	\$25,000	\$0	\$220,932	\$245,932	20,000	12,000
Synopsys <sup>(85)</sup>	6/4/02	\$49.83	\$8,000	\$6,000	\$4,000	\$249,150	\$267,150	\$0	\$298,980	\$566,130	20,000	10,000
Tellabs	4/23/02	\$8.76	\$30,000	\$9,000	\$0	\$0	\$39,000	\$0	\$29,784	\$68,784	10,000	6,000
Teva Pharm <sup>(51)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**SUMMARY OF  
DIRECTOR  
COMPENSATION  
BY COMPANY**

<b>Company</b>	<b>Meeting Date</b>	<b>Stock Price</b>	<b>Annual Retainer</b>	<b>Board Meeting Fee (A)</b>	<b>Committee Meeting Fee (B)</b>	<b>Committee Member Retainer</b>	<b>Total Annual Retainer &amp; Fees</b>	<b>Committee Chair Fees/Retainer (C)</b>	<b>Annualized Equity Grant Value (D)</b>	<b>Total Compensation (E)</b>	<b>Initial Stock Option Grant - Shares</b>	<b>Annual Stock Option Grant - Shares</b>
TMP Worldwide <sup>(86)</sup>	6/19/02	\$24.05	\$25,000	\$6,000	\$4,000	\$0	\$35,000	\$0	\$102,213	\$137,213	22,500	5,000
USA Networks <sup>(87)</sup>	6/4/02	\$25.10	\$30,000	\$6,000	\$4,000	\$0	\$40,000	\$2,500	\$138,050	\$178,050	15,000	10,000
VeriSign	5/21/02	\$9.97	\$0	\$0	\$0	\$0	\$0	\$0	\$94,715	\$94,715	25,000	17,500
VERITAS <sup>(88)</sup>	5/12/02	\$25.05	\$0	\$0	\$0	\$125,250	\$125,250	\$0	\$501,000	\$626,250	100,000	25,000
Whole Foods Market <sup>(89), (90), (91)</sup>	3/25/02	\$46.61	\$0	\$24,000	\$8,000	\$0	\$32,000	\$2,000	\$83,898	\$115,898	10,000	2,000
Xilinx	8/8/02	\$18.10	\$30,000	\$0	\$0	\$0	\$30,000	\$5,000	\$152,040	\$182,040	36,000	12,000
Yahoo!	4/26/02	\$14.50	\$0	\$0	\$0	\$0	\$0	\$0	\$435,000	\$435,000	100,000	50,000
<b>HIGH</b>		\$58.82	\$60,000	\$186,580	\$20,000	\$249,150	\$267,150		\$1,650,300	\$1,650,300	180,000	50,000
<b>75TH PERCENTILE</b>		\$41.19	\$25,000	\$12,000	\$4,200	\$104,570	\$38,000		\$302,390	\$342,828	40,000	20,000
<b>AVERAGE</b>		\$29.21	\$15,542	\$13,804	\$4,620	\$62,205	\$33,492		\$223,593	\$257,284	30,760	13,853
<b>MEDIAN</b>		\$28.47	\$15,000	\$9,000	\$4,000	\$29,413	\$29,000		\$152,040	\$189,444	20,000	10,000
<b>25TH PERCENTILE</b>		\$18.08	\$0	\$6,000	\$3,000	\$3,500	\$18,000		\$85,569	\$110,835	10,000	6,000
<b>LOW</b>		\$2.25	\$0	\$1,000	\$2,000	\$1,740	\$0		\$0	\$10,000	0	0

**Notes:**

- (A) Assumes six in-person meetings per Board
- (B) Assumes one committee per director and four in-person committee meetings
- (C) Chairman fees are excluded from the total director compensation analysis
- (D) Stock option grants valued using 50% Black-Scholes ratio and annualized in certain cases as footnoted below
- (E) Total Compensation is the sum of the total annual retainer and fees and the annualized equity grant value (excludes chairman fees or retainer)
  - (1) Stock options are performance based - See "Additional Compensation Information" for complete description
  - (2) Board and Committee meetings conducted by phone receive \$1,000
  - (3) Only able to identify an initial option grant of 75,000 shares upon election to the Board; unclear if directors receive annual option grants
  - (4) Directors also may receive \$2,500 for attendance at special two day meeting (not included)
  - (5) Equity grant consists of 30,000 options upon initial election to the Board and 10,000 option shares per year starting on the fourth anniversary of the director's initial election; equivalent to option grant of 8,000 per year
  - (6) Equity grants reflect two for one split in April 2002 following the release of the Company's proxy statement
  - (7) Lead director receives an annual retainer of \$25,000 (instead of regular \$10,000 retainer); not included
  - (8) Equity grants consists of 70,000 option shares upon initial election to the Board and 30,000 options upon every third anniversary thereafter; equivalent to option grant of 20,000 per year
  - (9) Additional compensation for scientific board (not included)
  - (10) Director may also receive \$500 for attendance at Board and Committee meetings conducted by telephone
  - (11) Directors who are Audit committee members receive a \$9,000 annual retainer and members of the Executive committee receive \$17,000 annual retainer (assumed attendance on Audit Committee)
  - (12) Directors receive an initial option grant of 100,000 shares and annual grants of 15,000 option shares thereafter; Upon four years of consecutive service, directors receive an additional 100,000 option grant (special service grant annualized over four years makes annual grant equal to 35,000 per year)
  - (13) Excludes interim options paid to select directors in 2001
  - (14) Unable to determine if the Company awards an initial option grant to directors; assume that annual grant of 3,000 options is same as the initial grant
  - (15) Director may elect to receive more options in lieu of annual cash retainer fees
  - (16) Non-US company that was not included in much of the demographical information due to a lack of disclosure but did provide detailed director compensation data to be included in the percentile calculations
  - (17) Directors also may receive \$500 per Board meeting conducted by phone and \$200 per hour for Committee meeting by phone up to a maximum of \$1,000 per day
  - (18) Directors received supplemental grants in October 2001 that were not included in the analysis
  - (19) Directors may receive \$200 for attendance at Board meetings by phone
  - (20) All fees are paid in stock options; initial and annual stock option grants are performance based - See "Additional Compensation Information" for complete description
  - (21) Directors may receive 500 options for each Board meeting and 250 for each Committee meeting attended by phone
  - (22) Unable to determine if the Company awards an initial option grant to directors; assume that annual grant of 12,000 options is same as the initial grant
  - (23) Directors may elect to take annual retainer in stock options
  - (24) Directors receive an initial option grant of 9,000 shares and another 9,000 option shares upon the third anniversary of the directors initial election; equivalent to annual option grant of 3,000 shares
  - (25) Company appears to provide an initial grant to directors of 10,000 options; however, unclear if directors receive annual option grants
  - (26) Does not included valuation for Class B option shares granted to directors
  - (27) Directors may elect to receive fees in stock
  - (28) Directors may receive \$950 for Board meetings and \$750 for Committee meetings by phone
  - (29) Directors may receive \$1,000 per day for special assignments of the Board
  - (30) Equity grants reflect two for one split in June 2002 following the release of the Company's proxy statement
  - (31) Equity grants consists of 14,000 option shares upon initial election to the Board, 6,000 options annually thereafter and an additional 8,000 options upon each third anniversary; equivalent to option grant of 8,667 per year
  - (32) Directors may receive \$500 for Board and Committee meetings by phone
  - (33) No equity compensation for services in 2001 disclosed

**Notes (Cont'd):**

- (34) Directors receive an initial option grant of 12,000 shares and upon the third anniversary of the directors initial election; equivalent to annual option grant of 4,000 shares
- (35) Directors may receive \$400 for Board meetings via phone
- (36) Directors receive 400 option shares per Board meeting in addition to \$1,200 per Board meeting
- (37) Equity grant includes 6,000 Genzyme General options, 6,000 Genzyme Molecular Oncology options (\$2.33 stock price) and 6,000 Genzyme Biosurgery (\$4.24 stock price)
- (38) Director may also receive the same meeting fees if done by phone as would be receive in person
- (39) Chairman of board or lead independent director gets an additional 80,000 option shares initially and 12,000 annually thereafter (not included)
- (40) Committee members receive 4,000 options upon initial appointment to a Committee and then 3,000 annually thereafter
- (41) Committee Chairman receive 8,000 upon initial appointment as Chairman and then 6,000 annually thereafter
- (42) Equity grant consists of 48,000 option shares upon initial election to the Board and upon every third anniversary; in addition, in all other years, director receives an annual grant of 8,000 options; equivalent of option grant of 21,333 per year
- (43) Equity grant includes \$1 million in options upon initial election to the Board and \$535,000 annually thereafter
- (44) Lead independent director receives an additional \$6,000 annual retainer (not included)
- (45) Directors may also receive \$500 for special telephonic board meetings
- (46) Committee members receive 5,000 options annually for committee membership
- (47) Chairman of committees receive 3,000 options for initial appointment and annually thereafter
- (48) Equity grants consists of 20,000 option shares upon initial election to the Board and 10,000 options upon every third anniversary thereafter; equivalent to option grant of 3,333 per year
- (49) Directors may receive \$500 for Board and \$250 for Committee meetings by phone
- (50) Options have been granted in the past but we are unable to determine an established pattern and have therefore excluded the company from the equity and total director compensation portions of the analysis
- (51) Non-US company that was not included in much of the demographical information or compensation data due to a lack of disclosure; therefore, the company has been excluded from all compensation portions of the analysis
- (52) Directors may receive \$1,000 for Board and \$500 for Committee meetings by phone
- (53) Excludes special one-time option grant of 3,000 options in 2001
- (54) Lead outside director receives additional 1,500 options to annual grant (not included in analysis)
- (55) Directors may receive \$750 Board meetings by phone
- (56) Committee Chairman meeting fees are paid in options
- (57) Director stock option grant equal to 200 times the number of years of service (calculated to be five on per director basis); See "Additional Compensation Information" for complete description
- (58) Excludes award of 100,000 additional options to one director in recognition for performance of outstanding service in furtherance of the Company's international business
- (59) Estimated annual grant of 25,000 shares and initial grant of 10,000 shares based on disclosure provided in proxy
- (60) Does not include additional options granted to directors in 2001 in connection with the company's adoption of a stock option program that provides periodic option grants to all employees meeting a certain seniority level
- (61) Retainer fees paid in stock options
- (62) Company awards 5,000 options per committee member
- (63) Audit meeting fees are \$3,000 while others are \$2,000 (assume audit)
- (64) Vice Chairman of Audit paid \$100,000 (in place of \$40,000 annual retainer) and Chairman of Compensation gets \$120,000 and Chairman of Executive and Audit get \$140,000 (not included in analysis)
- (65) In place of annual grant of 40,000 options, Chairman of Executive and Audit get 100,000 options, Compensation gets 80,000 and Vice Chairman Audit gets 60,000 (not included in analysis)
- (66) Members of special litigation committee paid \$250 per hour
- (67) Part of annual retainer is in stock
- (68) Directors may elect to receive up to 50% of aggregate in cash; any amount not paid in cash will be paid in restricted stock (assumed maximum paid in cash)
- (69) Directors may elect to receive options in lieu of cash retainer
- (70) Audit committee chairman paid an additional \$500 per meeting chaired
- (71) Equity grant includes \$90,000 in options upon initial election to the Board and \$30,000 annually thereafter

**Notes (Cont'd):**

- (72) Lead director of Board receives additional \$20,000 annual retainer (not included)
- (73) Directors may elect to receive 50% of the fees in shares and the remainder in cash (assume no election)
- (74) Equity grant consists of 30,000 options upon initial election to the Board and 10,000 option shares per year starting on the third anniversary of the director's initial election; equivalent to option grant of 10,000 per year
- (75) Board meeting fees are \$1,000 for each meeting in excess of five
- (76) Nonemployee chairman for the Board receives annual option grant of 54,000 options (not included in analysis)
- (77) Directors may receive \$500 for Board and Committee meetings by phone
- (78) Chairman retainer fee paid to all committees except Nominating
- (79) Estimated the Company's initial grant to director upon election to be 40,000 shares and 16,000 annually thereafter based on the disclosure provided in the proxy
- (80) Committee meeting fees varies by committee with Audit and Compensation receiving \$1,000 per meeting and Nominating \$500 (lesser fees may be receive by phone)
- (81) Audit committee chairman receives \$2,000 per meeting (lesser amount may be received by phone)
- (82) Company pays annual restricted stock grant equal to \$20,000 in addition to annual option grant of 3,000 shares
- (83) Board meetings are paid in options up to 15,000 (3,000 per mtg) and stock up to 2,000 PARS (200 per mtg)
- (84) Part of annual retainer is in stock (50%); may elect to receive all of annual retainer in stock
- (85) Estimated 10,000 options for participation on committees
- (86) Excludes additional 10,000 options received in April 2001
- (87) Directors designated by Universal and Liberty waive rights to receive options, annual retainer and fees
- (88) Directors who are members of committees receive 10,000 options for first committee served on and 5,000 options for each additional committee
- (89) Receives 2,000 option shares only if attended 2/3 of meetings in prior year
- (90) Lead director receives \$30,000 annual retainer (not included)
- (91) Meeting fees are less if attended by phone

## ***COMPANY PROFILE***

**Frederic W. Cook & Co., Inc.** provides management compensation consulting services to business clients. Formed in 1973, our firm has served over 1,300 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:

- Total Compensation Reviews
- Strategic Incentives
- Specific Plan Reviews
- Restructuring Incentives
- Competitive Comparisons
- Equity Grant Guidelines
- Executive Ownership Programs
- All-Employee Incentive Plans
- Directors' Remuneration
- Deferral Programs
- Performance Measurement
- Recruitment/Retention Incentives
- Change-in-Control Protection
- Compensation Committee Advisor
- Stock Option Enhancements

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