

SILICON VALLEY 130



Disclosure Practices with Respect to Severance and Change-in-Control Payments and Benefits

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IN DECEMBER 2007, Compnumerics began analyzing the severance and change-in-control disclosure practices of the Silicon Valley 130. The SV130 is a collection of approximately 130 of the largest technology companies headquartered in Silicon Valley. This report documents the findings of our disclosure analysis.

Methodology

In December 2007, we reviewed the compensation-related severance and change-in-control disclosure of the SV130, as reported in their 2007 proxy statements and annual reports on Form 10-K. Because disclosure practices vary, data was pulled from the following sections of each company's executive compensation disclosure: the Potential Payments upon Termination or Change-in-Control section, the Compensation Discussion and Analysis, and, if included, the discussion of employment arrangements. For purposes of the analysis, we did not review specific arrangements, and we assumed all disclosure, or the absence of disclosure, was accurate.

Executive Summary

In 2007, most companies in the SV130 generally complied with the SEC's new executive compensation disclosure rules. There were, however, significant variations in how companies chose to report their severance and change-in-control information. Since most companies reported around the same time, there was little opportunity to review the disclosure practices of peer companies and industry leaders. It is likely that standard disclosure practices will begin to emerge in 2008 since companies and their advisors will have had the opportunity to evaluate the disclosure approaches of the past year.

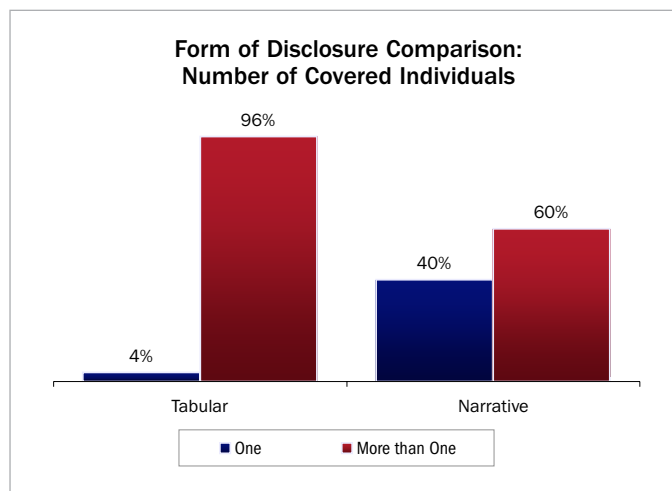
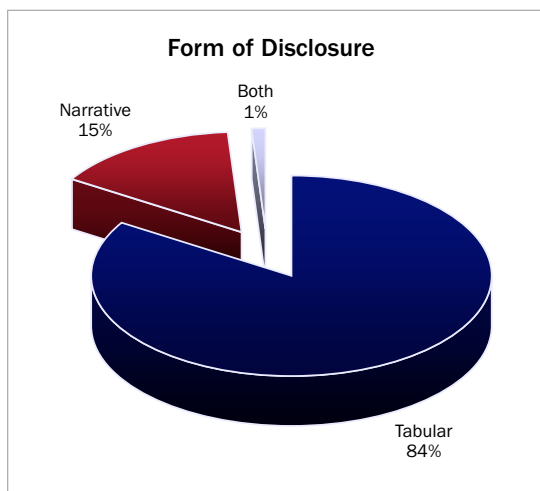
SV130 Disclosure Practices with respect to Severance and Change-in-Control Payments and Benefits

THIS REPORT EXAMINES THE DISCLOSURE PRACTICES OF THE SV130 with respect to potential severance and change-in-control payments and benefits for named executive officers. We reviewed public filings for 132 companies. Of the 132 companies, disclosure data was available for 101 companies.

Form of Disclosure

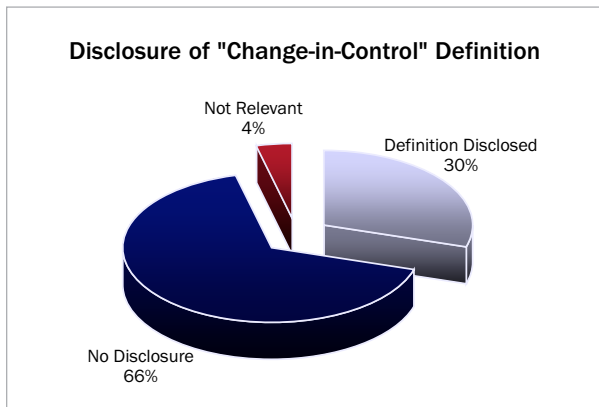
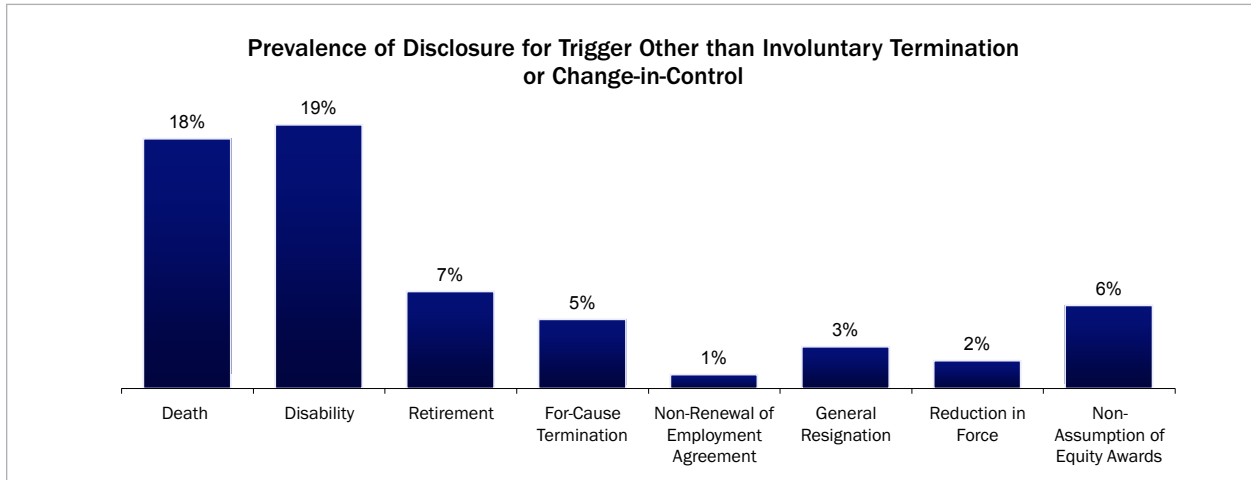
Companies reflected in the survey	101
“Delinquent” filers (companies that are delinquent in filing annual reports and did not file proxy statements in 2007)	8
Companies with fiscal year ends prior to December 15 whose most recent proxy statement was subject to the former disclosure rules (2008 disclosure to comply with the new disclosure rules)	12
Companies with fiscal year ends after December 15 that had not yet filed a proxy statement under the new disclosure rules	3
Companies that failed to comply with the new disclosure rules	2
Companies that did not provide disclosure regarding severance and change-in-control payments and benefits	6
Total	132

The new disclosure rules (primarily Section 402(j) of Regulation S-K) require quantitative disclosure of potential payments and benefits due in the event of termination of employment or in connection with a change-in-control. However, the new rules do not specify the form of this disclosure. The overwhelming majority of companies presented severance and change-in-control quantitative information in tabular form. Often, where this information was presented in narrative form, the disclosure covered a single individual.



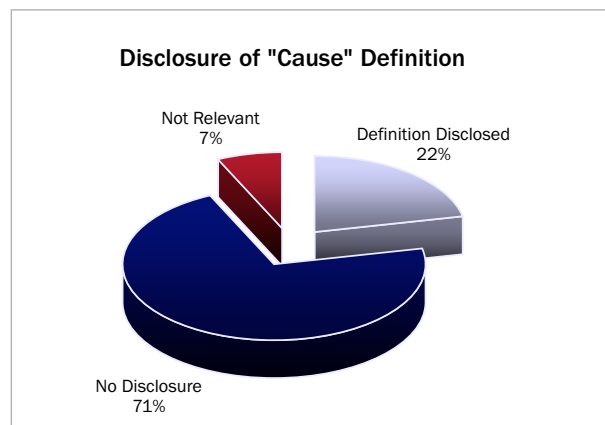
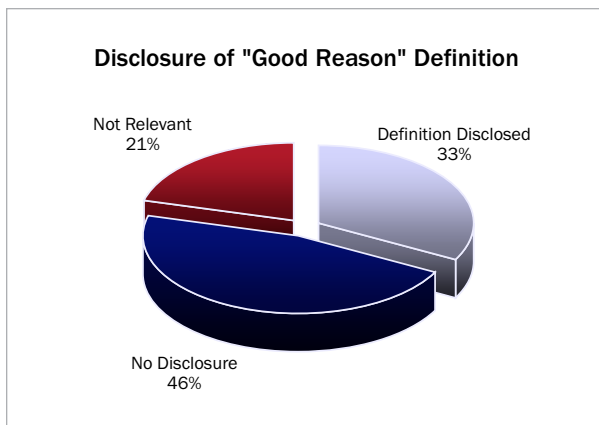
Trigger Events

There are a number of events that could trigger severance or change-in-control payments. Generally, all companies quantified the potential payments and benefits due as a result of an involuntary termination of employment or a change-in-control of the company (as applicable). However, only a quarter of the companies disclosed payments due as a result of other termination-related events. The most common alternative “triggers” were the death or disability of the executive.



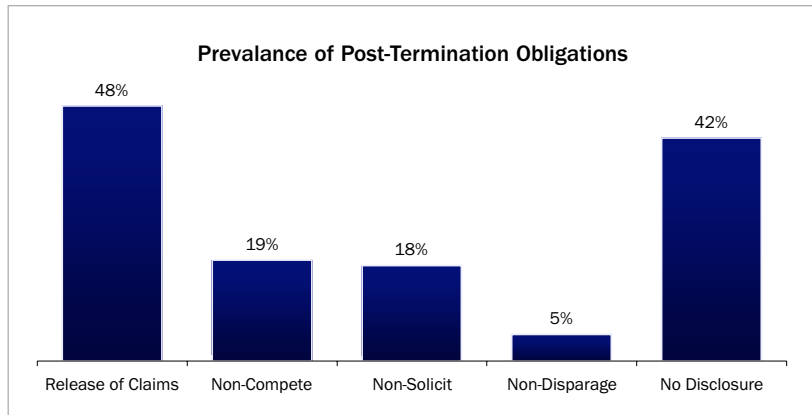
Definitions

The new rules require an explanation of the specific circumstances that trigger payments or benefits. The majority of companies did not specifically provide a definition of “change-in-control,” “cause,” or “good reason,” as relevant. The prevalence of definitions ranged from 22% for “cause” to 33% for “good reason,” with approximately 30% of the companies providing a definition of “change-in-control.” In general, companies either included all relevant definitions in their disclosure or no definitions.



Post-Termination Obligations

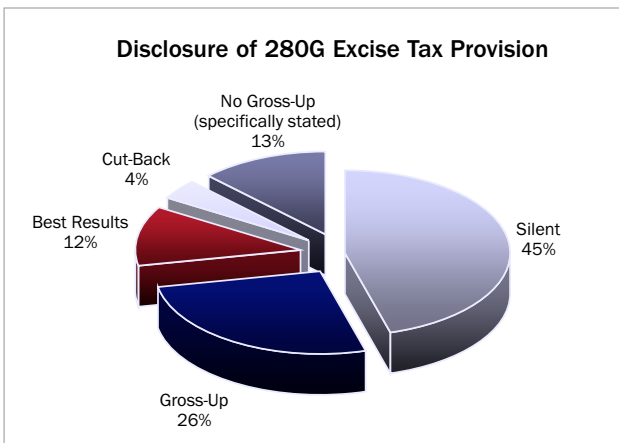
The new rules require disclosure of “material conditions or obligations applicable to the receipt of payments or benefits.” Specific examples include non-compete, non-solicitation, and non-disparagement agreements. Approximately 42% of the companies did not disclose any obligations. Of those that did, the most common obligation was a release of claims (required by approximately 48% of the companies). Fewer than 20% of the companies require compliance with a non-compete, non-solicit, or non-disparage agreement as a payment condition.



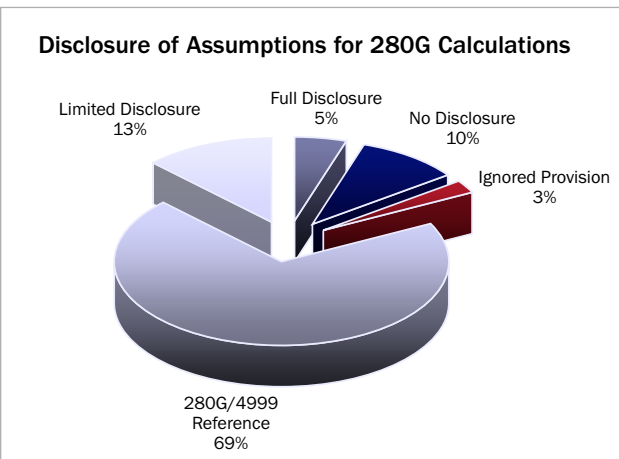
Section 280G “Golden Parachute” Excise Tax Provisions

Section 280G-related disclosure differed significantly among the SV130.

45% of the companies had no Section 280G/golden parachute disclosure, and an additional 13% of the companies specifically stated they did not provide Section 280G gross-up payments. Among those companies that did disclose a Section 280G provision, approximately 26% disclosed a gross-up arrangement, 12% disclosed a “best results” provision, and 4% reduce payments to eliminate Section 280G exposure. Two percent of the companies disclosed provisions that varied by executive.



Among the companies that disclosed a Section 280G provision, only 5% fully disclosed their excise tax calculation assumptions (present value factors, risk free rate, etc.). Most companies (approximately 69%) footnoted their excise tax calculation results with a general reference to Section 280G or Section 4999, or a specific reference to a term in one of those sections. Approximately 13% provided limited information, such as (1) the total value of excess parachute payments before applying the applicable gross-up, best results, or cut-back provision or (2) an executive’s Section 280G “base amount.”



Conclusion

As highlighted here, disclosure practices varied widely in 2007. It is likely that disclosure practices will begin to converge as companies gain insight from the practices of other filers.

For follow-up inquiries, please contact Dan Stellenberg, President, Compnumerics, a Compensia business, at 408.907.4312. ■

SV130 Company List

Actel	Gilead Sciences	Oracle
Adaptec	Globalstar	Packeteer
Adobe Systems	Google	Palm
Advanced Micro Devices	Harmonic	PDL BioPharma
Affymetrix	Hewlett-Packard	Pericom Semiconductor
Agile Software	Ikanos Communications	Photon Dynamics
Agilent Technologies	Informatica	Plantronics
Align Technology	Integrated Device Technology	PMC-Sierra
Altera Integrated	Silicon Solution	Power Integrations
Apple	Intel	Quantum
Applied Materials	Intersil	Rackable Systems
Applied Micro Circuits	Interwoven	Rambus
Applied Signal Technology	Intevac	SanDisk
Ariba	Intuit	Sanmina-SCI
Asyst Technologies	Intuitive Surgical	Shutterfly
Atheros Communications	iPass	Silicon Image
Atmel	IXYS	Silicon Storage Technology
Avanex	JDS Uniphase	SiRF Technology
Aviza Technology	Juniper Networks	SMART Modular Technologies
BEA Systems	KLA-Tencor	SonicWALL
Bell Microproducts	Komag	Spansion
Blue Coat Systems	Kyphon	SumTotal Systems
Bookham	Lam Research	Sun Microsystems
Borland Software	Leadis Technology	SunPower
Brocade Communications Systems	Linear Technology	Symantec
Cadence Design Systems	LSI	Symmetricom
Cisco Systems	Macrovision	Symyx Technologies
Coherent	Magma Design Automation	Synaptics
Covad	Mattson Technology	SYNNEX
CPI International	Maxim Integrated Products	Synopsys
Credence Systems	McAfee	Tessera Technologies
Cypress Semiconductor	Micrel	TIBCO Software
Dionex	Monolithic Power Systems	TiVo
DSP Group	National Semiconductor	Trident Microsystems
eBay	Nektar Therapeutics	Trimble Navigation
Electronic Arts	NetFlix	Ultratech
Electronics For Imaging	NetGear	Varian
Equinix	Network Appliance	Varian Medical Systems
ESS Technology	Novellus Systems	VeriFone
Exponent	NVIDIA	VeriSign
Extreme Networks	Omnicell	Xilinx
Finisar	OmniVision Technologies	Yahoo!
Foundry Networks	Openwave Systems	Zoran
Foxhollow Technologies	Opware	
Genesis Microchip		

FORMED IN 2007, Compnumerics, a Compensia business, is focused on providing detailed numerical analysis of change-in-control and executive employment arrangements. Compnumerics assists clients with a variety of projects, including the following:

Proxy Support	Calculating the costs of change-in-control and post-termination obligations to support proxy disclosure requirements,
M&A Support	Evaluating change-in-control costs and obligations, including 280G exposure, to support M&A, and
Compensation Committee Support	Valuing employment and change-in-control provisions for new hire executives or as part of a compensation committee's annual review of arrangements for existing executives.

Compnumerics, acting within the broader Compensia framework, also has developed substantial expertise with respect to advising companies as to what is market with respect to severance and change-in-control arrangements.

Compensia, Inc. is a management consulting firm that provides executive compensation advisory services to Compensation Committees and senior management. Compensia partners with companies to promote the attraction, retention, and motivation of key management talent in a manner that is responsible to, and aligned with, shareholders. Compensia offers a full range of consulting services to meet this objective.

This is the fourth survey in Compensia's 2007 SV130 series. Prior reports include an analysis of executive compensation practices, an analysis of equity compensation practices, and an analysis of board of directors compensation practices.

**For more information about
any of the SV130 surveys, Compnumerics,
or Compensia, contact:**

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