
Silicon Valley BOARD INDEX | 2006

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Spencer Stuart published the first *Silicon Valley Board Index* in 2003 as a new era of corporate governance was being ushered in. New requirements established by the Sarbanes-Oxley Act (SOX) and the stock exchanges were beginning to take effect, and a new vigilance on the part of shareholders was emerging. The governance requirements that were introduced during this time were meant to improve financial controls, reinforce the board's independence from management and empower independent directors, and make it easier for minority shareholders to challenge management.

In launching the *Silicon Valley Board Index*, we set out to document the corporate governance practices among the boards of Silicon Valley's leading public technology companies in this new governance landscape, and explore how they compared to governance best practices and their counterparts in the S&P 500. Today, as we publish our fourth *Silicon Valley Board Index*, many of the practices that emerged from governance reform initiatives have been institutionalized. To demonstrate how far Silicon Valley companies have come, this year's index highlights changes in key areas of board composition and practices between 2003 and 2006. Among the most notable themes:

> *Board independence is a reality.*

Today, more than three-quarters of directors on the average Silicon Valley board are independent, and nearly all of the key committees — audit, compensation and nominating/governance — include only independent directors. A majority of boards in the region have moved to a governance structure in which the chairman and CEO responsibilities are divided between two individuals. Finally, many more boards than in the past have independent lead or presiding directors.

> *Audit committees have increased their oversight.*

Nearly all Silicon Valley boards have identified an audit committee "financial expert," while only 11% had in 2003. As their responsibilities have grown, many audit committees also are meeting more often than in the past. One audit committee in our study met 61 times during the reporting period.

> *Compensation is on the rise.*

As directors' duties have increased, director compensation also has risen sharply. Annual retainers have increased 41% and meeting attendance fees are 17% higher on average than in 2003. Many more boards than in the past also are providing additional compensation to audit committee chairs and members.

To what extent have boards embraced the spirit behind governance reform and how has the emphasis on board independence and shareholder participation affected corporate boards? We explore this topic in this year's roundtable discussion, which features three distinguished leaders in corporate governance: Peter C. Clapman, retired chief counsel of TIAA-CREF; Abe Friedman, director of corporate governance and proxy voting for Barclays Global Investors; and Richard H. Koppes, former general counsel of the California Public Employees' Retirement System (CalPERS) and currently of counsel with international law firm Jones Day. They discussed which governance changes they expect will have a lasting effect on public companies, the growing participation of institutional investors in corporate governance and areas where reform may have gone too far.

Editor's note: The index examines 100 public high technology companies in and around Silicon Valley (SV100) sorted into five groups based on revenue. The companies included in the index must have been publicly traded on one of the major stock exchanges (NYSE, Nasdaq or American). Data for the *Silicon Valley Board Index* are obtained from Equilar, a leading independent provider of executive and board compensation analysis, except where noted. The data were derived from the companies' most recent proxies released as of June 30, 2006.

Board Composition

Average board size larger in post-SOX era

- > While the average board size of S&P 500 companies has been stable at about 11 members since 2003, the average Silicon Valley board has grown slightly from seven to eight directors in that same time.
- > The movement toward larger boards since 2003 also is evident when looking at the largest and smallest boards. Today, 48% of Silicon Valley boards have seven or fewer members, compared with 58% in 2003. By comparison, 16% of Silicon Valley boards today have 10 or more members, twice as many as in 2003.
- > The largest Silicon Valley board has 11 members, compared with 20 for the largest S&P 500 boards.

Range of Board Size	Silicon Valley Company Breakdown						
	Overall SV100	S&P 500	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
5-7	48%	8%	20%	25%	55%	72%	75%
8-9	36%	21%	33%	46%	40%	28%	25%
10-11	16%	40%	47%	29%	5%	0%	0%
12-14	0%	26%	0%	0%	0%	0%	0%
15 & Up	0%	5%	0%	0%	0%	0%	0%
Average Board Size	7.76	10.7	9.3	8.5	7.6	6.6	6.8

Board independence a reality

- > Since the passage of the Sarbanes-Oxley Act in 2002, the representation of outside board members on Silicon Valley boards has increased slightly. Today, 78% of directors on the average Silicon Valley board are independent, as reported in companies' proxy filings, compared with 75% of directors in 2003. Independent director representation on Silicon Valley boards peaked last year at 81%.
- > By comparison, 81% of directors on S&P 500 boards are independent, a level that has remained consistent for the past several years.

Boards graying

- > The average age of Silicon Valley boards' outside directors has trended older since 2003. Today, 35% of Silicon Valley boards have an average age of 60 or older, compared with 28% in 2003. Overall, however, the average age of Silicon Valley boards has increased only modestly, from 57 in 2003 to 58 today, where it has held steady for the past two years.
- > Since 2004, the age gap between directors of Silicon Valley boards and S&P 500 boards has held steady at three years. This year is no exception; the average age of S&P 500 directors is 61, compared with 58 for Silicon Valley directors.

> The youngest Silicon Valley board, VeriFone Holdings, has an average age of 48. There also are two boards, Ultra Clean Holdings and Rackable Systems, with an average age of 49. In 2003, the youngest Silicon Valley board had average age of 44.

Female representation on boards levels off

- > The representation of women on Silicon Valley boards has risen modestly since 2003, when 41% of Silicon Valley companies had at least one female director. Today, 44% of boards include at least one woman, the same percentage as last year.
- > As we have seen in past years, boards of larger companies are more likely to have women directors than those of smaller companies. Eighty-nine percent of all S&P 500 boards and 80% of the Silicon Valley boards with revenue greater than \$5 billion include women, compared with 25% of boards of Silicon Valley companies with revenue less than \$250 million.
- > Although more Silicon Valley boards than in the past include some female representation, the percentage of women among all Silicon Valley directors has slipped slightly since 2003. Today, the percentage of women directors on Silicon Valley boards is 7.2%, compared with 7.5% in 2003. 14.6% of all S&P 500 directors are women.

Female Director Representation	Silicon Valley Company Breakdown						
	Overall SV100	S&P 500	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
	44%	89%	80%	57%	40%	20%	25%

Audit committee financial experts in place

- > When we did our first study, Silicon Valley companies — like their S&P 500 counterparts — were just beginning to comply with many of the provisions of the Sarbanes-Oxley Act. One provision that had an immediate effect on director recruitment was the requirement that boards name a “financial expert” for the audit committee.
- > In 2003, only 11% of Silicon Valley boards and 21% of S&P 500 boards had identified an audit committee financial expert. Today, 98% of Silicon Valley boards and 100% of S&P 500 boards have named a financial expert.

Lead director role institutionalized

- > Similarly, lead and presiding directors were relatively rare on Silicon Valley boards in 2003, but are much more common today as a result of the emphasis that governance reform placed on board independence. Lead and presiding directors oversee executive sessions of the independent directors and also can serve as a conduit to management. In 2003, only 12% of Silicon Valley boards had a lead or presiding director, compared with 43% of boards today.
- > The position is significantly more common among the boards of S&P 500 companies, where 96% of boards have a lead or presiding director. In 2003, lead or presiding directors were in place in 36% of S&P 500 boards.
- > The largest Silicon Valley companies, those with revenue of at least \$5 billion, are the most likely to have a lead or presiding director. Sixty percent of Silicon Valley boards of these large companies have a lead or presiding director.

More than half of boards divide CEO and board chair roles

- > A majority of Silicon Valley boards have moved toward a governance model in which the chairman and CEO roles are split. In 58% of boards today, the CEO is not the board chairman, compared with 45% of boards in 2004, the year we began tracking this information. Within the current group, six companies did not report having a chairman.
- > Notably, 83% of the smallest companies in our study, those with revenue of less than \$250 million, split the chairman and CEO roles.
- > While S&P 500 boards are more likely than in the past to split the chairman and CEO roles, they do so less often than Silicon Valley boards. One-third of S&P 500 boards split the roles among two people, compared with 26% in 2004.
- > Interestingly, boards of the largest Silicon Valley companies, which tend to mirror trends seen among S&P 500 companies, diverge from S&P 500 boards in this area; 73% of these Silicon Valley boards split the chairman and CEO roles.

Boards Split the CEO and Chairman Roles	Silicon Valley Company Breakdown						
	Overall SV100	S&P 500	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
	58%	33%	73%	46%	55%	52%	83%

Half of Silicon Valley boards add directors

- > Half of Silicon Valley boards welcomed new independent directors in 2006, a slight increase from last year when 46% of boards added new directors.
- > Twelve percent of companies that made additions to their board added three or more directors.
- > Eleven percent of the 84 new independent directors are women. By comparison, women represented 6% of the 81 new independent directors added by Silicon Valley boards last year.

Board service requires greater time commitment

- > The time commitment for board service has increased gradually in the past several years as boards have added more meetings to their calendars. Silicon Valley boards on average have one-and-a-half more meetings today than they did in 2003. Boards meet 8.8 times per year today, compared with an average of 7.4 meetings in 2003.
- > The board that met most often had 28 meetings, twice the number held by the board that had the most meetings in 2003. Four boards reported having 25 or more meetings.
- > S&P 500 boards meet 8.4 times a year on average.

Average Number of Meetings*	Silicon Valley Company Breakdown						
	Overall SV100	S&P 500	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
3 & Below	2%	0%	4%	0%	4%	0%	0%
4-7	52%	47%	57%	60%	48%	42%	48%
8-10	24%	33%	21%	20%	28%	17%	31%
11-13	10%	7%	14%	5%	12%	8%	13%
14 & Up	12%	13%	4%	15%	8%	33%	7%

*Percentages may not equal 100% due to rounding.

One-year terms most common

- > More Silicon Valley boards have moved to one-year terms for directors in the past several years. Today, 64% of boards have one-year terms, compared with 56% in 2003.
- > The average term length, however, is only slightly less than in 2003, 1.7 years today versus 1.8 years in 2003.

Mandatory retirement age rises

- > Silicon Valley boards are more likely to report a mandatory retirement age for directors than they were in 2003. Today, 30% of boards report a mandatory retirement age, compared with 10% in 2003.
- > Despite this increase, Silicon Valley boards still are much less likely than S&P 500 boards to state a mandatory retirement age for directors. Today, 78% of S&P 500 boards report a mandatory retirement age, compared with two-thirds of boards in 2003.
- > The average mandatory retirement age has inched up since 2003, from 69 to 72 today. The average mandatory retirement age among S&P 500 boards is 71.5.

With expanded duties, board committees meet more often

- > Silicon Valley boards have 3.5 committees on average, little changed since 2003 when the average board had 3.3 committees. All of the boards in our index have audit and compensation committees, and nearly all, 99%, have a nominating/governance committee. The nominating/governance committee has become more common since 2003, when 77% of Silicon Valley boards had one.
- > Not surprisingly, as governance reform has increased the demands on audit committees, many audit committees are meeting more often. The audit committees of Silicon Valley boards meet, on average, 10.7 times, holding four more meetings a year than they did in 2003.
- > Similarly, compensation committees, which have come under growing scrutiny by investors, also are meeting more often than in the past. Compensation committees of Silicon Valley boards met on average 6.6 times, two-and-a-half more meetings than in 2003.
- > Stock option committees are more prevalent among Silicon Valley boards than S&P 500 boards. Today, 12% of Silicon Valley boards have a stock option committee, compared with 0.6% of S&P 500 boards.
- > By contrast, executive committees are much more common among S&P 500 boards, where 40% have executive committees, than Silicon Valley boards, where 7% have them.
- > Similarly, 32% of S&P 500 boards have a finance committee, compared with 6% of Silicon Valley boards.
- > Other board committees reported by Silicon Valley boards include strategy, acquisition, technology, conflict of interest, pricing, compliance, management compensation, pension and public policy.

Board Compensation

Board retainers up 41% since 2003

- > Silicon Valley directors are more likely to receive an annual board retainer than they were in 2003. Today, 92% of Silicon Valley boards provide annual cash retainers to directors, compared with 81% in 2003.
- > Given the expansion of board responsibilities in the current environment, it is not surprising that board retainers have grown significantly in the past several years. The average annual retainer among Silicon Valley boards is \$35,200, a 41% increase from 2003, when the average retainer was about \$25,000.
- > Today, 17% of Silicon Valley boards pay annual retainers of \$50,000 or more, compared with 5% in 2003. Conversely, only 8% of Silicon Valley boards pay annual retainers of less than \$20,000 today, compared with 22% in 2003.
- > A similar trend is seen among S&P 500 companies. The average annual retainer among S&P 500 companies is \$63,600, a 46% increase from 2003, when the average board retainer was \$43,700.

Range of Board Retainers*	Silicon Valley Company Breakdown					
	Overall SV100	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
\$1-\$19,999	8%	0%	4%	0%	16%	25%
\$20,000-\$24,999	19%	7%	7%	15%	36%	33%
\$25,000-\$29,999	9%	0%	4%	10%	20%	8%
\$30,000-\$34,999	22%	7%	32%	30%	16%	17%
\$35,000-\$39,999	6%	0%	14%	5%	0%	8%
\$40,000-\$49,999	11%	7%	14%	30%	0%	0%
\$50,000-\$59,999	8%	27%	11%	0%	4%	0%
\$60,000 & Up	9%	40%	7%	5%	0%	0%
Average	\$35,208	\$54,577	\$39,442	\$38,716	\$23,022	\$21,727
No Cash Retainer**	8%	13%	7%	5%	8%	8%

*Ranges reflect total retainer value, including cash and equity. Percentages may not equal 100% due to rounding.

**All but one of the companies that do not pay cash retainers do grant equity awards to directors.

Average meeting fee up 17% from 2003

- > A little more than half of the Silicon Valley boards included in our study, 53%, provide board meeting attendance fees. This represents a decrease of 8% from last year, but is on par with 2003 when 52% of Silicon Valley boards provided meeting attendance fees. Companies with revenue of \$5 billion or more are the least likely to provide board meeting attendance fees and mid-sized companies, with revenue between \$250 million to \$500 million, are most likely to provide the fees.

- > S&P 500 boards gradually have decreased their use of meeting attendance fees during the past several years. Today, 57% of S&P 500 boards provide the fees, compared with 62% last year and 69% in 2003.
- > Since 2003, the average meeting attendance fee provided by Silicon Valley boards has risen by 17% to \$2,056 today, from \$1,758 in 2003. The average fee among S&P 500 boards today is \$1,955, 21% higher than the average 2003 meeting fee.

Distribution of Board Meeting Attendance Fees	Silicon Valley Company Breakdown					
	Overall SV100	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
Average Board Meeting Attendance Fees	\$2,056	\$2,500	\$2,288	\$1,845	\$1,795	\$2,600
% of Companies with Fees	53%	27%	46%	55%	80%	42%

Deferred compensation plans less common than in S&P 500

- > Since 2003, the percentage of Silicon Valley boards offering deferred compensation plans has varied slightly from year to year. Today, 16% of Silicon Valley boards offer deferred compensation plans, compared with 10% last year and 14% in 2003. The plans are more common among S&P 500 boards; 67% of S&P 500 boards have deferred compensation plans, compared with 71% last year.

Audit committee compensation grows dramatically

- > As their workload and responsibilities have increased, audit committee chairs and members are much more likely to receive additional compensation for committee work than they were several years ago.
- > Only 18% of Silicon Valley boards paid a retainer to the audit committee chairman in 2003, compared with 84% today. The average annual audit committee cash retainer for chairs is \$14,600, 34% more than the average retainer in 2004. Eighty percent of S&P 500 boards pay the audit committee chair a retainer. The average cash retainer for the audit committee chairs of S&P 500 boards is \$17,100.
- > 17% of Silicon Valley boards pay the audit committee chair retainer partially or fully in options. Among those boards, the average value of the options provided to the chair is \$71,400, based on the Black-Scholes option pricing model.
- > Audit committee members are less likely to receive an annual retainer than audit committee chairs, but still are much more likely to receive a retainer than in prior years. In 2003, only 4% of Silicon Valley boards paid audit committee members an additional cash retainer for their committee work; today 44% do. Three-quarters of S&P 500 boards provide a retainer to audit committee members, compared with 53% in 2003.

Board Compensation

But use of audit committee meeting fees remains limited

- > Even as audit committee retainers have become more common, the use of audit committee meeting fees has remained relatively stable in the past few years. Today, 13% of Silicon Valley boards provide meeting fees to audit committee chairs, compared with 14% in 2003.
- > Audit committee members are more likely to receive meeting fees than audit committee chairs; 58% of boards provide meeting fees to audit committee members today, compared with 45% in 2003.
- > The average meeting fee is \$1,450 for Silicon Valley audit committee chairs and \$1,400 for audit committee members.

Stock options remain a key component of director compensation

- > Silicon Valley boards are considerably more likely to offer stock option programs than the S&P 500 companies. Stock option programs are offered at 95% of the Silicon Valley boards included in our study, including the boards of all companies with revenue less than \$250 million. By comparison, only half of S&P 500 boards have stock option programs. Interestingly, S&P 500 companies are less likely to offer stock options than in the past; in 2003, 74% of S&P 500 boards had a stock option program.
- > Silicon Valley directors receive fewer initial options today than in 2003. Today, the average number of initial options granted is 46,681, 3% less than in 2003.
- > In 2003, 88% of Silicon Valley boards made annual option grants, compared with 91% today. The average grant award has increased by 8%, from 17,480 options in 2003 to 18,930 today.

Average Initial Options Granted	Silicon Valley Company Breakdown					
	Overall SV100	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
% Granting Initial Options	76%	67%	61%	75%	88%	100%
Average Initial Options Granted	46,681	49,200	61,441	40,467	48,182	28,687
Initial Options Granted as % of Outstanding Stock	.0432%	.0137%	.0250%	.0371%	.0578%	.0745%

Average Annual Options Granted	Silicon Valley Company Breakdown					
	Overall SV100	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
% Granting Annual Options	91%	87%	93%	85%	96%	92%
Average Annual Options Granted	18,930	20,398	22,240	16,195	19,500	12,352
Initial Options Granted as % of Outstanding Stock	.0162%	.0033%	.0083%	.0188%	.0243%	.0285%

Use of restricted stock edges up

- > More Silicon Valley boards than last year report offering restricted stock grants and restricted stock units; 17% of boards offered restricted stock this year, with an average award of 4,098 shares.
- > Last year, the first we tracked these data, 10% of Silicon Valley boards provided restricted stock or restricted stock units, with an average award of 3,300 shares.

Restricted Stock and Restricted Stock Units	Silicon Valley Company Breakdown					
	Overall SV100	> \$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	< \$250M
% Companies Providing Annual Award of Restricted Stock/Stock Units	17%	6.7%	25%	35%	4%	8%
Average Annual Number of Restricted Stock/Stock Units	4,098	7,323	2,272	5,580	6,000	1,375
% Restricted Stock/Stock Units	.0033%	.0003%	.0011%	.0046%	.0105%	.0056%

Beyond compliance:

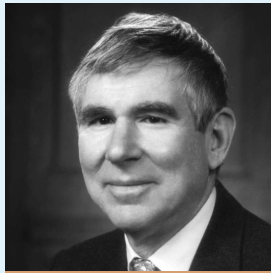
The role of director independence and shareholder participation in board governance

In response to the financial and corporate governance scandals early in the decade, Congress and the stock exchanges moved quickly to establish new rules intended to improve financial controls and board oversight over the nation's public companies. Beyond the specific requirements these efforts produced, the renewed attention to corporate governance in this period also served to make boards more independent and shareholders more vocal on a variety of issues.

How has the operation of corporate boards been reshaped by the new rules and new expectations placed on them? And, to what extent will governance reform have a lasting impact on boards?

Some of the changes to corporate boards are reflected in the data collected for Spencer Stuart's annual *Silicon Valley Board Index*, such as the composition of Silicon Valley boards and their committees, the presence of audit committee "financial experts" and the rising number of audit and compensation committee meetings. Other developments — such as the growing activism by investors — may be less visible in the data, but are nonetheless affecting the way corporate boards operate.

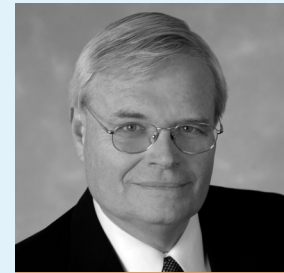
To explore in more detail the current governance landscape, Spencer Stuart consultants Nayla Rizk and John Ware hosted a discussion with three governance leaders: Peter C. Clapman, former senior vice president and chief counsel of TIAA-CREF and a member of the board of the National Association of Corporate Directors (NACD); Abe Friedman, director of corporate governance and proxy voting for Barclays Global Investors; and Richard H. Koppes, an attorney with law firm Jones Day and the former general counsel of the California Public Employees' Retirement System (CalPERS) who also serves as a director of two NYSE-listed companies. They shared their views about which governance changes will have the most lasting impact on boards, and the best approach for addressing the unintended consequences of governance reform. They provided their perspectives on the ongoing debate about whether the board chairman and CEO roles should be split, and discussed the growing influence of institutional investors and advisory services firms, and how executive management and boards have responded to this influence.



Peter C. Clapman



Abe Friedman



Richard H. Koppes

What do you think are the most important and lasting governance changes that have emerged in the United States during the past five years?

KOPPES: I would say the executive sessions of the board are probably the most important, not [Section] 404 [of the Sarbanes-Oxley Act]. I mean 404 is important — huge, expensive and all of that — but I would say the acceptance and routine practice now of executive sessions of the board are the most important.

CLAPMAN: I agree with Rich about the importance of executive sessions, but I would put it in the larger framework of empowering the independent directors to more forcibly act independently. I use the words, “independent directors, acting independently,” advisedly because I think the culture in the boardroom has changed. Rich’s point about executive sessions is probably the critical element in the change, but five years ago, I think the notion that directors had a significant role would be really questionable.

KOPPES: Peter is absolutely right. The empowerment of the board has been the most significant change. The tools have been the board’s independence, the insistence on having independent directors in key committees and the executive sessions. But the lasting change is the empowerment of the board and, really, the empowerment of shareholders.

FRIEDMAN: I think there is a broader acceptance of the role of shareholders in the corporate governance framework. You can see evidence of this new acceptance in the past year or two on the issue of majority voting. Majority voting emerged as a big issue on the corporate governance scene and it was very quickly accepted because of its logical nexus with shareholders’ interests. Companies around the country began to implement majority vote policies in anticipation that their shareholders were going to support it in large numbers — even though this was a brand-new shareholder proposal. I am not sure that would have happened five years ago.

CLAPMAN: I think it was more of a pragmatic response. It’s interesting to note how it got started. There was an SEC proposal on shareholders’ access to the proxy process — the ability to nominate — which died for a variety of reasons. Then, the judges of the Delaware court made a point, out of the blue, that companies can adopt majority vote provisions on their own, or shareholders can propose it. Suddenly, the issue was alive, and I think a lot of companies that Abe is referring to saw the issue in terms of the semantics; “majority vote” sounds like an outstanding proposal and it’s hard to argue against it. Still, even though a lot of companies have adopted it, many still are fighting shareholder resolutions so I think the issue is still in play.

Is there a degree to which shareholder activism is counter-productive?

CLAPMAN: How can it be counter-productive when, in reality, there are very few shareholders who have a motivation that could be called political or the like? Most shareholders are pretty sophisticated, so a company that has a governance office that understands the shareholder constituency and works with shareholders appropriately, not just in the proxy season, has very little to fear from the so-called politically motivated shareholders.

KOPPES: There are constituencies out there that have other than bottom-line agendas. They have social and political agendas they want to use. I do think they are in a very small minority, but they get the attention of the press. Companies do need to pay attention to these shareholders and distinguish them from the more sophisticated shareholders that are long term. Those are the investors who you have to pay attention to and that is increasingly a role for the board to take, not just management.

FRIEDMAN: I flip it around a bit and just say that, in my experience, most companies today are very interested in hearing from their shareholders. You can construe activism in a lot of ways, so activism is a loaded term. But, if by activism you mean shareholders reaching out to companies and working together on issues of mutual concern, I actually think companies are really receptive in today's environment. There are always exceptions and situations that become contentious, but largely that's not an issue today. Now, where activism poses a difficult question is when you get a small minority who are pursuing agendas unrelated to the economic issues of shareholders.

How has the role and influence of institutional investors changed during the past five years? What kind of tools are shareholder advisory services and major shareholders using to influence corporate governance and are any of these methods different from in the past?

CLAPMAN: As we talked about earlier, there are tools to empower investors and they are: majority vote, the use of shareholder resolutions and the increased willingness of the board and management to engage shareholders.

One big change is that, as more attention has been focused on how institutional investors vote on proxy issues, some of these investors have outsourced their votes to the Institutional Shareholder Services or Glass Lewises of the world. This has, in a sense, empowered the advisory services, although perhaps not to the degree some companies say. In the past, a lot of the votes of mutual funds and other institutional investors were in the pro-management camp almost by rote. So, the voting equation has changed enormously over the last couple of years.

KOPPES: This is one of the areas where some of us have said to other institutional investors, "You have to devote better resources to being active responsible owners. You cannot delegate this to a shareholder advisory service." They are good resources, but to turn the decision over to them completely is a violation of fiduciary duty. It's incumbent upon the institutional investors today to challenge the third-party advisers to do better quality work.

FRIEDMAN: I think that investors have a lot of tools available to them to think through corporate governance issues. Buying research from third-party advisers is one way of obtaining valuable information on corporate governance or issues

related to individual companies. I think investors also recognize that they need to look at multiple sources of information and think through the issues with a variety of perspectives in order to make their final judgment.

It doesn't strike me that the advisory services are out to influence so much as they're out to try to provide information to allow investors to make good decisions. And I wonder if the whole notion of their influence isn't somewhat overplayed.

KOPPE: I think that is true, Abe, but I'm going to have to differ a little bit. While the larger institutions tend to take the approach you describe, I'd say 15 percent to 25 percent of the votes today are delegated to vote according to the ISS guidelines. Usually this is done by the smaller institutions that don't have the resources, don't want to be bothered or don't want to spend the money on governance research. That is what companies worry about today.

There are some people suggesting that Sarbanes-Oxley should be revisited. What are your views about what should be kept, improved or jettisoned, or do you think it's fine the way it is?

CLAPMAN: I think Sarbanes-Oxley, in the main, was a positive development and took care of problems that existed in the system, certainly the way the accounting system was regulated. We can probably do enough fine-tuning within the regulatory processes of the SEC and the Public Company Accounting Oversight Board (PCAOB) to deal with some of the problems that developed, without doing a wholesale revision of the Sarbanes-Oxley Act.

KOPPE: I would certainly agree with that. Let's face it, there was overregulation through Sarbanes-Oxley. In addition, the auditing firms

overreacted — not improperly because of all the liability issues — but I think the PCAOB has heard the complaints. The PCAOB is about to announce a total review of its regulations to give auditors more discretion, keeping the principles but not all of the detail. I hope Congress will not get into revising the Sarbanes-Oxley Act.

FRIEDMAN: On a broad level, any policy-making process is, by definition, an ongoing and evolving endeavor. The important thing to remember is that Sarbanes-Oxley was designed to bring about some arguably needed protection for investors. There clearly are other areas of interest for investors that have yet to be explored, including, for example, disclosure rules around executive compensation, the subject of new SEC rules. As part of the policy-making process, there will be some changes to existing rules to make things more efficient or more reasonable for companies, while preserving or enhancing protection for investors.

Silicon Valley has gone further towards separating the CEO and chairman roles than S&P 500 companies as a group. I'm curious about your perspectives on that and also on the role of the lead director. Is there a one-size-fits-all solution?

KOPPE: Let me respond to that as a director of two companies who has served under both models. I really think that one size does not fit all. I tend to favor the separation of the chair and CEO positions because they are two different roles. They can be combined as long as you have a strong independent lead or presiding director. The key is having good leadership of the independent directors because, again, when you think about the most important change in corporate governance, it has been the tremendous empowerment of the independent directors over the past five years.

CLAPMAN: I would agree with Rich on that. My personal view is that the separation does make sense because there are two different skill-sets, and it is very rare that the same individual has the skills to both run the company and to be an effective board leader. I also agree that an effective lead director really can serve many of the same functions as an independent chair, and maybe over time we will evolve that role. The United Kingdom took many years to evolve to its current system, in which most boards split the chairman and CEO roles, and boards there have had a chance to live with the whole spectrum of structures over time. I think it would be too much of an abrupt change to say one size fits all, but you have to have independent board leadership and that is where the focus ought to be.

FRIEDMAN: The important thing for investors is to have a clearly identified member of the board who is independent of management and who is responsible for shepherding issues raised by investors, whether that is a strong independent lead director or an independent chairman. They both can work. Over time, we will continue to see more independent chairs, and some of the early fears of having an independent chairman will subside a bit as people recognize that this structure can work quite well if you have the right people. Any of these structures requires a team that can work well together and understand its separate roles and responsibilities.

KOPPES: The key word is respect. All parties need to respect each other rather than have suspicion, hostility and different agendas. Management should respect the board's role as "boss" and the shareholders' role as owners of the company. Shareholders should respect management's role as stewards of the company.

In the next two to three years, what trends do you expect to see in governance?

CLAPMAN: If anyone thinks the interest in or focus on corporate governance is going to decline over the next couple of years, they will be disappointed. The participation of the shareholders in the process will continue, if not grow, as majority vote becomes more important. Also, we'll see the effect of new executive compensation disclosure rules, which are going to make the granting of pension benefits and other perks more transparent. So, I think there is still much to happen and it will still be pretty exciting.

FRIEDMAN: I am hopeful over the next few years as we get more transparency on these key corporate governance issues, we'll see more and better analysis to help us understand which corporate governance factors really impact the economics of a firm.

The whole of corporate governance at root is all about designing a structure that protects the interests of shareholders, so I don't think shareholders will ever lose interest in ensuring there is a structure in place that will protect them. It doesn't have to be a regulatory structure or mandated for every company, but it can be a structure at a given company that protects the owners of that company and makes sure their needs and their voices are heard in the process. That is a healthy thing and it certainly will be a focus for the next few years.

KOPPES: It's still a growing field and, as a board member, where I see the biggest impact is in the boardroom and the changing expectations of directors. I think directors understand that there is a whole new emphasis on the role of the board, properly so, by shareholders, by management, by the regulators, by the media and, most importantly, by the public.

PETER C. CLAPMAN retired as senior vice president and chief counsel of TIAA-CREF in 2005 after 32 years. He was its chief investment lawyer and headed its corporate governance program. He developed TIAA-CREF global governance strategies, which included dialogue with corporate managements and boards. TIAA-CREF was cited in *Business Week* as the most influential investor corporate governance program. Today, he is active in many organizations specializing in corporate governance and director education in the United States and globally. Peter serves on the board of the National Association of Corporate Directors (NACD), and is a faculty member for its Corporate Directors Institute. He is the independent chairman of the AARP Mutual Funds Board of Trustees, and chairs its corporate governance committee. He also is chairman of the IRRC Institute, a research organization focused on corporate governance and corporate responsibility.

ABE FRIEDMAN is the director of corporate governance and proxy voting for Barclays Global Investors (BGI) and is primarily responsible for the firm's proxy voting operations for the Americas. Prior to joining BGI, Abe served as chief policy officer and general counsel of Glass, Lewis & Co., a corporate governance and proxy research firm. Abe joined Glass Lewis upon its founding and helped build and led Glass Lewis' proxy research business. Prior to that, Abe served as a deputy city attorney for the City and County of San Francisco where, among other things, he served as counsel to the San Francisco Ethics Commission and advised city officials on political ethics laws.

RICHARD H. KOPPES is the former deputy executive officer and general counsel of the California Public Employees' Retirement System (CalPERS), the largest public pension fund in the United States with more than \$200 billion in assets. He is currently of counsel to the international law

firm of Jones Day, serves as co-director of the Executive Education Programs at Stanford Law School, and does private consulting for corporations. As second in command at CalPERS, Rich was responsible for all legal advice to the system (including its fiduciary obligations), direction of the fund's corporate governance programs, and oversight of all internal auditing matters and public affairs activities. In that role, he became nationally recognized as a leading expert in corporate governance and shareholder rights issues facing most corporations and institutional investors today. He also is a member of the board of directors of Apria Healthcare Group and Valeant Pharmaceuticals International, both NYSE-listed companies located in Orange County, California.

About the Authors

Nayla Rizk and John Ware are consultants in Spencer Stuart's Technology, Communications & Media Practice and Board Services Practice, focusing on board of director, CEO and C-level recruitments. Nayla specializes in working with clients in the software, telecommunications systems and services, storage, hardware systems and professional services sectors. John specializes in recruiting assignments for infrastructure software and services, software, storage and mobile technologies and services companies. Nayla and John are based in the firm's Silicon Valley office and, together, they author the annual Spencer Stuart *Silicon Valley Board Index*.

Comparative Board Data

COMPANY	NUMBER OF DIRECTORS			LENGTH OF TERM (Years)	AVERAGE AGE (Outside Directors)	MEETINGS PER YEAR	COMPENSATION		STOCK COMPENSATION				
	Total	Independent	Inside				Annual Retainer	Board Meeting Fee	Initial # Options	Initial % Options	Annual # Options	Annual % Options	Outstanding Stock (in millions)
> \$5 BILLION REVENUES													
Advanced Micro Devices*	7	6	1	1	62	10	\$65,000	\$0	50,000	0.0104%	25,000	0.0052%	480.888
Agilent Technologies ³	8	7	1	3	60	10	\$65,000	\$0	0	0%	6,172	0.0014%	428.760
Apple Computer	7	6	1	1	61	6	\$50,000	\$0	30,000	0.0036%	10,000	0.0012%	842.768
Applied Materials ^{††}	9	7	2	1	59	6	\$20,000	\$3,000	45,000	0.0028%	25,000	0.0016%	1,606.934
Cisco Systems	11	8	3	1	53	7	\$75,000	\$0	50,000	0.0008%	20,000	0.0003%	6,274.702
Google	11	8	3	1	53	6	\$0	\$0	12,000	0.0040%	0	0%	297.237
Hewlett-Packard Company ^{12†}	11	9	2	1	60	16	\$50,000	\$0	0	0%	0	0%	2,837.654
Intel Corporation*	11	9	2	1	59	8	\$75,000	\$0	0	0%	19,000	0.0003%	5,883.000
Oracle Corporation	11	7	4	1	60	15	\$52,500	\$3,000	60,000	0.0012%	30,000	0.0006%	5,146.714
Sanmina-SCI Corporation [†]	8	7	1	1	62	7	\$60,000	\$2,000	0	0%	20,000	0.0038%	529.557
Seagate Technology	11	9	2	1	54	9	\$50,000	\$0	100,000	0.0210%	25,000	0.0052%	477.115
Solectron Corporation ^{29†}	9	8	1	1	61	4	\$75,000	\$0	0	0%	20,000	0.0022%	913.600
Sun Microsystems	9	8	1	1	57	11	\$42,000	\$0	20,000	0.0006%	10,000	0.0003%	3,410.044
Synnex Corporation	7	5	2	1	62	10	\$30,000	\$2,000	25,000	0.0859%	5,000	0.0172%	29.118
Yahoo! [†]	10	8	2	1	54	7	\$0	\$0	100,000	0.0071%	50,000	0.0035%	1,417.853
\$1–\$5 BILLION REVENUES													
Adobe Systems ²	11	10	1	2	58	13	\$30,000	\$0	50,000	0.0083%	25,000	0.0042%	599.811
Altera Corporation ⁴	7	6	1	1	59	6	\$12,000	\$2,000	40,000	0.0111%	10,000	0.0028%	359.297
Atmel Corporation ⁶	8	5	3	1	60	11	\$60,000	\$0	0	0%	50,000	0.0103%	486.349
Autodesk ^{3†}	10	8	2	1	58	5	\$20,000	\$0	50,000	0.0217%	20,000	0.0087%	230.100
BEA Systems [†]	8	7	1	3	60	13	\$30,000	\$0	100,000	0.0257%	50,000	0.0128%	389.552
Bell Microproducts*	9	8	1	1	65	6	\$30,000	\$4,000	22,500	0.0745%	7,500	0.0248%	30.211
Cadence Design Systems ⁹	8	7	1	1	59	8	\$80,000	\$2,000	0	0%	25,000	0.0088%	283.503
eBay*	11	10	1	3	54	10	\$50,000	\$2,000	0	0%	15,000	0.0011%	1,406.718
Electonic Arts [†]	9	8	1	1	54	4	\$35,000	\$0	25,000	0.0082%	10,000	0.0033%	306.157
Intuit	9	6	3	1	54	4	\$30,000	\$0	90,000	0.0252%	30,000	0.0084%	357.485

COMPANY	NUMBER OF DIRECTORS			LENGTH OF TERM (Years)	AVERAGE AGE (Outside Directors)	MEETINGS PER YEAR	COMPENSATION		STOCK COMPENSATION				
	Total	Independent	Inside				Annual Retainer	Board Meeting Fee	Initial # Options	Initial % Options	Annual # Options	Annual % Options	Outstanding Stock (in millions)
Juniper Networks	9	7	2	3	54	9	\$30,000	\$1,250	50,000	0.0089%	20,000	0.0036%	562.852
KLA-Tencor Corporation	10	8	2	3	62	5	\$40,000	\$2,500	0	0%	10,000	0.0051%	197.586
Knight Ridder ¹⁷	10	9	1	3	58	7	\$30,000	\$1,500	0	0%	5,000	0.0075%	67.000
Lam Research Corporation	8	6	2	1	65	7	\$36,000	\$0	0	0%	15,000	0.0110%	136.454
Linear Technology Corporation	6	4	2	1	66	4	\$45,000	\$1,500	0	0%	20,000	0.0065%	306.792
LSI Logic Corporation [*]	7	6	1	1	69	9	\$35,000	\$2,000	0	0%	30,000	0.0076%	395.455
Maxim Integrated Products	6	5	1	1	63	6	\$50,000	\$0	60,000	0.0183%	18,000	0.0055%	327.902
Maxtor Corporation [*]	8	7	1	3	55	27	\$45,000	\$3,000	75,000	0.0290%	10,000	0.0039%	258.478
National Semiconductor Corporation	8	7	1	1	60	5	\$50,000	\$2,000	0	0%	10,000	0.0029%	345.742
Network Appliance ²¹	10	9	1	1	60	6	\$30,000	\$0	0	0%	15,000	0.0041%	367.747
Novellus Systems [*]	9	8	1	1	61	7	\$30,000	\$2,000	0	0%	0	0%	132.875
Nvidia Corporation	8	7	1	3	56	5	\$0	\$0	300,000	0.0860%	100,000	0.0287%	348.971
Palm ²³	8	7	1	3	52	8	\$20,000	\$4,000	56,000	0.0563%	28,000	0.0282%	99.413
Sandisk Corporation	7	6	1	1	59	9	\$40,000	\$0	25,000	0.0129%	6,250	0.0032%	194.011
Spansion	7	4	3	3	51	1	\$0	\$0	20,000	0.0156%	0	0%	128.146
Symantec Corporation ^{30*}	10	8	2	1	52	11	\$25,000	\$0	20,000	0.0028%	24,000	0.0034%	711.728
Verisign [*]	11	10	1	3	53	5	\$37,500	\$0	25,000	0.0102%	12,500	0.0051%	244.574
Xilinx [*]	7	6	1	1	60	6	\$30,000	\$0	36,000	0.0105%	12,000	0.0035%	343.497
\$500 MILLION-\$1 BILLION REVENUES													
Asyst Technologies	7	6	1	1	64	7	\$35,000	\$2,000	0	0%	0	0%	47.787
Brocade Communications Systems ⁸	6	5	1	3	58	27	\$25,000	\$0	80,000	0.0293%	20,000	0.0073%	273.027
Coherent ¹⁰	8	7	1	1	58	8	\$25,000	\$2,000	30,000	0.0958%	12,000	0.0383%	31.304
Cypress Semiconductor Corporation	7	6	1	1	56	7	\$45,000	\$0	80,000	0.0575%	20,000	0.0144%	139.176
Hyperion Solutions Corporation	7	5	2	3	51	7	\$30,000	\$2,000	0	0%	0	0%	59.608
Intersil Corporation ¹⁴	9	8	1	1	58	7	\$45,000	\$0	25,000	0.0176%	15,000	0.0105%	142.202
JDS Uniphase Corporation ¹⁵	8	7	1	3	61	7	\$48,000	\$1,500	40,000	0.0024%	10,000	0.0006%	1,652.155
Komag ¹⁶	9	8	1	3	54	6	\$24,000	\$2,000	0	0%	6,000	0.0199%	30.166

Comparative Board Data

COMPANY	NUMBER OF DIRECTORS			LENGTH OF TERM (Years)	AVERAGE AGE (Outside Directors)	MEETINGS PER YEAR	COMPENSATION		STOCK COMPENSATION				
	Total	Independent	Inside				Annual Retainer	Board Meeting Fee	Initial # Options	Initial % Options	Annual # Options	Annual % Options	Outstanding Stock (in millions)
Leapfrog Enterprises ¹⁸	8	7	2	1	57	8	\$30,000	\$1,500	30,000	0.0479%	15,000	0.0240%	62.622
McAfee [*]	8	7	1	3	55	21	\$40,000	\$1,500	50,000	0.0301%	25,000	0.0150%	166.316
Mercury Interactive Corporation ²⁰	7	5	2	1	58	7	\$40,000	\$0	50,000	0.0580%	10,000	0.0116%	86.200
NetFlix	7	6	1	3	50	6	\$0	\$0	0	0%	37,066	0.0669%	55.375
Plantronics ²⁴	7	6	1	1	55	6	\$30,000	\$0	12,000	0.0252%	3,000	0.0063%	47.554
Polycom [*]	11	9	2	1	55	6	\$45,000	\$0	60,000	0.0690%	25,000	0.0287%	86.970
Quantum Corporation ^{26*}	7	6	1	1	54	7	\$31,500	\$0	45,000	0.0238%	18,750	0.0099%	189.000
Silicon Graphics [*]	6	5	1	3	66	16	\$24,000	\$2,000	50,000	0.0186%	20,000	0.0075%	268.256
Sybase [*]	8	7	1	3	59	6	\$32,600	\$1,800	N/A	N/A	26,000	0.0290%	89.738
Synopsis	8	6	2	1	54	8	\$125,000	\$0	30,000	0.0208%	0	0.0000%	144.372
Trimble Navigation Ltd.	7	6	1	1	64	8	\$20,000	\$2,000	15,000	0.0276%	7,500	0.0138%	54.338
Varian ^{33†}	7	6	1	3	63	11	\$30,000	\$2,000	10,000	0.0321%	5,000	0.0161%	31.126
\$250-\$500 MILLION REVENUES													
Adaptec ¹	7	6	1	1	60	15	\$12,000	\$4,000	0	0%	15,000	0.0133%	112.481
Affymetrix	8	7	1	1	62	4	\$30,000	\$0	20,000	0.0297%	10,000	0.0148%	67.398
Ariba ^{59†}	7	6	1	3	58	10	\$50,000	\$2,500	0	0%	25,000	0.0346%	72.219
Borland Software Corporation ⁷	6	5	1	1	53	12	\$20,000	\$2,000	30,000	0.0386%	12,500	0.0161%	77.811
Covad Communications Group [*]	8	7	1	3	57	12	\$25,000	\$1,000	60,000	0.0223%	30,000	0.0112%	268.520
Credence Systems Corporation [*]	9	7	2	3	55	5	\$25,000	\$1,500	20,000	0.0201%	16,000	0.0161%	99.488
Electronics for Imaging	8	6	2	1	61	6	\$25,000	\$2,000	40,000	0.0702%	25,000	0.0439%	57.005
ESS Technology	6	4	2	1	61	10	\$20,000	\$2,000	40,000	0.1023%	10,000	0.0256%	39.095
Extreme Networks	6	5	1	3	58	13	\$25,000	\$0	50,000	0.0406%	30,000	0.0244%	123.196
Finisar Corporation	7	5	2	3	59	23	\$17,500	\$1,500	0	0%	0	0%	277.048
Foundry Networks	5	4	1	1	57	9	\$30,000	\$0	225,000	0.1572%	60,000	0.0419%	143.147
Harmonic ¹¹	7	6	1	1	67	10	\$20,000	\$2,000	30,000	0.0405%	10,000	0.0135%	74.122
Informatica Corporation [*]	8	7	1	3	57	6	\$30,000	\$0	60,000	0.0680%	25,000	0.0283%	88.291
Integrated Device Technology ¹³	6	5	1	3	53	7	\$20,000	\$2,500	40,000	0.0375%	10,000	0.0094%	106.564

COMPANY	NUMBER OF DIRECTORS			LENGTH OF TERM (Years)	AVERAGE AGE (Outside Directors)	MEETINGS PER YEAR	COMPENSATION		STOCK COMPENSATION				
	Total	Independent	Inside				Annual Retainer	Board Meeting Fee	Initial # Options	Initial % Options	Annual # Options	Annual % Options	Outstanding Stock (in millions)
IXYS Corporation	5	4	1	1	59	7	\$20,000	\$1,000	30,000	0.0899%	15,000	0.0450%	33.360
Micrel	5	4	1	1	69	4	\$0	\$1,250	15,000	0.0179%	10,000	0.0119%	83.932
NETGEAR	6	5	1	1	53	10	\$0	\$1,000	25,000	0.0756%	15,000	0.0454%	33.054
OmniVision Technologies	5	3	2	3	62	5	\$15,000	\$1,500	40,000	0.0691%	20,000	0.0345%	57.895
Openwave Systems ²²	6	5	1	3	56	5	\$20,000	\$1,500	50,000	0.0694%	30,000	0.0416%	72.041
Silicon Storage Technology	6	4	2	1	61	5	\$25,000	\$1,150	45,000	0.0436%	12,000	0.0116%	103.146
Tibco Software	6	5	1	1	55	9	\$20,000	\$1,500	100,000	0.0474%	40,000	0.0189%	211.137
Verifone Holdings	6	5	1	1	48	2	\$30,000	\$0	30,000	0.0443%	7,500	0.0111%	67.669
WebEx Communications [*]	5	4	1	3	59	7	\$10,000	\$2,500	30,000	0.0641%	10,000	0.0214%	46.814
Wind River Systems	8	7	1	1	54	5	\$20,000	\$1,500	50,000	0.0583%	15,000	0.0175%	85.739
Zoran Corporation	8	7	1	1	65	10	\$20,000	\$2,000	30,000	0.0644%	15,000	0.0322%	46.602
< \$250 MILLION REVENUES													
Equinix	6	5	1	1	52	4	\$12,000	\$0	15,000	0.0531%	2,500	0.0088%	28.274
Genesis Microchip	7	6	1	3	54	28	\$20,000	\$1,000	25,000	0.0747%	10,000	0.0299%	33.480
Macrovision Corporation	6	4	2	1	53	16	\$30,000	\$1,500	40,000	0.0779%	15,000	0.0292%	51.366
Mattson Technology ¹⁹	7	6	1	3	57	9	\$0	\$7,000	30,000	0.0572%	15,000	0.0286%	52.443
PortalPlayer ²⁵	8	7	1	1	53	6	\$20,000	\$0	27,916	0.1138%	8,375	0.0341%	24.538
Rackable Systems ²⁷	5	4	1	1	49	15	\$35,000	\$0	11,333	0.0485%	0	0%	23.375
Silicon Image ²⁸	7	6	1	3	56	25	\$25,000	\$0	40,000	0.0493%	20,000	0.0246%	81.146
Stratex Networks ^{2†}	7	6	1	1	65	5	\$22,000	\$1,500	20,000	0.0211%	10,000	0.0105%	94.993
Symmetricom ³¹	8	7	1	1	56	4	\$30,000	\$0	20,000	0.0431%	10,000	0.0215%	46.454
Synaptics ^{32†}	5	4	1	3	57	8	\$10,000	\$2,000	50,000	0.2067%	12,500	0.0517%	24.184
TiVo	8	6	2	3	53	11	\$15,000	\$0	50,000	0.0583%	25,000	0.0292%	85.717
Ultra Clean Holdings	7	6	1	1	49	6	\$20,000	\$0	15,000	0.0904%	7,500	0.0452%	16.586

^{*}Companies reporting that their lead independent director receives additional compensation in cash or stock options.

[†]Companies reporting that directors have the option to receive a portion of their fees in stock.

Comparative Board Data

Company footnotes:

1	Adaptec	The board chairman receives an annual retainer of \$100,000, but does not receive meeting fees.
2	Adobe Systems	Beginning in fiscal year 2006, the annual cash retainer will be \$35,000.
3	Agilent Technologies	The board chairman receives an additional \$195,000 per year. Beginning March 1, 2006, nonemployee directors will receive annually \$65,000 in value of a stock option and \$65,000 in value of deferred shares of Agilent common stock.
4	Altera Corporation	Effective on the date of the 2006 annual meeting, nonemployee directors will receive a retainer for board and committee service only, with no separate fee paid for meeting attendance.
5	Ariba	On October 27, 2005, the equity compensation component was changed so that each continuing nonemployee director will receive an annual grant of restricted shares of common stock with a fair market value of \$100,000 instead of options to purchase common stock.
6	Atmel Corporation	During 2006, each nonemployee director will receive a cash retainer of \$40,000 per year.
7	Borland Software Corporation	The board chairman receives an annual option grant of 17,500 shares.
8	Brocade Communications Systems	In fiscal year 2006, the independent board chairman will receive an annual retainer of \$30,000.
9	Cadence Design Systems	The nonemployee board chairman receives an additional retainer of \$80,000 and 50,000 options.
10	Coherent	The nonemployee board chairman receives an additional retainer of \$16,000.
11	Harmonic	Total board compensation is capped at \$35,000 per annum, excluding committee remuneration.
12	Hewlett-Packard Company	Effective March 16, 2006, the nonexecutive board chairman will receive an additional retainer of \$100,000.
13	Integrated Device Technology	A nonemployee board chairman is granted an additional annual option to purchase 5,000 shares of the company's common stock.
14	Intersil Corporation	The board chairman receives cash compensation in the amount of \$75,000 per year.
15	JDS Uniphase Corporation	The board chairman receives an additional \$32,000 per year, an additional \$1,500 per board meeting and an additional 50,000 options per year.
16	Komag	The board chairman receives an additional \$100,000 per year.
17	Knight Ridder	The company was acquired by The McClatchy Company in 2006.
18	Leapfrog Enterprises	The board chairman receives an additional \$30,000 and 10,000 options per year.
19	Mattson Technology	The board chairman receives an additional 5,000 options per year and an additional \$3,000 per meeting.
20	Mercury Interactive Corporation	Data represents fiscal year 2004 information.
21	Network Appliance	The board chairman receives an additional 5,000 options per year.
22	Openwave Systems	The board chairman receives an additional \$5,000 per year, to be increased to \$20,000 effective fiscal year 2006.
23	Palm	The board chairman receives an additional 8,000 options annually.
24	Plantronics	The board chairman receives an additional \$20,000 per year.
25	PortalPlayer	The board chairperson receives an additional \$25,000 per year.
26	Quantum Corporation	The aggregate retainer is paid 75 percent in cash and 25 percent in restricted stock.
27	Rackable Systems	The board chairman receives an additional \$10,000 per year.
28	Silicon Image	The board chair receives an additional annual cash retainer of \$10,000 and an additional annual stock option grant for 5,000 shares.
29	Soletron Corporation	The board chairman receives an additional annual retainer of \$65,000.
30	Symantec Corporation	Not less than 50 percent of the retainer is paid in the form of an award of unrestricted, fully vested shares of Symantec common stock.
31	Symmetricom	The annual retainer for the board chairman is \$45,000.
32	Synaptics	The board chairman receives an option grant of 18,750 shares.
33	Varian	The nonemployee board chairman is paid an annual retainer fee of \$120,000.

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 50 offices in more than 25 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

The premier firm for board counsel and recruitment, Spencer Stuart conducts well over half of all director assignments handled through executive search. For the past 20 years, our Board Services Practice has helped boards around the world identify and recruit independent directors and provided advice to chairmen, CEOs and nominating committees on important governance issues. In the past year alone, we have conducted more than 400 director searches. We are the firm of choice for both leading multinationals and smaller organizations, conducting more than one-third of our assignments for companies with revenues under \$1 billion. We partner with an equally diverse group of clients to help them strengthen their board composition and performance.

In addition to our work with clients, Spencer Stuart has long played an active role in corporate governance by exploring — both on our own and with other prestigious institutions — key concerns of boards and innovative solutions to the challenges facing them.

Spencer Stuart — Silicon Valley

Spencer Stuart's Silicon Valley office opened in 1991 to respond to a growing demand for senior-level leadership from technology companies in the region. Since then, consultants in the office have helped recruit board members, CEOs and a broad range of senior-level functional executives for technology and other companies, as well as for private equity and venture capital firms. Spencer Stuart consultants leverage their industry experience, insight and objectivity to assess the dynamics of an executive fit, identifying the best combination of technical qualifications, leadership style and cultural philosophy for the success of the organization.

Amsterdam T 31 (o) 20.305.73.05 F 31 (o) 20.305.73.50	Hong Kong T 852.2521.8373 F 852.2810.5246	Montreal T 1.514.288.3377 F 1.514.288.4626	Silicon Valley T 1.650.356.5500 F 1.650.356.5501
Atlanta T 1.404.504.4400 F 1.404.504.4401	Houston T 1.713.225.1621 F 1.713.658.8336	Mumbai T 91.22.6616.1414 F 91.22.6616.1444	Singapore T 65.6586.1186 F 65.6438.3136
Barcelona T 34.93.487.23.36 F 34.93.487.09.44	Johannesburg T 27 (o) 11 707.9460 F 27 (o) 11 463.3371	Munich T 49 (o) 89.45.55.53.0 F 49 (o) 89.45.55.53.33	Stamford T 1.203.324.6333 F 1.203.326.3737
Beijing T 86.10.6505.1031 F 86.10.6505.1032	Leeds T 44 (o) 1937.547700 F 44 (o) 1937.547710	New York T 1.212.336.0200 F 1.212.336.0296	Stockholm T 46.8.534.801.50 F 46.8.534.801.69
Bogota T 571.618.2488 F 571.618.2317	London T 44 (o) 20 7298.3333 F 44 (o) 20 7298.3388	Orange County T 1.949.930.8000 F 1.949.930.8001	Sydney T 61.2.9247.4031 F 61.2.9251.3021
Boston T 1.617.531.5731 F 1.617.531.5732	Los Angeles T 1.310.209.0610 F 1.310.209.0912	Paris T 33 (o) 1.53.57.81.23 F 33 (o) 1.53.57.81.00	Tokyo T 81.3.3238.8901 F 81.3.3238.8902
Brussels T 32.2.732.26.25 F 32.2.732.19.39	Madrid T 34.91.745.85.00 F 34.91.561.42.75	Philadelphia T 1.215.814.1600 F 1.215.814.1681	Toronto T 1.416.361.0311 F 1.416.361.6118
Budapest T 36.1.200.08.50 F 36.1.394.10.97	Manchester T 44 (o) 161 499.6700 F 44 (o) 161 499.6710	Prague T 420.221.411.341 F 420.222.233.087	Vienna T 43.1.36.88.700.0 F 43.1.36.88.777
Buenos Aires T 54.11.4313.2233 F 54.11.4313.2299	Melbourne T 61.3.9654.2155 F 61.3.9654.4730	Rome T 39.06.802071 F 39.06.80207200	Warsaw T 48.22.620.80.87 F 48.22.620.81.87
Chicago T 1.312.822.0080 F 1.312.822.0116	Mexico City T 5255.5281.4050 F 5255.5281.4184	San Francisco T 1.415.495.4141 F 1.415.495.7524	Washington, D.C. T 1.202.639.8111 F 1.202.639.8222
Dallas T 1.214.672.5200 F 1.214.672.5299	Miami T 1.305.443.9911 F 1.305.443.2180	Santiago T 56.2.940.2700 F 56.2.249.7883	Zurich T 41.44.257.17.17 F 41.44.257.17.18
Frankfurt T 49 (o) 69.61.09.27.0 F 49 (o) 69.61.09.27.50	Milan T 39.02.771251 F 39.02.782452	Sao Paulo T 55.11.3759.7700 F 55.11.3759.7736	
Geneva T 41.22.312.36.38 F 41.22.312.36.39	Minneapolis/St. Paul T 1.612.313.2000 F 1.612.313.2001	Shanghai T 86.21.6288.8989 F 86.21.6288.7100	

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