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INDEPENDENT CORPORATE GOVERNANCE, DIRECTOR COMPENSATION & STOCK OPTION PLANNING GUIDANCE

Obtaining a balance between the needs and the rights of shareholders, management and employees is a key function of a CEO and the Board of Directors (“BOD”) of any publicly listed company. The nature of a BOD is to provide independent checks, balances and guidance, to the CEO and senior management. Independent director BOD members of publicly listed companies require serious independent work and time commitment in addition to actual board meetings. To meet all the fiduciary responsibilities of any publicly listed company and Sarbanes-Oxley legislation, independent directors must invest significant time staying up to speed on the company’s business. Taking on an independent director board seat also brings significant liability, as a result independent directors compensation is increasing significantly. It should also be noted that in many cases, too few board members hold the necessary experience and knowledge to properly execute their duties, where the BOD is dominated by investors with little operating experience or hold close relationships with company management, creating potential biases.

The averages for independent director compensation has increased dramatically in the past three years. Obviously, the location, nature, financial condition and complexity of a business are significant determining elements in crafting appropriate compensation for independent directors. Equity in small-cap companies has a high degree of volatility and is many times less of a consideration than cash compensation. This is particularly the case when a company does not have D&O insurance. In later stage companies, that have a significantly lower risk profile, less cash and more equity typically are strong incentives to attract independent BOD members.

The assessment of the impact of broad-based stock option plans on corporate performance shows that they directly increase productivity and return on assets. This improved performance offsets the dilution the issuance of options creates, so that stock option plans have a positive impact on total shareholder returns. Based upon current industry standards, the total potential dilution from existing and proposed stock option plans on an industry average for small-cap companies, should not exceed 25% of fully diluted shares.

Mr. Douglas MacLellan holds significant expertise in developing and financing businesses in emerging markets and industries, particularly in the pharmaceutical telecommunications, software and media industries. Over the past fifteen years, Mr. MacLellan has helped to develop and finance businesses in Bulgaria, Cambodia, Canada, Chile, China, Hungary, India, Korea, Madagascar, Russia and the United States. Mr. MacLellan is currently a member of the Board of Directors and Chairman of the audit committees of two publicly listed companies including: AXM Pharma, Inc. and AMDL, Inc. Both companies are listed on the AMEX.

KEY GUIDANCE CONCLUSIONS: This white paper has been written based upon numerous facts and figures provided from various journals and articles written by professional executive & board compensation specialists on the topic of director compensation and stock option planning. The goal of this white paper is to focus on the compensation of independent directors and the issuance of stock option plans in small-cap companies. Unfortunately, the data sets available are mostly focused upon mid & large cap companies. Despite this lack of small-cap data, strong and valid conclusions can be drawn from the information and analysis. An overview of the analytical methodology used herein is noted at the back of this publication. The following are 10 key guidance conclusions:

- ❖ In 2004, total annual BOD member compensation (including fees, options and or outright stock grants was approximately US\$235,000 for NYSE companies and US\$150,000 for NASDAQ companies.
- ❖ Committee Chairpersons total annual compensation averages approximately US\$260,000 for NYSE companies and US\$170,000 for NASDAQ companies.
- ❖ The escalation of total BOD member and committee chairman compensation for NASDAQ and NYSE listed companies in 2005 and 2006 are anticipated to increase by as much as 50% per year.
- ❖ The cash component of BOD member and committee chairman compensation is anticipated to constitute approximately 42% of the total directors compensation for NYSE companies and approximately 18% for NASDAQ companies in 2004.
- ❖ The average monthly cash component of director's compensation was US\$3,750 for NASDAQ companies and US\$5,833 for NYSE companies.
- ❖ Beginning in 2004 and rising significantly in 2005, Audit Committee Chairman, Non-Executive Chairman and Lead Directors compensation has risen in many cases to levels equal to that of senior executives. During 2004, on average, non-executive Chairman received approximately US\$365,640 (US\$30,470 per month) in total compensation in NASDAQ companies and US\$258,000 (US\$21,500 per month) in NYSE companies.
- ❖ A CEO who is not also the Chairman of the Board best serves the company's shareholders. The principal arguments in favor of a separate or non-executive chair have to do with enhancing the ability of the Board to monitor the CEO's performance.
- ❖ The assessment of the impact of broad-based stock option plans on corporate performance shows that they directly increase productivity and return on assets. This improved performance offsets the dilution the issuance of options creates, so that the plans have a positive impact on total shareholder returns.
- ❖ Total potential dilution from existing and proposed stock option plans on an industry average for small-cap companies, should not exceed 25% of fully diluted shares.

HOW SHOULD CORPORATE DIRECTORS BE PAID: In June 1995, the National Association of Corporate Directors (NACD) published the results of its Blue Ribbon Commission Study on Director Compensation. The Commission established a set of principles for compensating outside directors and recommended a list of "Best Practices." Those Best Practices describe the process by which director compensation should be set, recommend that directors own stock and be paid only in cash and in stock, suggest that benefit and pension plans for directors be curtailed or eliminated, and outline an extensive disclosure statement for director compensation and equity positions. The Commission study first outlines five principles on which the director compensation program should be based and then presents suggestions on six "Best Practices" for companies to follow if they want to align their programs with these principles.

- ❖ **Director compensation should be determined by the board and disclosed completely to shareholders.**
- ❖ **Director compensation should be aligned with the interests of shareholders.**
- ❖ **Compensation should be used to motivate director behavior.**
- ❖ **Directors should be adequately compensated for their time and effort.**
- ❖ **Establish a process by which directors can determine the compensation program in a deliberative and objective way.**
- ❖ **Disclose fully in the proxy statement the philosophy and process used in determining director compensation and the value of all elements of compensation.**

COMPENSATION OVERVIEW: Independent directors are assuming increased responsibility in protecting organizations and their shareholders. At the same time that their roles, responsibilities, and workloads have increased, so too has their potential liability. These forces in combination have caused independent director compensation levels to increase as companies struggle to attract and retain qualified independent directors. 2004 was a significant year in that the initial changes in director compensation began after Sarbanes-Oxley and other corporate governance reforms. Now, one year later, its aim is to bring the competitive landscape into focus, in the midst of continuing change. The following are notable findings and trends:

- ❖ **The total value of directors' compensation programs continued to increase in 2004, with the average increasing by 53% in NASDAQ companies and 7% in NYSE companies. Some of this increase was due to increasing stock prices.**
- ❖ **Compensation is higher for audit committee chairs than for other committee chairs.**
- ❖ **Although options remain the most prevalent equity award, there is a trend towards replacing their value with full-value equity awards. Eight NASDAQ companies and twelve NYSE companies stopped granting options to non-employee directors in the past year.**
- ❖ **Annual cash retainers for Board membership increased over the past year. For those companies that pay an annual cash retainer, the median increased by 25% for NASDAQ companies and 11% for NYSE companies.**
- ❖ **The number of companies using annual retainers to compensate committee members has increased, with the retainer paid to Audit committee members often times being higher than that paid for service on other committees.**
- ❖ **The trend towards increasing committee meeting fees has subsided over the past year, with such fees and the number of companies who pay them remaining relatively static.**
- ❖ **More companies have established the roles of Lead Director and non-executive Chairman in response to corporate governance concerns. Across all of the companies in the study, there are nine more Lead Directors and sixteen more non-executive Chairmen over last year, giving a total of 37 Lead Directors and 21 non-executive Chairmen.**

- ❖ The prevalence of ownership guidelines and share retention ratios increased as companies have become sensitive to directors' alignment with shareholder interests, particularly at NYSE companies. In particular, 33% of NYSE companies have director ownership guidelines, the majority of which are defined as a multiple of cash retainer.
- ❖ It is common to provide directors with the ability to convert cash retainers and/or fees into stock/stock units or options. 22% of NASDAQ companies and 68% of NYSE companies offer conversion into shares/share units; 4% of NASDAQ companies and 11% of NYSE companies offer conversion into options.

OVERALL BOD COMPENSATION: Companies are increasingly linking compensation to specific director roles and responsibilities, and their related individual time commitments and liabilities. This dynamic is particularly evident for the Audit committee. Based on a comparison of median compensation, NASDAQ companies provide an average of 53% more value than NYSE companies across the categories examined in this study. This is primarily due to delivery of a higher portion of total compensation in the form of equity and a greater increase in NASDAQ stock prices during the year. Absolute compensation levels increased from last year. For regular Board members, the value of compensation increased by 53% at NASDAQ companies and 7% at NYSE companies. The value of Audit committee chair compensation increased by 50% at NASDAQ companies and by 11% at NYSE companies. To measure differences in compensation, the following common categories of Board service were considered:

- ❖ **Board Member Only:** A member of the Board, who does not serve on any committees.
- ❖ **Governance or Compensation Committee Member:** A member of the Board, who also serves as a member of the Governance/Nominating or Compensation committee. This director serves on no other Board committees.
- ❖ **Governance or Compensation Committee Chair:** Like the "Governance or Compensation Committee Member" above, but this director is the chair of the Governance/Nominating or Compensation committee (instead of a regular member).
- ❖ **Audit Committee Member:** A member of the Board, who also serves as a member of the Audit committee. This director serves on no other Board committees.
- ❖ **Audit Committee Chair:** Like the "Audit Committee Member" above, but this director is the chair of the Audit committee (instead of a regular member).

CASH VERSUS EQUITY: The mix of pay elements differs markedly between NASDAQ and NYSE companies. NASDAQ companies provide about one-third less cash value than NYSE companies, but provide about twice as much equity, which results in higher total compensation. NYSE companies rely more heavily on full-value equity awards while NASDAQ companies favor options, illustrating the more leveraged pay strategies at NASDAQ companies.

- ❖ Cash is a higher percentage of total pay at NYSE companies.
- ❖ 23% of NASDAQ and 77% of NYSE companies have full-value equity awards in the director compensation package.
- ❖ 73% of NASDAQ and 20% of NYSE companies have options-only equity programs.
- ❖ Eight NASDAQ companies and twelve NYSE companies stopped granting options to non-employee directors in the past year.

BOARD CASH RETAINERS: The majority of companies in the study provide an annual cash retainer to directors, with 90% of NASDAQ companies and 97% of NYSE companies providing this pay element. The median retainer (for companies that provide one) increased by 25% at NASDAQ companies and by 11% at NYSE companies from last year.

BOARD & COMMITTEE ANNUAL RETAINERS: Some companies provide an annual retainer for committee service in addition to (or in lieu of) meeting fees for committee attendance. These retainers are for regular committee service only and do *not* include additional retainers for chairing a committee. The higher values shown for the NASDAQ companies are largely due to their heavier use of option awards as payment for committee service, while NYSE companies are more likely to provide cash. The number of companies using annual retainers to compensate committee members has increased, with the retainer paid to the Audit committee more likely to be higher than that paid for service on other committees. Across both the NASDAQ and the NYSE companies, sixteen companies added Audit committee retainers since last year. The majority of companies provide meeting fees for attendance at Board and committee meetings, although meeting fees are slightly more prevalent at NASDAQ companies. The number of companies providing meeting fees remained relatively unchanged since last year. Committee meeting fees have increased in recognition of increased work at the committee level (e.g., the median NYSE Audit committee meeting fee increased from US\$1,200 in 2004 to US\$1,500 in 2005).

ADDITIONAL COMMITTEE CHAIR COMPENSATION: To recognize the additional duties involved in chairing a committee, many companies provide additional compensation above that paid to regular committee members. This additional compensation typically takes the form of an additional annual retainer or augmented meeting fee. For the NYSE companies, additional Governance or Compensation committee chair retainers ranged from US\$2,000 to US\$20,000 and additional Audit committee chair retainers ranged from US\$2,000 to US\$25,000. For NASDAQ companies, additional Governance or Compensation committee chair retainers ranged from US\$1,500 to US\$25,000 and additional Audit committee chair retainers also ranged from US\$1,500 to US\$25,000. **For those companies that pay additional compensation to committee chairs, the Audit committee chair is more likely to be paid more than the chairs of other committees.** The most common form of additional compensation is a retainer (versus a per-meeting fee). NASDAQ companies are more likely to provide committee chairs with additional options, resulting in higher total award values than the cash retainers that are more often provided by NYSE companies.

LEAD DIRECTOR COMPENSATION: **At companies that have not adopted an Independent Board Chairperson, the establishment of a Lead Independent Director is critically important.** In addition to serving as the presiding director at meetings of the Board's Independent Directors, a Lead Independent Director is responsible for coordinating the activities of the Independent Directors. At a minimum, a Lead Independent Director helps to set the schedule and agenda for Board meetings, monitors the quality, quantity and timeliness of the flow of information from management, and has the ability to hire independent consultants necessary for the Independent Directors to effectively and responsibly perform their duties. More companies have established the role of "Lead Director" (sometimes called "Presiding Director") in response to corporate governance concerns. Specifically, seven more NASDAQ companies and two more NYSE companies had Lead Directors in 2004. Two more NASDAQ and two more NYSE companies paid Lead Directors additional compensation than in 2003. Lead Directors whose responsibilities were limited to presiding over executive sessions of the Board were excluded from this analysis. Lead Director compensation is typically paid in cash. A few companies supplement cash payment with full-value shares or options, while a few others grant only full-value shares or options. **Lead Director compensation is in all cases above that paid for regular Board service, for those companies paying such compensation.**

NON-EXECUTIVE CHAIRMAN COMPENSATION: More companies have added non-executive Chairman of the Board positions over in 2003, with ten additional NASDAQ and six additional NYSE Non-executive Chairmen. Six more NASDAQ companies pay additional compensation to their Non-executive Chairmen over last year. **Non-Executive Chairman compensation is usually a mix of cash and equity, and tends to reflect the Chairman's role and responsibilities within the company, resulting in a wide range of compensation levels for the position.**

SEPARATE OFFICES OF CHAIRMAN & CEO: One of the principal functions of the Board of Directors is to protect shareholders' interests by monitoring and evaluating the performance of company management, including its Chief Executive Officer (CEO). When the Chairman of the Board is also the CEO of the company, his or her duty to oversee management is obviously compromised when he or she is required to monitor him or herself. In addition, the CEO typically determines the agenda for Board meetings, controls what information the Directors receive, and often dominates the selection of who sits on the Board and who is a member of the Board's committees. **This unity of power has caused concern in governance commissions and activist pension funds about whether or not having a CEO who is also the Chairman of the Board best serves the company's shareholders. The principal arguments in favor of a separate or non-executive chair have to do with enhancing the ability of the Board to monitor the CEO's performance. It is assumed that Directors will feel more at ease about raising challenges to the CEO and executing their legal responsibilities.**

STOCK OPTION PLANS: In implementing a stock option plan, a company should carefully consider its desired objectives. It is important that people being granted options understand what their rights are and, more importantly, the potential future value of the option if everyone does his or her part to increase the value of the business. Make sure that the total option plan and the types of grants you are making are consistent both with your organization's development stage and for your industry. As the risk goes down, so should the number of options being granted. **It is important to also ensure that a company's Optimal Option Allocation ("OOA"), the ratio of options to outstanding shares, isn't so great as to make future equity financing activity more difficult or more expensive to complete. Having a large percentage of options outstanding (many consider 25% to be the ceiling) may make your business look unusual to potential investors.** In addition, any financing sources will use a "fully diluted" calculation, which will take into account all outstanding options as if they were exercised, which may make it difficult to reach agreement on business valuation. Accounting rules and downturns in the public market may have led some to conclude that option grants are not an appropriate incentive tool. However, they should still be viewed by growing businesses as a viable way to create incentives for individuals who can make a difference without costing an enterprise scarce cash resources. The best way to manage a company's OOA is to satisfy shareholders and motivate executives and other employees is to encourage stock ownership. Successful OOA programs include stock ownership guidelines and executive, employee and director stock ownership plans.

STOCK OPTION PERFORMANCE: Over the last 16 years, stock option OOA in the largest US publicly held companies has risen dramatically, up from 5% in 1988 to 20% in 2004. Although OOA has reached disturbing levels at some companies, overall this dramatic increase has not hurt shareholders and has in fact helped boost the U.S. stock market value. **The assessment of the impact of broad-based stock option plans on corporate performance shows that they directly increase productivity and return on assets. This improved performance offsets the dilution the issuance of options creates, so that the plans have a positive impact on total shareholder returns.** Stock options in employee, executive and director compensation plans argue that options serve to attract, retain and motivate qualified executives. Options align an organization's and shareholder interests and encourage executives to maximize shareholder value. There is a lot of support for compensation policies which provide challenging performance objectives and which motivate executives and directors to maximize long-term shareholder value.

FINDING THE OPTIMAL OPTION ALLOCATION: There is hypothetically a OOA where the incentive provided by the stock options outweighs the dilutionary effects, thereby maximizing total shareholder returns. As shareholders' representatives, a basic challenge for a board of directors is to determine their company's OOA. On average, companies with comparatively moderate levels of OOA delivered higher total return to shareholders than companies whose stock option OOA was significantly above or below average. Determining an appropriate level of OOA can be complex, since many different and competing influences affect OOA, even after adjusting for industry, company size, growth rates, stock ownership levels and other factors. For example, a company whose stock price is rising could have high OOA because employees are holding on to

their options, anticipating ever-higher share prices. Conversely, a poor-performing company could have high OOA because many of its options are “underwater,” meaning the exercise price is higher than the current fair market value. Careful consideration should be given to an organization’s industry and historical performance, but there is no one-size-fits-all answer. For example, Microsoft, Travelers and Dell Computer all have higher-than-median stock option OOA, but all provide extraordinary returns to their shareholders.

SMALL-CAP OOA GUIDANCE: Small-Cap companies, which historically have relied heavily on stock-based compensation, continue to post the highest potential OOA. The average 2003 OOA among S&P Small-Cap companies was 16.9 %. An increase OOA threshold to 25% for plans proposed by companies in human-capital-intensive industries in which coverage extends through at least middle management levels. Next, an increase OOA threshold to 20% for firms at the lower range of market equity capitalization. The override conditions are each designed to address a specific consideration. The first addresses the needs of human-capital-intensive industries where generous stock-based grants may be necessary to attract and retain personnel and where significant contributions are made by individuals independent of the ranks of senior management. The second override addresses the need to provide compensation with sufficient value at lower capitalization firms, since a given level of dilution has a lower economic value in a firm with lower market capitalization. **The conclusion that can be drawn from these industry OOA indicators is that a small-cap growth company should maintain a maximum of a 25% OOA.**

TYPES OF OPTION PLANS: Types of stock option plans can be one of the most confusing aspects of adopting and implementing a plan. There are basically two types of options: qualified options, which are also sometimes called “statutory” and are defined under the internal revenue code as “incentive” stock options (ISO); and non-qualified options, which are sometimes referred to as “non-statutory”. Many businesses use “incentive stock options” in the generic sense only to learn that their attorneys and accountants presume they mean the type of option defined in the internal revenue code.

QUALIFIED OPTIONS: Qualified options, which need to meet certain requirements under the internal revenue code, have special tax benefits. There is no income tax event on the exercise of the option, although there may be an alternative minimum tax, consequently an optionee should still consult a tax adviser. This can be especially important when an option is being exercised but the underlying stock is not immediately saleable because of securities laws or other limitations. If an employee exercises a qualified stock option and receives stock that is not freely tradeable, he or she is not required to cover any income tax burden without a mechanism to trade the stock and create liquidity. The income tax realization event comes at the later time when the individual sells the stock acquired by exercising the option, presumably when there will be cash to cover the burden. While there are a number of requirements for granting qualified options, the most significant are that qualified option grants:

- ❖ **Can only be granted to employees and or directors (not consultants or independent contractors);**
- ❖ **Must have an exercise price at least equal to fair market value on the date of grant;**
- ❖ **Are inherently tied to employment (they must be exercised within 90 days of the termination of employment);**
- ❖ **Are limited to a maximum annual vesting of US\$100,000 worth of stock (number of shares times exercise price) during any single calendar year.**

In order to grant qualified options, the stock option plan must be approved by the shareholders of the company within 12 months from its adoption. There are additional limitations that apply to shareholders who own more than 10% of the outstanding shares.

NON-QUALIFIED OPTIONS: Non-qualified options are not regulated under the internal revenue code, which has both positive and negative ramifications. On the upside, there is much more flexibility on the parameters of these options. There are no specific limitations on issues such as maximum grants, who can be a grantee, and what the exercise price must be, although many plans limit exercise price to not less than 85% of fair market value for a variety of reasons, including potential future securities laws complications. The bad news is that there is an income tax recognition event on exercise of the option. The optionee owes tax on the difference between the exercise price and the fair market value on the date of exercise. This can be very significant, especially where immediate liquidity in the shares is absent. For example, if you were to exercise a non-qualified option to purchase 50,000 shares at US\$1.00 per share at a time when the fair market value of a share is US\$10.00, you would have immediate taxable income of US\$450,000 (US\$9.00 x 50,000). The optionee could end up owing the IRS tax on this gain. If the shares can't be sold because they aren't freely tradable or there is no public market for them, the optionee might not be able to afford it.

PERFORMANCE BASED STOCK OPTION PLANS: Performance-based stock options tie compensation to company performance more closely than they tie compensation to the stock market, which standard stock options do. As a result, participants in performance-based stock option plans are rewarded only when company shareholders also benefit. Performance-based stock options are defined as one of the following:

- ❖ **Performance Vesting Stock Options:** grants which do not vest or become exercisable unless specific price or business performance goals are met.
- ❖ **Premium Priced Stock Options:** grants with an option exercise price higher than fair market value on date of grant.
- ❖ **Index Options:** grants with a variable option exercise price geared to a relative external measure such as a comparable peer group or S&P industry index.
- ❖ **Performance Accelerated Stock Options:** grants whose vesting is accelerated upon achievement of specific stock price or business performance goals.

METHODOLOGY: This white paper has been written based upon numerous facts and figures provided from various journals and articles written by professional executive & board compensation specialists on the topic of director compensation and stock option planning. *The list of specialists include the firms of: Equilar, Inc., Culpepper, Inc., Clark Consulting, Frederic W. Cook & Company, The National Center for Employee Ownership, Watson Wyatt Worldwide, Investor Responsibility Research Center and Baker, Thomsen Associates.* The goal of this white paper is to focus on the compensation of independent directors and the issuance of stock option plans in small-cap companies. Unfortunately, the data sets available are mostly focused upon mid and large cap companies. Despite this lack of small-cap data, strong and valid conclusions can be drawn from the information and analysis.

Based upon the data culled from the above noted references, this white paper compares and contrasts the independent directors' compensation programs and stock option plans of the 100 largest U.S. based companies listed on each of the two major U.S. stock exchanges, the NASDAQ and the New York Stock Exchange ("NYSE"). The analysis demonstrates a sharp contrast between program structures at large high technology companies (i.e., the NASDAQ) and the more "traditional" companies listed on the NYSE. By understanding the differences, it is possible to develop best practices for all companies as they compete for talented independent directors, employees and management. The companies in this report are the 100 largest U.S.-based companies in the NASDAQ and NYSE, determined by market-capitalization as of April 30, 2004. A summary of financial data for the comparison companies are noted below.

- ❖ **Stock prices and shareholder returns in both groups have increased markedly since 2004.**

- ❖ **The NYSE sample companies are generally larger than the NASDAQ companies, in terms of both revenues and market capitalization. Information on each company's director compensation programs was collected from proxy statements issued during the one-year period ending May 1, 2004.**

There are several elements of compensation that typically comprise independent directors' compensation programs. This white paper analyzes each element in the aggregate as well as individually, paying particular attention to the way that the NASDAQ and NYSE companies utilize them within their programs. These pay elements are as follows:

- ❖ **Annual cash retainer for Board and committee service.**
- ❖ **Meeting fees for attendance at Board and committee meetings.**
- ❖ **Additional compensation for chairing the Board or specific committees.**
- ❖ **Equity compensation, in the form of stock options or full-value awards, such as stock grants, deferred stock, or restricted stock.**

In addition, the study reviews the prevalence and design of other related programs such as director stock ownership guidelines. Standard assumptions used to calculate total compensation were kept constant from last year's study to facilitate accurate year-over-year comparisons. The assumptions are as follows:

- ❖ **Each Board meets eight times a year.**
- ❖ **Each committee of the Board meets five times a year.**
- ❖ **All equity compensation is valued based on the closing stock price on April 30, 2004.**
- ❖ **Stock options are valued at one-third (33.3%) of fair market value on the grant date for the NYSE companies and at one-half (50%) of fair market value for the NASDAQ companies. These values are used as an estimate of the values that would be generated using the Black-Scholes option pricing model, with the differences in the two valuations attributable to the higher volatility and lower dividend yields typically found among NASDAQ companies.**
- ❖ **Full-value awards such as restricted shares, deferred share units, and outright share grants are valued at 100% of each company's April 30, 2004 price.**
- ❖ **It should be noted that comparisons to prior year practices do not reflect a constant company population, since a point-in-time 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 compensation practices.**

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