



2009

SILICON VALLEY BOARD INDEX

SpencerStuart

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We present our seventh annual *Silicon Valley Board Index* in a challenging environment for corporate boards. Boards face increased scrutiny of their activities, driven in part by shareholder demands for more transparency and engagement and in part by government mandate. Fanning the flames for more board accountability is the perceived — or, in some cases, real — disconnect between company performance and executive compensation.

It has long been a priority for Spencer Stuart to help boards navigate the changing demands they face, including emerging governance trends and requirements. While it remains unclear which specific provisions of governance legislation, if any, will ultimately be adopted, certain trends are clear. First, shareholders will seek more information about — and, in some cases, more influence over — governance practices, including director recruitment. Second, more transparency into what goes on in the boardroom is expected, especially in the areas of executive compensation and audit committee activities.

We explore how these governance trends may impact Silicon Valley boards in our annual roundtable discussion, this year featuring Edward W. Barnholt, chairman of the board of KLA-Tencor Corporation and retired president and CEO of Agilent Technologies; Robert Joss, former dean of the Stanford University Graduate School of Business; and Stephen J. Luczo, chairman, president and CEO of Seagate Technology.

The *Silicon Valley Board Index* was launched in 2003 to focus on board governance trends impacting technology companies in the Silicon Valley region. This year's index examines the board composition and practices of 100 companies in the region (the SV100). We compare data from this year to 2008 findings and, in cases where it is valuable to see longer-term trends, data from the 2003 index. We also provide comparisons between Silicon Valley and the S&P 500, where relevant.

Among the most notable findings:

- > Female representation on Silicon Valley boards gradually increased between 2003 and 2008, when 54 percent of boards had at least one woman director. In this year's index, however, we saw a slight decline in the percentage of boards with women directors; 51 percent of boards today have at least one woman director. The percentage of women directors among all independent directors also slipped, from 8.5 percent in 2008 to 7.8 percent.
- > Silicon Valley boards appear to be exploring different models for independent board leadership. On one hand, the percentage of boards with a lead or presiding director continues to increase — from 45 percent in 2008 to 51 percent today. On the other hand, we saw a small decline in the percentage of Silicon Valley boards that split the chairman and CEO roles between two people — from 68 percent in 2008 to 65 percent. Nevertheless, the practice is much more common in Silicon Valley than among S&P 500 boards.

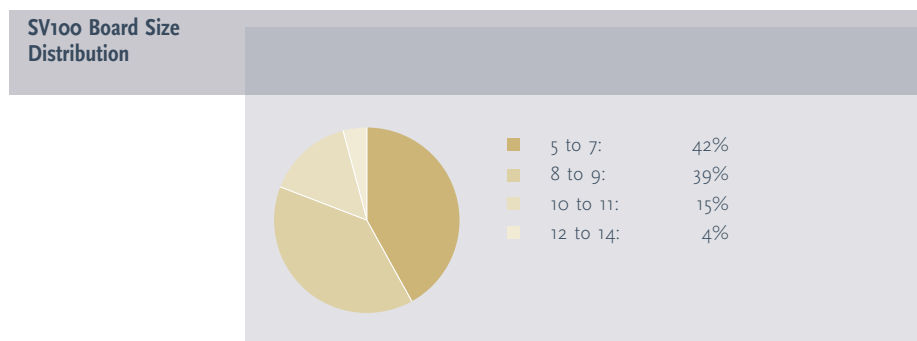
- > After steadily rising in recent years, the average number of annual board meetings fell from 9.7 in 2008 to nine today. When we first published the index in 2003, Silicon Valley boards met 7.4 times a year on average.
- > Annual director elections are becoming more common. More than two-thirds of Silicon Valley boards, 68 percent, have one-year terms for directors, an increase from 62 percent in 2008 and 56 percent in 2003. Annual director elections are a key priority for many governance reform proponents.
- > Director compensation is more likely to include cash than in 2003. Today, 94 percent of companies in our index provide a cash retainer to directors. In 2003, 19 percent of boards paid no annual retainer and 9 percent provided a retainer exclusively in options. Also, the average cash retainer has grown steadily, from \$25,000 in 2003 to \$39,600 today.
- > Stock options continue to be an important component of director compensation among Silicon Valley companies. However, many boards are shifting the mix of compensation somewhat to include restricted stock or restricted stock units. Stock option programs are offered to directors of 79 percent of Silicon Valley boards in our index, a decrease from 87 percent in 2008. Meanwhile, 55 percent of boards include restricted stock or restricted stock units as part of director compensation, an increase from 43 percent in 2008.

Editor's note: The index examines 100 public high technology companies in and around Silicon Valley, 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, 2009. Stock option awards are valued using the Black-Scholes methodology.

Board size continues its gradual increase

- > Silicon Valley boards have grown larger since we launched the index. The average board today has 8.1 members, compared with seven in 2003.
- > S&P 500 boards have been consistently larger than Silicon Valley boards. The average S&P 500 board has 10.8 members, a size that has not changed much since 2003. Further, 69 percent of S&P 500 boards have 10 or more members, compared with 19 percent of Silicon Valley boards.
- > Silicon Valley boards in our index range in size from five to 13 members, while S&P 500 boards range from as few as five members to as many as 32.

Average Board Size	SV100	S&P 500	SV100				
			>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
	8.1	10.8	10.3	8.3	7.3	7.0	7.5



Independent director representation remains strong

- > Eighty-four percent of Silicon Valley board directors are independent, compared with 82 percent for S&P 500 boards.
- > Representation by independent directors has grown steadily since 2003, when outside directors accounted for 75 percent of the total membership of Silicon Valley boards.

The average board age continues to increase

- > Silicon Valley boards are two years older on average than in 2003, when we first published the index. The average age of independent directors is 59, up from 57 in 2003. By comparison, the average age of S&P 500 directors is 62.
- > Half of Silicon Valley boards have an average age of 59 or younger, compared with 60 percent in 2008 and 72 percent in 2003. Only 22 percent of S&P 500 boards have an average age of 59 or younger.

Female representation declines slightly

- > Somewhat fewer Silicon Valley boards have female directors compared with 2008. Representation by women gradually increased between 2003 and 2008, when 54 percent of boards had at least one woman director. For this year's index, 51 percent of boards have at least one woman director.
 - Eleven percent of boards have two or more female directors, compared with 12 percent in 2008.
- > The percentage of women directors among all independent directors on Silicon Valley boards also decreased. Women make up 7.8 percent of the total number of directors, down from 8.5 percent in 2008.
- > Female representation has been much higher on S&P 500 boards than on Silicon Valley boards since we began the index. Eighty-nine percent of S&P 500 boards have at least one female board member, and more than half, 53 percent, have two or more women on the board. Overall, women comprise 16 percent of all S&P 500 board members.

Boards with Female Directors	SV100						
	SV100	S&P 500	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
	51%	89%	87.5%	69%	33%	22%	36%

All boards have an audit committee financial expert

- > For the second year in a row, all Silicon Valley boards included in our index have identified a finance specialist for the audit committee.

Half of boards have a lead or presiding director

- > The percentage of Silicon Valley boards with a lead or presiding director continues to increase. Fifty-one percent of boards have identified a lead or presiding director, compared with 45 percent in 2008 and 12 percent in 2003.
- > Boards of the Silicon Valley's largest companies are most likely to have a lead or presiding director: 88 percent of the largest companies in our index, those with revenues of at least \$5 billion, have identified a lead or presiding director, compared with 27 percent of boards of the smallest companies in the index, those with revenues less than \$250 million.

Companies with a Lead or Presiding Director	SV100						
	SV100	S&P 500	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
2009	51%	95%	88%	53%	50%	35%	27%
2008	45%	95%	88%	39%	38%	43%	17%

Modest drop in boards splitting the chairman and CEO roles

- > Silicon Valley boards have traditionally been more likely than S&P 500 boards to divide the chairman and CEO responsibilities between two people. That is still true today, but for the first time since we began tracking the data, we see a modest reduction in the percentage of companies splitting the roles.
 - Sixty-five percent of Silicon Valley boards split the roles, compared with 68 percent in 2008 and 45 percent in 2004. In a number of cases where the chair and CEO responsibilities are split, the company founder serves as chairman.
 - By comparison, 37 percent of S&P 500 boards split the role, compared with 39 percent in 2008 and 26 percent in 2004.

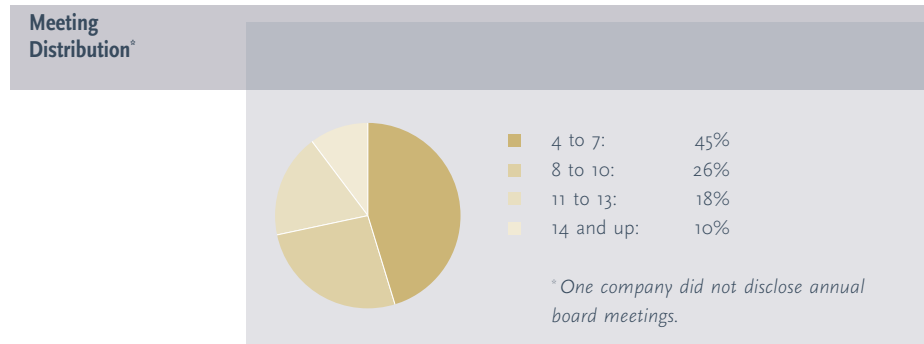
Boards Separating the Chairman and CEO Roles	SV100						
	SV100	S&P 500	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
2009	65%	37%	69%	69%	61%	52%	82%
2008	68%	39%	62%	74%	62%	63%	83%

Fewer new directors

- > Fewer Silicon Valley boards welcomed new independent directors. Thirty-nine percent of 100 companies in the index recruited new independent directors; in 2008, half of the 110 companies in that year's index brought on new independent directors.
- > Silicon Valley boards added 58 new directors in total. Of those, 8 percent were women. By comparison, women represented 12 percent of new directors in 2008 and 15 percent of new directors in 2007.

Average board meeting commitment falls

- > After steadily rising in recent years, the average number of annual board meetings fell from 9.7 in 2008 to nine today. When we first published the index in 2003, Silicon Valley boards met 7.4 times annually on average.
- > S&P 500 boards also have nine meetings a year on average, a small increase from 8.7 meetings in 2008.
- > Despite the overall decrease in the average number of annual meetings, the range of meetings held by individual boards has expanded. Silicon Valley boards had as few as four and as many as 45 board meetings, compared with a range of four to 26 in 2008.



Silicon Valley boards continue to adopt one-year terms

- > Now, more than two-thirds of Silicon Valley boards, 68 percent, have one-year terms for directors, an increase from 62 percent in 2008 and 56 percent in 2003.
 - One percent has two-year terms and 31 percent have three-year terms, compared with 2 percent and 37 percent, respectively, in 2008.
- > The average term length for Silicon Valley boards is 1.6 years, the same as the S&P 500 average.

One-third of boards identify a mandatory retirement age

- > Thirty-four percent of Silicon Valley boards in our index report having a mandatory retirement age. This practice is significantly more common than in 2003, but has declined over the past couple of years. In 2008, 35 percent of boards identified a mandatory retirement age, compared with 36 percent in 2007 and 10 percent in 2003.

- > Three-quarters of S&P 500 companies report having a mandatory retirement age.
- > Among boards that report having one, the average mandatory retirement age is 72, for both Silicon Valley and S&P 500 boards. The average retirement age for Silicon Valley boards has crept up since 2003, when it was 69.

Committee lineup remains constant

- > Silicon Valley companies have 3.7 committees on average, the same as in 2008. S&P 500 boards average 4.2 committees, also unchanged from 2008.
- > All Silicon Valley boards have audit and compensation committees and 99 percent have a nominating/governance committee.
- > Eleven percent of Silicon Valley boards have a stock option/equity committee, compared to the S&P 500, where no boards have a stock option/equity committee.

Committee Profile	Silicon Valley Boards	S&P 500 Boards
Audit Committee	100%	100%
Compensation Committee	100%	100%
Nominating/Governance Committee	99%	99%
Executive Committee	5%	37%
Finance Committee	7%	31%
Stock Option/Equity Committee	11%	0%
Strategy Committee	10%	3%

Committee meetings level off

- > Silicon Valley audit committees meet 10 times per year on average, mostly unchanged from 10.1 meetings in 2008. Boards in our index had as few as three and as many as 32 audit committee meetings.
- > The average number of compensation committee meetings fell slightly to 7.6 meetings per year from 7.8 in 2008. Silicon Valley compensation committees had as few as two and as many as 20 meetings.
- > On average, Silicon Valley nominating/corporate governance committees have 3.8 meetings per year, compared with 3.5 meetings in 2008. The most meetings held by a nominating/governance committee in our index is 10.

Board retainers continue to grow

- > Consistent with the past few years, 94 percent of Silicon Valley companies pay an annual cash retainer as part of director compensation. Cash retainers are more common than in 2003, when 19 percent of boards paid no annual retainer and 9 percent provided a retainer exclusively in options.
- > The six companies without annual cash retainers do provide equity grants for directors; of those, one provides stock options and/or stock grants only to newly elected directors.
- > The average annual cash retainer for Silicon Valley boards is \$39,600, 6 percent more than the average retainer in 2008. Retainers have grown steadily since 2003, when the average was \$25,000.
- > The average annual cash retainer for the smallest companies in our index, those with revenue under \$250 million, decreased by 18 percent from the 2008 average. However, between 2007 and 2008, the average retainer for that group had grown by 47 percent to \$32,200.
- > The average annual cash retainer for S&P 500 boards is \$75,900, a slight increase from \$74,900 in 2008.

Average Annual Cash Retainer*	SV100	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
2009	\$39,600	\$57,000	\$46,000	\$34,900	\$29,700	\$26,500
2008	\$37,300	\$52,100	\$45,700	\$32,500	\$27,900	\$32,200
Percent Change	6%	9%	1%	7%	6%	-18%

* For some companies, a portion of the cash retainer may be paid in equity.

Cash Retainer Distribution	Silicon Valley 2009	Silicon Valley 2008
\$1 – \$19,999	7%	5%
\$20,000 – \$29,999	16%	26%
\$30,000 – \$39,999	25%	19%
\$40,000 – \$49,999	20%	24%
\$50,000 – \$59,999	15%	10%
\$60,000 & up	11%	10%
No Cash Retainer	6%	6%

Downward trend in meeting attendance fees continues

- > The number of Silicon Valley boards providing meeting attendance fees to directors continues to decline. Of the companies in our index, 40 percent provide board meeting attendance fees, compared with 46 percent in 2008 and 52 percent in 2003.
- > The practice is somewhat more common among S&P 500 boards; 43 percent provide board meeting attendance fees, compared with 45 percent in 2008 and 69 percent in 2003.
- > Meeting attendance fees are least likely to be provided to directors of the smallest companies in our index, those with revenue of \$250 million or less.

Percentage of Boards Providing Meeting Attendance Fees	SV100	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
	40%	31%	38%	50%	48%	27%

- > While fewer boards are providing attendance fees, the average fee has increased for those that do. The average board meeting attendance fee is \$1,850, 4 percent higher than the 2008 average — but 8 percent below the 2007 average of \$2,000.
- > The average board meeting attendance fee among S&P 500 boards is \$2,100, compared with \$2,000 in 2008.
- > The highest board meeting attendance fee paid by a Silicon Valley board is \$4,000.

Average Board Meeting Attendance Fee	SV100	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
2009	\$1,850	\$2,400	\$1,850	\$1,700	\$1,750	\$1,850
2008	\$1,775	\$2,400	\$2,000	\$1,600	\$1,650	\$1,250

Total cash compensation remains stable

- > While the average cash retainer is larger, total cash compensation is little changed from 2008. The average annual cash fee for Silicon Valley boards in our index, which includes the cash retainer and the meeting attendance fee multiplied by the number of board meetings per year, is \$46,600, compared with \$46,400 in 2008.
- > More Silicon Valley boards are adopting deferred compensation plans, but still not to the same degree as S&P 500 boards. Twenty percent of Silicon Valley boards allow directors to defer some or all of their compensation, compared with 70 percent of S&P 500 boards.
- > Nineteen percent of Silicon Valley boards allow directors to receive equity in lieu of all or part of their cash fees, an increase from 16 percent of boards in 2008.

Nonexecutive chair and lead director compensation is more common

- > Thirty percent of Silicon Valley boards in our index provide additional compensation to the nonexecutive chair, approximately the same as in 2008.
 - Among these companies, the board chairman receives an additional \$55,400 in cash and 9,000 additional options, on average. However, the median cash premium is \$27,500, about half the average.
 - In 2008, the average premium for the board chair was \$60,100 in cash and 7,100 additional options. While board chairmen received more options on average, the average value of those options declined 9 percent from \$204,700 to \$186,000.
- > One-third of Silicon Valley boards provide additional compensation to the lead director, compared to 28 percent in 2008. The average cash premium paid to lead directors increased 5 percent to \$20,200.
 - The average cash compensation for lead directors, which includes the annual retainer and meeting attendance fees, is \$68,500, 2 percent more than in 2008.

Most boards compensate for audit committee service

- > Silicon Valley boards in our index are more likely to compensate directors for serving on the audit committee, as the committee's responsibilities have increased.
 - Today, 92 percent of Silicon Valley boards pay a retainer to the audit committee chairman, while 61 percent provide a retainer to members of the committee.
 - By comparison, only 18 percent provided a retainer to the audit committee chairman in 2003, and only 4 percent of boards provided a retainer to audit committee members at that time.
 - Among S&P 500 boards, 84 percent provide a retainer to the audit committee chairman and 85 percent provide a retainer to audit committee members.

- > The average Silicon Valley audit committee chairman retainer is \$35,800, unchanged from 2008, but more than double the 2003 average. The average retainer for audit committee members is \$17,300, just 2 percent more than in 2008 but more than three times higher than the average in 2003.

- > While they have become less common, many Silicon Valley boards provide meeting attendance fees to audit committee chairmen and members. Forty-seven percent of Silicon Valley boards provide meeting attendance fees to audit committee members.

Audit Committee Compensation Highlights	Silicon Valley 2009	Silicon Valley 2008
Percentage Paying a Retainer to the Audit Committee Chairman	92%	91%
Average Audit Committee Chairman Retainer*	\$35,800	\$35,800
Percentage Paying Meeting Fees to the Audit Committee Chairman	8%**	6%**
Average Audit Chairman Meeting Fee	\$1,700	\$1,600
Percentage Paying a Retainer to Audit Committee Members	61%	60%
Average Audit Committee Member Retainer*	\$17,300	\$17,000
Percentage Paying Meeting Fees to Audit Committee Members	47%	49%
Average Audit Member Meeting Fee	\$1,500	\$1,400
* Includes cash, options and stock.		
** When audit committee chairman fee differs from the fee for other audit committee members.		

Fewer boards include stock options in director compensation

- > Silicon Valley companies continue to use stock options as a key component of director compensation. However, many boards are shifting the mix of compensation somewhat to include restricted stock or restricted stock units.
- > Stock option programs are offered to directors of 79 percent of Silicon Valley boards in our index. While this represents a notable decrease from 2008 — when 87 percent of boards in our index provided stock options — it is a significantly higher percentage than the 37 percent of S&P 500 boards that grant options to directors. Stock option programs are least common among the largest boards in the index, those with revenue greater than \$5 billion; only 56 percent of boards in this category provide options to directors.
- > Fewer boards in this year’s index provide initial options: 63 percent compared with 75 percent in 2008. The average size of initial stock grants fell slightly, from 37,700 in 2008 to 36,600.

Initial Options	SV100	>\$5B	\$1B- \$5B	\$500M- \$1B	\$250M- \$500M	<\$250M
Percentage Granting Initial Options	63%*	31%	62.5%	72%	78%	64%
Average Number of Initial Options Granted	36,600	37,000	40,100	36,500	34,900	31,250
Initial Options Granted as a Percentage of Outstanding Stock	.0419%	.0097%	.0175%	.0468%	.0616%	.0746%
* Information for two companies was not available.						

- > Sixty-nine percent of boards provide options annually, compared with 73 percent in 2008. In 2003, 88 percent of the Silicon Valley boards tracked in the index provided annual option grants.
 - Among those granting options annually, the average grant is 15,500 options, representing .0159 percent of outstanding stock. In 2008, the average grant was 15,800 options, representing .0140 percent of outstanding stock.
 - The average value of annual option grants fell about 13 percent to \$157,900.

Annual Options*	SV100	>\$5B	\$1B- \$5B	\$500M- \$1B	\$250M- \$500M	<\$250M
Percentage Granting Annual Options	69%	50%	66%	83%	70%	82%
Average Number of Annual Options Granted	15,500	15,200	19,300	14,500	14,500	10,100
Annual Options Granted as a Percentage of Outstanding Stock	.0159%	.0012%	.0104%	.0168%	.0259%	.0227%
Average Value of Annual Options	\$157,900	\$244,600	\$218,200	\$117,500	\$119,000	\$76,800

* Stock option awards are valued using the Black-Scholes methodology. Information for two companies was not available.

More than half of boards provide restricted stock grants

- > Significantly more Silicon Valley boards provide restricted stock or restricted stock units as part of director compensation. In 2008, 43 percent of boards in our index had annual grants of restricted stock or restricted stock units. Now, 55 percent of boards do.
- > The average award increased by 9 percent to 6,800 shares, representing .0068 percent of outstanding stock.
- > The total value of annual equity awards fell 8 percent to \$180,100. The median value was \$146,800, a 14 percent decrease from \$171,000.
- > Total board fees, which reflect annual board cash fees and the dollar value of annual equity awards, is \$218,900, a 3 percent decrease from the 2008 average of \$225,700.

Restricted Stock Grants	\$V100	>\$5B	\$1B- \$5B	\$500M- \$1B	\$250M- \$500M	<\$250M
Percentage Providing Restricted Stock or Restricted Stock Units	55%	75%	60%	61%	35%	46%
Average Annual Number of Restricted Stock or Restricted Stock Units	6,800	7,400	6,400	5,500	7,800	8,300
Annual Restricted Stock or Restricted Stock Units as a Percentage of Outstanding Stock	.0068%	.0016%	.0042%	.0065%	.0167%	.0141%
Average Value of Annual Restricted Stock	\$107,200	\$98,700	\$177,000	\$48,800	\$46,100	\$41,700
Average Value of Annual Restricted Stock Units	\$117,700	\$121,100	\$107,100	\$133,200	\$95,600	\$141,300
Total Value of Annual Equity Awards	\$180,100	\$242,700	\$229,300	\$174,600	\$114,600	\$94,500

An expanded view of director compensation

Companies are now required to disclose more details about director compensation in their proxies, including the total paid to individual directors and the components of director compensation.

- > On average, Silicon Valley board directors received total compensation of \$248,200, 11 percent more than in 2008. Despite the overall growth in compensation, average compensation for directors of the largest companies in our index, those with revenue greater than \$5 billion, declined by 8 percent.
- > In general, boards increased their use of stock awards and decreased their use of options. Stock awards make up 25 percent of director compensation today, compared with 19 percent in 2008; options make up 48 percent of compensation today, down from 52 percent in 2008.
- > Cash fees represent a larger share of director compensation in smaller companies than larger companies.

Average Total Per-Director Compensation*	SV100	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
2009	\$248,200	\$269,600	\$302,000	\$222,300	\$196,500	\$167,500
2008	\$224,270	\$294,120	\$263,990	\$241,100	\$158,090	\$139,910

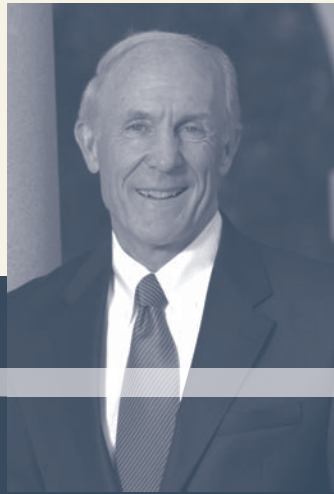
* Averages reflect full-year compensation for nonexecutive directors, excluding new and retired directors as well as special compensation or fees.

Compensation Categories	SV100	>\$5B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M
Percentage of Fees Earned or Paid in Cash	26%	27%	23%	31%	27%	30%
Percentage of Fees in Stock Awards	25%	32%	24%	26%	15%	19%
Options Value as a Percentage of Fees	48%	40%	51%	42%	57%	52%
Other Compensation as a Percentage of Fees*	1%	2%	2%	1%	0%	0%

* Other compensation includes travel/spouse expenses, entertainment/gifts, education programs, extra services and insurance/health benefits.



Edward W. Barnholt



Robert Joss



Stephen J. Luczo

THE NEW DYNAMICS OF BOARD SERVICE:

A roundtable discussion about the implications of governance proposals

For the past several years, many investors have been pushing for more transparency into board activities and more influence over certain board decisions, including executive compensation and director recruitment. The global financial crisis reinvigorated demands for corporate governance reform from some quarters and renewed the debate on a range of governance proposals. Some initiatives are being driven at the company level by shareholders, others are being considered as part of federal legislative proposals. These include separating the chairman and CEO roles, establishing a standing risk committee of the board, requiring annual votes on executive compensation and granting shareholders “proxy access” — allowing them to nominate director candidates in the company’s proxy statement. This would make it significantly easier — and cheaper — for shareholders to put forth nominees.

As these proposals continue to be discussed and debated, we set out to understand their potential impact on boards of directors from the people

on the front lines of corporate governance. This year, our annual roundtable discussion features Edward W. Barnholt, chairman of the board of KLA-Tencor Corporation and retired president and CEO of Agilent Technologies; Robert Joss, former dean of the Stanford University Graduate School of Business; and Stephen J. Luczo, chairman, president and CEO of Seagate Technology. We asked them to discuss the implications of a variety of governance proposals as well as the impact of the growing scrutiny on boards.

How is the increased scrutiny today on executive compensation affecting board discussions about compensation?

Barnholt: We as a board are more sensitive to what the shareholder reaction might be when we develop compensation programs. At the same time, we have to pay competitive rates in order to retain top people. We also want to reward people for performance. The concern I have about some of the criticisms of executive

compensation is that they often focus solely on the amount of compensation rather than the structure of compensation. To me, the most important thing is to pick metrics for compensation, bonus plans and performance-based stock plans that align with the interests of shareholders.

Luczo: A change we've seen in Silicon Valley specifically and in technology companies generally is a shift away from options and toward restricted stock units, which are supposed to be "performance based." I'm not a big fan of restricted stock units because, to me, you're getting something for free. Some of them vest over time and some vest based on performance hurdles, but the performance hurdles often are so easy that they're really just vesting over time. To me, the benefit of options is that they don't have value unless the company increases in value.

What do you think of having advisory shareholder votes on executive compensation, the so-called say-on-pay proposals?

Joss: While I like the idea of getting shareholder feedback on compensation, the issue that I see specifically with the advisory votes on executive compensation is how they should be interpreted by the board. If shareholders vote against a compensation plan, what is it that they didn't like? Was it the way it was structured or the mix between fixed and variable — or did they dislike everything about it? These votes just don't provide enough feedback. If compensation continues to grow as an issue, we'll have to go to the top shareholders and interview them and seek some advice and counsel on compensation plans. Is the plan fair and reasonable? Is it properly aligned?

In the wake of the financial meltdown, there has been more focus on risk, including proposals that would require boards to have a risk committee. How should boards think about risk?

Luczo: Risk assessment and risk management is about more than having strong policies; the financial services firms that ran into so much trouble had some of the best risk management policies. Unfortunately, enterprise risk management often focuses on the identifiable internal issues. The lesson from the financial meltdown is that it isn't the stuff that we control or already know about that can cause problems down the road, because we manage those risks every day. What we need to think about are the issues we haven't been thinking about. For example, what happens if, overnight, 35 percent of the market goes away and your manufacturing business depends on having factories full all the time?

This has forced us to look at enterprise risk management with a much more macro perspective, which challenges us to think strategically as well. At the board level, we have created a specific charter for the strategic advance of transactions committee. Our whole focus has shifted from what I would call more tactical risk management to more strategic risk management. What we learned in the first meeting was that the issue is so much bigger than we even imagined.

Joss: I think the most important thing a board can do regarding risk is to make sure the company has good management, a good strategy, a good culture and, to the best of its ability, a good control environment. Those are the issues the board should be focused on: Do we have a good strategy? Do we have a reasonable chance of winning in the marketplace? Do we have people to execute the strategy who are effective and have integrity? Do we have an effective control environment and a healthy culture, where people speak up if they see problems?

We continue to see a trend toward splitting the chairman and CEO roles. What's your view on the debate?

Barnholt: I've been on both sides of the argument, but I've come around to the point of view that it's healthy to have two different people in those roles to make sure that the board is addressing the right things. It is important for the chairman to weigh in and help shape the makeup of the board and how the board conducts itself.

Luczo: It shouldn't be mandated, but I am a believer in separating the roles. The roles are a little different. A CEO's role is more macro; it's a lot of team leadership and a lot of communication and staying on top of the details. The chairman has a smaller team and the role is focused on understanding shareholder issues. It's about enterprise risk and strategy. So, can CEOs be good chairmen? Yes. But will CEOs by definition be good chairmen? No, because there are many governance issues related to being a chairman that are very different.

Joss: The data are pretty clear that there's no "right" governance model that produces better performance. I will tell you from my own personal experience that it's like any partnership. Partnerships are hard to make work, but a really natural, effective partnership can be good for everyone involved. But when it is imposed on a CEO, the partnership isn't natural and doesn't work well; it can be very harmful. You get confusion about who is in charge. It's a tricky relationship, but it can be very effective if the two individuals have the right chemistry and they work together well. Even if you don't have a separate chairman, it's important to have somebody on the board who is a lead director, because everybody needs a boss. Everybody needs feedback on how they're doing. It's a role that needs to be handled with skill.

We've also seen a variety of proposals to make it easier for shareholders to nominate directors. What's your take on these kinds of provisions?

Joss: I certainly don't like the idea of groups of shareholders having the ability to dominate or, in fact, put forward and elect a director to represent their group. All directors should represent all the shareholders, just as a U.S. Senator represents everyone in his or her state. I wouldn't like to be a director in a spot where I was supposed to worry about part of the enterprise and not all of it. On the other hand, there should be a lot of latitude for shareholders to submit suggestions for director candidates. Most boards have a published list of criteria laying out the skills and the kinds of people they are looking for. Shareholders have always been free — and should feel more free — to suggest names. But if a shareholder is nominating a director to represent their interests, I'm not a fan of that.

Barnholt: The underlying concern I have about some of these governance proposals is that they reflect the growing impatience of many investors. While pockets of the tech industry are growing very rapidly, other sectors like the computer and semiconductor industries will see much lower growth rates going forward than they did in the last 20 years. So, many companies are struggling with growth questions. Well, shareholders get impatient. They want more growth. There's a sense of wanting to "throw the bums out and start over." And I worry that all of these things put more and more emphasis on short-term performance. If a CEO says, "I've got a plan that can turn this company around and get it growing, but it's going to take three or four years to get the products out and make the changes we need to make," some shareholders won't give you that chance. My background is at HP, which made investments over long periods of time to get into businesses like computers and printers that are now very successful, but they took a long time to get established.

So, allowing shareholders some additional ability to nominate somebody is fine, but you don't want somebody to come in with an agenda, whose job it is to overturn the management team or sell the company, because that may not be in the best interest of all the shareholders for the long term.

In light of the increased demands on boards, is it harder to recruit new directors today?

Barnholt: It has been harder to recruit directors for the past five to seven years because active CEOs are serving on fewer boards. It used to be that a CEO could be on a couple of external boards. Now, it's becoming rarer to see a working CEO on even one external board. Even retirees like me aren't serving on as many boards. People I know who retired in the early- to mid-1990s were on five or six boards. Three is the most I can do. So, the pool of potential directors is smaller. At the same time, the bar is rising in terms of the skills boards want in new directors. More companies want people who have been CEOs or have experience in turn-arounds or in some major operational initiatives.

Luczo: I agree that it's more challenging, for a few reasons. A board member's time commitment has at least doubled and maybe tripled compared with 10 years ago. And, of course, there are concerns about liability. Even if you're doing everything right, the consequences of something going wrong are pretty significant. That combination has some people saying, "Why do I want to do this?" On top of that are constraints on compensation; we're saying to prospective board members: "You have more liability. You have more to do and we're not going to pay you more."

Joss: There's no question that it's harder to recruit directors now. Some people are feeling that the costs outweigh the benefits. For many people, it's becoming more of a public service. I do worry that the expectations on directors and

their ability to prevent poor performance and poor behavior may be too high. After all, directors play an oversight role. We get together six or eight or 10 times a year, overseeing a very complicated company and its management. It's a very useful role. There's a lot a board can do, but there's an awful lot it can't. The directors play a very useful role of oversight and as a check and balance, but they can't run the company.

As a board member, do you think you can really know what's going on?

Luczo: As board members, you're always subject to getting the CEO's version. You have to make sure you're getting other perspectives, and they can't just be from the direct reports of the CEO, because by definition you're going to get the same story. So, you have to skip levels. Boards have to create an environment where it's no big deal if the board calls someone at lower levels of management. We've set up different committees that include several layers of management and you see better touch points.

What should the board be doing to ensure that it is helping to foster value creation, rather than becoming consumed with compliance activities or shareholder concerns?

Barnholt: To me, the most important thing the board can do is to engage in the most important strategic issues of the company. It's really dangerous when boards spend too much time on administration, governance and other things that aren't strategic to the company in the grand scheme of things. Boards should make sure that there is an open, honest and direct dialogue about the real strategic issues facing the company. What are the range of choices that the company is wrestling with and how can the board weigh in and provide some of its experience and expertise to help shape those decisions? It's up to the board itself, the chairman, the CEO and the lead director, if there is one, to make sure the board is working on the

issues that align with building long-term shareholder value.

Joss: My advice to directors is to say what's on your mind. If something bothers you or worries you, speak up. The other thing I would say is that directors have to be willing to invest the time that it takes to understand a company. You're not going to be an expert. You're never going to know it as much as the management, but you need to know enough about the business, its products, its customers, its reputation, its problems and opportunities so that you can be a useful director. You have to dig in enough so that you understand the financial model, the business model, the strategy of the company, the culture of the people. At a high level, that's what you can do as a director. Then, at periodic points, the board should stop and assess how the company is doing and whether changes need to be made and provide that feedback to the CEO. Ultimately, if it's not going right, you make a change in the CEO. That's what the board as a good boss can do that nobody else can do. You can't legislate that and you can't get that from third-party investors.

Ultimately, companies are best served by an independent, knowledgeable and robust board of directors that ensures that the company has a sound strategy and holds the CEO accountable for long-term performance. To be most effective, boards should make sure that all board seats are filled with capable directors who can make a meaningful contribution and make sure that directors are well-informed and have the background and skills required to carry out their responsibilities. Finally, given the challenges presented by the economic environment and the increased scrutiny on corporate boards, it is more important than ever that boards focus on helping the organization create value.

About the authors

Nayla Rizk and Jonathan Visbal are based in Spencer Stuart's Silicon Valley office. They are members of the Board Services and Technology, Communications & Media practices.

The global financial crisis has renewed focus on corporate governance, spurring new legislative and regulatory proposals and increasing investors' scrutiny on boards. These developments are driven, first, by concern about underperformance in the current market environment and, second, by a perceived disconnect between company performance and executive compensation.

While many of the regulatory initiatives being discussed today are well-meaning and are intended to address real shareholder concerns, the panelists in our roundtable expressed concern about regulation that would limit a board's ability to act in the best interests of the company and all of its shareholders.

COMPARATIVE BOARD DATA

Comparative Board Data

	NUMBER OF DIRECTORS			LENGTH OF TERM	AVERAGE AGE (YEARS)	MEETINGS PER YEAR ^B	BOARD COMPENSATION		STOCK COMPENSATION				
	TOTAL	OUTSIDE	INSIDE ^A				BOARD CASH RETAINER ^C	MEETING ATTENDANCE FEE	INITIAL NUMBER OF OPTIONS	ANNUAL NUMBER OF OPTIONS	INITIAL NUMBER OF RESTRICTED STOCK	ANNUAL NUMBER OF RESTRICTED STOCK	OUTSTANDING STOCK (IN MILLIONS)
> \$5 BILLION REVENUES													
Advanced Micro Devices ²	9	8	1	1	58	10	\$65,000	\$0	0	0	0	0	608.726
Agilent Technologies ⁴	9	8	1	3	63	6	\$75,000	\$0	0	6,302	4,059	2,336	351.981
Apple	8	7	1	1	60	5	\$50,000	\$0	30,000	10,000	0	0	888.935
Applied Materials	11	10	1	1	58	5	\$40,000	\$3,000	0	0	0	0	1,328.871
Cisco Systems	12	11	1	1	55	6	\$75,000	\$0	0	15,000	0	5,000	5,883.028
eBay	12	11	1	3	55	5	\$50,000	\$2,000	0	10,120	0	0	1,282.966
Google	10	7	3	1	56	7	\$0	\$0	N/A	0	N/A	0	315.294
Hewlett-Packard Company	10	9	1	1	59	8	\$100,000	\$0	0	0	0	3,678	2,416.201
Intel Corporation ⁹	11	10	1	1	56	6	\$75,000	\$0	0	0	0	0	5,562.000
Oracle Corporation	13	9	4	1	65	7	\$52,500	\$3,000	60,000	45,000	0	0	5,155.842
Sanmina-SCI Corporation	9	8	1	1	63	8	\$60,000	\$2,000	0	10,000	0	0	531.207
Seagate Technology	10	9	1	1	61	5	\$50,000	\$0	55,000	10,000	15,000	5,000	487.884
Sun Microsystems ¹⁴	11	9	2	1	60	9	\$50,000	\$0	0	0	0	0	752.953
Symantec Corporation	10	9	1	1	56	7	\$25,000	\$0	0	0	0	1,402	840.122
Synnex Corporation	8	6	2	1	64	12	\$30,000	\$2,000	10,000	0	0	2,000	32.759
Yahoo!	12	10	2	1	61	45	\$0	\$0	30,000	15,000	0	0	1,394.201
\$1 – \$5 BILLION REVENUES													
Adobe Systems ¹	10	9	1	2	60	5	\$35,000	\$0	0	25,000	0	0	524.036
Altera Corporation	7	6	1	1	60	8	\$50,000	\$0	40,000	0	0	0	293.288
Atmel Corporation	7	5	2	1	65	15	\$50,000	\$1,000	40,000	22,500	0	0	448.957
Autodesk	8	7	1	1	58	8	\$37,500	\$0	50,000	20,000	0	1,182	226.400
Brocade Communications Systems	9	8	1	3	60	13	\$30,000	\$1,000	50,000	20,000	0	0	374.663
Cadence Design Systems	7	6	1	1	64	11	\$80,000	\$0	0	25,000	0	0	264.603
Electronic Arts	10	9	1	1	53	9	\$50,000	\$0	17,500	8,400	0	0	322.955
Intuit	11	8	3	1	57	7	\$30,000	\$0	67,500	22,500	0	0	323.963
JDS Uniphase Corporation ¹⁰	10	9	1	3	59	18	\$48,000	\$1,500	5,000	1,250	0	0	214.378
Juniper Networks	9	6	3	3	54	7	\$30,000	\$1,250	50,000	20,000	0	0	522.135
KLA-Tencor Corporation ¹¹	10	9	1	3	60	11	\$75,000	\$2,500	0	N/A	0	0	173.223
Lam Research Corporation	10	8	2	1	65	12	\$42,000	\$0	0	0	0	0	125.429
Linear Technology Corporation	5	3	2	1	66	5	\$45,000	\$1,500	0	20,000	0	0	221.525
LSI Corporation	9	8	1	1	62	8	\$60,000	\$0	30,000	30,000	0	0	648.136
Maxim Integrated Products	7	6	1	1	62	13	\$50,000	\$0	48,000	0	0	0	320.553
McAfee	9	8	1	3	57	11	\$40,000	\$1,500	30,000	15,000	0	0	154.100
National Semiconductor Corporation	8	7	1	1	62	8	\$50,000	\$0	0	0	0	12,000	232.802
NetApp	11	9	2	1	62	9	\$30,000	\$0	55,000	20,000	0	0	329.905
Netflix	8	7	1	3	53	5	\$0	\$0	0	17,063	0	0	58.684
Novellus Systems	9	8	1	1	64	8	\$30,000	\$2,000	0	0	0	5,000	97.076
NVIDIA Corporation	8	7	1	3	58	7	\$0	\$0	120,000	30,000	0	0	542.454

	NUMBER OF DIRECTORS			LENGTH OF TERM	AVERAGE AGE (YEARS)	MEETINGS PER YEAR ^b	BOARD COMPENSATION		STOCK COMPENSATION					OUTSTANDING STOCK (IN MILLIONS)
	TOTAL	OUTSIDE	INSIDE ^a				BOARD CASH RETAINER ^c	MEETING ATTENDANCE FEE	INITIAL NUMBER OF OPTIONS	ANNUAL NUMBER OF OPTIONS	INITIAL NUMBER OF RESTRICTED STOCK	ANNUAL NUMBER OF RESTRICTED STOCK		
Palm	9	7	2	3	58	5	\$20,000	\$4,000	24,000	12,000	0	0	108.445	
Polycom	8	6	2	1	55	4	\$45,000	\$0	0	0	0	10,000	83.581	
Salesforce.com	9	8	1	3	62	6	\$50,000	\$0	15,000	0	0	6,000	122.900	
Sandisk Corporation ¹³	7	6	1	1	62	13	\$40,000	\$0	25,000	6,250	0	0	226.149	
Sunpower Corporation	7	6	1	3	58	14	\$25,000	\$0	0	0	0	0	86.005	
Sybase ¹⁵	8	7	1	1	66	8	\$32,600	\$1,800	0	26,000	0	0	81.021	
Synopsys	9	7	2	1	57	5	\$125,000	\$0	30,000	0	0	5,504	141.976	
Trimble Navigation Ltd.	7	6	1	1	65	6	\$41,600	\$2,000	15,000	10,000	0	0	119.093	
UTStarcom	6	4	2	3	58	16	\$37,500	\$0	80,000	50,321	0	25,161	126.567	
Varian	6	5	1	3	65	7	\$40,000	\$2,000	10,000	4,000	0	0	28.959	
Xilinx	8	7	1	1	63	6	\$60,000	\$0	0	0	0	0	275.531	
\$500 MILLION – \$1 BILLION REVENUES														
Coherent	7	6	1	1	58	20	\$25,000	\$2,000	24,000	6,000	0	0	24.338	
Cypress Semiconductor Corporation	7	6	1	1	59	4	\$45,000	\$0	80,000	0	0	0	137.989	
Dolby Laboratories	6	4	2	1	60	8	\$50,000	\$1,000	0	0	0	0	112.581	
Electronics for Imaging	7	5	2	1	60	12	\$25,000	\$2,000	40,000	25,000	0	0	51.814	
Equinix	8	6	2	1	55	6	\$24,000	\$0	15,000	5,000	0	0	37.770	
Infinera Corporation	6	5	1	3	60	7	\$30,000	\$2,000	50,000	12,500	0	0	94.300	
Integrated Device Technology	6	5	1	1	62	5	\$40,000	\$0	40,000	10,000	0	0	171.288	
Intersil Corporation ⁸	9	8	1	1	61	12	\$45,000	\$0	25,000	5,000	0	0	121.679	
NETGEAR	9	8	1	1	56	7	\$25,000	\$1,000	0	0	0	0	34.377	
OmniVision Technologies	5	3	2	3	65	9	\$15,000	\$1,500	0	20,000	0	0	51.249	
Plantronics	7	6	1	1	53	11	\$50,000	\$0	12,000	3,000	0	2,000	48.892	
PMC-Sierra	8	7	1	1	58	6	\$40,000	\$0	40,000	24,000	0	0	222.321	
Quantum Corporation ¹²	9	8	1	1	53	8	\$40,000	\$0	50,000	33,000	0	0	207.000	
Smart Modular Technologies	9	8	1	1	53	8	\$30,000	\$1,500	50,000	10,000	0	0	61.592	
Super Micro Computer	7	4	3	3	56	5	\$40,000	\$0	18,000	4,500	0	0	33.075	
TIBCO Software	5	4	1	1	58	9	\$30,000	\$1,500	0	40,000	0	0	174.456	
Verifone Holdings	10	9	1	1	59	8	\$35,000	\$2,500	30,000	11,000	0	0	84.447	
Verisign ¹⁷	7	6	1	1	65	12	\$40,000	\$0	0	8,884	0	0	192.329	
\$250 – \$500 MILLION REVENUES														
Affymetrix ³	9	7	2	1	63	5	\$45,000	\$0	20,000	0	0	0	70.686	
Ariba	8	7	1	3	60	11	\$50,000	\$2,500	0	0	0	0	86.964	
Asyst Technologies ⁶	6	5	1	1	64	14	\$35,000	\$2,000	0	0	21,978	0	50.172	
Atheros Communications	8	7	1	3	54	7	\$25,000	\$0	37,500	7,500	0	0	60.837	
Blue Coat Systems ⁷	6	5	1	1	58	17	\$0	\$0	20,000	8,000	0	0	38.357	
CPI International	6	5	1	3	62	7	\$35,000	\$1,500	6,000	0	0	3,642	16.360	
Data Domain	8	6	2	3	52	4	\$10,000	\$0	50,000	15,000	0	0	61.017	

Comparative Board Data

	NUMBER OF DIRECTORS			LENGTH OF TERM	AVERAGE AGE (YEARS)	MEETINGS PER YEAR ^b	BOARD COMPENSATION		STOCK COMPENSATION				
	TOTAL	OUTSIDE	INSIDE ^a				BOARD CASH RETAINER ^c	MEETING ATTENDANCE FEE	INITIAL NUMBER OF OPTIONS	ANNUAL NUMBER OF OPTIONS	INITIAL NUMBER OF RESTRICTED STOCK	ANNUAL NUMBER OF RESTRICTED STOCK	OUTSTANDING STOCK (IN MILLIONS)
Dionex Corporation	6	5	1	1	57	7	\$21,000	\$1,500	4,000	1,000	0	0	18.102
DSP Group	7	6	1	3	54	7	\$32,000	\$0	30,000	15,000	0	0	26.920
Extreme Networks	7	6	1	3	60	11	\$40,000	\$0	25,000	15,000	8,333	5,000	116.868
Finisar Corporation	6	5	1	3	62	11	\$30,000	\$2,000	50,000	20,000	0	0	308.975
Harmonic	8	7	1	1	66	9	\$35,000	\$0	N/A	0	N/A	0	95.371
Informatica Corporation	9	8	1	3	59	7	\$35,000	\$0	60,000	25,000	0	0	87.175
IXYS Corporation	6	5	1	1	62	9	\$40,000	\$0	30,000	20,000	0	0	31.114
Leapfrog Enterprises	8	7	1	1	58	9	\$30,000	\$1,500	30,000	15,000	0	0	63.804
Macrovision Solutions Corporation	7	6	1	1	57	7	\$50,000	\$0	60,000	N/A	0	0	100.970
Micrel	6	5	1	1	62	5	\$15,000	\$1,250	15,000	10,000	0	0	65.373
Silicon Image	6	5	1	3	59	20	\$25,000	\$0	40,000	20,000	0	0	74.070
Silicon Storage Technology	6	4	2	1	58	7	\$25,000	\$1,150	45,000	12,000	0	0	95.691
Synaptics ¹⁶	8	6	2	3	55	6	\$10,000	\$2,000	75,000	18,750	0	0	33.686
Ultra Clean Holdings	6	5	1	1	52	10	\$20,000	\$0	0	0	0	7,500	21.288
Wind River Systems	7	6	1	1	58	8	\$25,000	\$2,000	0	15,000	0	0	76.591
Zoran Corporation	7	6	1	1	68	8	\$20,000	\$2,000	30,000	15,000	0	0	51.178
< \$250 MILLION REVENUES													
Actel Corporation	8	7	1	1	56	9	\$35,000	\$0	0	12,500	0	0	26.080
Applied Micro Circuits Corporation ⁵	7	6	1	1	60	11	\$12,000	\$2,000	18,750	12,500	0	0	64.790
Cybersource Corporation	7	6	1	1	63	13	\$10,000	\$0	0	10,000	0	0	68.988
FormFactor	8	6	2	3	61	4	\$20,000	\$2,000	0	0	0	0	49.232
Shutterfly	6	5	1	3	53	7	\$0	\$0	50,000	10,000	0	0	25.151
Silicon Graphics International Corporation	7	6	1	1	59	15	\$45,000	\$0	30,000	2,833	0	0	30.116
SiRF Technology Holdings	7	5	2	3	64	N/A	\$18,000	\$1,500	50,000	0	0	0	62.728
SonicWALL	8	7	1	1	59	7	\$35,000	\$0	25,000	15,600	0	0	53.772
Symmetricom	9	8	1	1	60	4	\$35,000	\$0	20,000	7,500	3,750	3,750	44.872
Tessera Technologies	8	7	1	1	63	12	\$35,000	\$0	0	7,594	10,000	3,797	48.625
TiVo	7	6	1	3	55	9	\$20,000	\$0	25,000	12,500	8,300	4,200	103.814

Footnotes

a Inside directors include all current executives, officers and employees of the company who are serving on the board.

b Board meetings include both regularly scheduled and special meetings.

c Retainers may be paid partially in equity. Some companies include deferred compensation and retirement plans as part of their board compensation.

Company Footnotes

1 **Adobe Systems**

During fiscal 2008, a new nonemployee director would receive an initial award of restricted stock units equal to \$150,000. No new directors joined the board during 2008. The number of shares represents the number of shares equal in value to \$150,000 on the date of the 2008 annual meeting, April 9, 2008.

2 **Advanced Micro Devices**

Nonemployee directors receive an annual grant of restricted stock units with a value equal to \$225,000 divided by the trailing average closing trading prices of the company's common stock for the 180-day period preceding and ending with the date of the RSU grant. No RSU grant will be for greater than 125 percent or less than 75 percent of the prior year's number of granted RSUs. For 2008, each nonemployee director received 15,625 restricted stock units on May 8, 2008 (125% of the 2007 grant).

3 **Affymetrix**

Nonemployee directors could elect to receive either 9,524 restricted stock units, 24,952 stock options or a combination of 4,762 restricted stock units and 12,476 stock options.

4 **Agilent Technologies**

Nonemployee directors receive a grant of \$130,000 in deferred shares upon joining the board and grants of \$75,000 in deferred shares and \$75,000 in options annually. The value of share and option grants are calculated based on 2,336 deferred shares and 6,302 options awarded during the year, using Equilar's standard Black-Scholes methodology.

5 **Applied Micro Circuits Corporation**

There was a 1-for-4 reverse stock split on December 11, 2007.

6 **Asyst Technologies**

Each nonemployee director receives a sign-on award, on a deferred basis, of shares of common stock with a value equal to \$120,000.

7 **Blue Coat Systems**

There was a 2-for-1 stock split on October 4, 2007.

8 **Intersil Corporation**

Nonemployee directors receive an annual grant of 4,000 deferred stock units.

9 **Intel Corporation**

Nonemployee directors receive an annual restricted stock unit grant with a market value of approximately \$145,000. The annual grant of equity to directors may not exceed 30,000 shares per director per year.

- 10 **JDS Uniphase Corporation**
Each nonemployee director receives a grant of restricted stock units having a value on the date of grant of \$40,000.
- 11 **KLA-Tencor Corporation**
During the first half of fiscal 2008, directors received two 1,250 share option awards. Effective November 15, 2007, option grants are no longer awarded to directors and directors were awarded an annual grant of restricted stock units worth \$100,000 for fiscal 2008.
- 12 **Quantum Corporation**
Nonemployee directors may elect to receive the annual grant solely as restricted stock units, or 50 percent in stock options and 50 percent in restricted stock units.
- 13 **Sandisk Corporation**
New nonemployee directors receive an initial grant of restricted stock units determined by dividing \$320,000 by the average closing price per share of common stock for the five trading days ended on, and including, the grant date. Number of shares assumes grant on the date of the annual meeting, May 28, 2008. Nonemployee directors receive an annual grant of restricted stock units determined by dividing \$80,000 by the average closing price per share of common stock for the five trading days ended on, and including, the grant date.
- 14 **Sun Microsystems**
There was a 1-for-4 reverse stock split on November 12, 2007.
- 15 **Sybase**
New nonemployee directors receive an initial grant determined by the board, but not exceeding \$800,000. Nonemployee directors who have served at least five months receive an award determined by the board, but not exceeding \$400,000.
- 16 **Synaptics**
There was a 3-for-2 stock split on September 2, 2008.
- 17 **Verisign**
Nonemployee directors received \$200,000 worth of annual equity awards split evenly between stock options and restricted stock units.

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 51 offices in 27 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.

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.

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Milan
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New Delhi
New York
Orange County
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Prague
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San Francisco
Santiago
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