Disclosures Regarding Equity Grant Practices

By Howard Dicker, Weil Gotshal & Manges LLP

The following excerpts illustrate disclosures included in proxy statements in response to the requirement of CD&A (more clearly explained in the SEC's adopting release than the rule itself) to address, if material, matters relating to the timing and pricing of equity grants to NEOs. These excerpts are set forth below, not as models, but merely to show a sampling of some of the disclosures that have actually appeared.

Home Depot Inc. – April 13, 2007

Equity Grant Procedures

The Company does not coordinate option grants with the release of material, non-public information. Company-wide equity grants, including equity grants to executive officers, are awarded effective as of the date of the March meeting of the Committee. Throughout the year, equity awards are made to new hires and promoted employees, with a grant date effective as of the date of the next regularly scheduled quarterly Committee meeting. The exercise price of each of our stock option grants is the market closing price on the effective grant date.

During Fiscal 2006, the Board established an Equity Awards Committee ("EAC") for the purpose of making equity awards to associates below the executive officer level. The Chairman of the Board is the sole member of the EAC. The EAC has authority to make awards of up to the lesser of 25,000 shares or $1 million per associate per fiscal year. The EAC also has authority to accelerate the vesting of previously granted awards, provided that the value of awards accelerated cannot exceed $1 million on the date of acceleration and cannot exceed $3 million per associate per fiscal year. The Committee also delegated authority to the Company's EVP-HR to make stock option awards to associates below the executive officer level of up to the lesser of 7,000 shares or $250,000 per associate per fiscal year, not to exceed a maximum to all associates during any fiscal year of the lesser of 1,000,000 shares in the aggregate or $40 million. Any action taken by the EAC or EVP-HR pursuant to the foregoing delegation of authority must be reported to the Committee at its next meeting.

Flowers Foods Inc. – April 17, 2007

Timing of Grants Under the EPIP. The compensation committee continues to refine its process for determining the date for the annual grant of equity awards, with the intent of insulating the choice of date from any market influences that might affect the decision at a given time. For the 2006 annual grants, the compensation committee determined in advance that the grants would be made on the first day of the fiscal year. In fiscal 2007, the compensation committee adopted the policy of making the annual grant following the official announcement of our prior fiscal year results, which coincides with the opening of our self-imposed insider trading window. Except in unusual circumstances, we do not grant equity awards at other dates. If at the time of any planned equity grant any member of the compensation committee is aware of any material non-public information concerning our company, the compensation committee will generally delay the planned grant until such time as the material non-public information has been fully disseminated in the market. The grant date is established when the compensation committee approves the grant and all key terms have been determined. The exercise price of each of our prior stock option grants and the grant price of our prior restricted stock grants was the average of the high and low market price on the grant date. Going forward, the exercise price of each of our stock option grants and the grant price of our restricted stock grants will be the closing market price on the grant date. Executive officers do not play any role in the timing of equity awards under the EPIP.

Baldor Electric Company – April 18, 2007

Additional Information About Stock Options

Grants to executive officers and other key management are normally made at the first Board of Directors meeting of the year, the date for which is established at least nine months in advance. During 2006, the Board recommended Shareholders approve the Baldor Electric Company 2006 Equity Incentive Plan at the April Shareholders' Meeting. Adoption of the Plan allowed the Compensation Committee to comply with IRS Code Section 409A requirements on options previously granted. As a result of the Plan's passage, the 2006 options for executive officers and other key management personnel were granted at the April meeting.

The exercise price of all options granted is equal to the NYSE composite closing price for Baldor stock on the grant date. The grant date is normally the date of a Compensation Committee meeting. These meetings are typically scheduled approximately nine months in advance of the meeting. As such, there may be times when the Compensation Committee may grant options at times when the Board or Compensation Committee is in possession of material non-public information. The Company has not adopted any policy with respect to coordinating option grant dates with the release of material non-public information. The Compensation Committee typically does not take such information into account when determining whether and in what amount to make option grants. Rather, the grant date with respect to any options granted to a Named Executive Officer generally is the date the Compensation Committee determines to grant such options.

As a matter of policy, the Company does not re-price any options previously granted.

Centex Corporation – July 11, 2007

Policies Regarding Grant of Equity Awards

The company makes equity awards to enhance the link between the creation of stockholder value and long-term incentive compensation, provide an opportunity for increased equity ownership by employees and directors and maintain competitive levels of total compensation.

All the company's equity awards are made by the committee under the terms of the company's equity plans. The committee has established certain practices and procedures to guide its decisions on the grant of equity awards. Equity awards to employees generally will be made once each fiscal year at a meeting of the committee held in the first quarter of the fiscal year. The meeting will be held no less than three nor more than 30 business days after the company's earnings release for the fourth quarter of the prior fiscal year. The committee may make exceptions to these guidelines for new hires, promotions and other special circumstances.

Equity awards to non-employee directors generally will be made once each fiscal year at a meeting of the committee held in connection with the company's annual meeting of stockholders. The meeting will be held no less than three nor more than 30 business days after the company's earnings release for the first quarter of the current fiscal year. However, if the meeting is not held within that time frame, the grant date of the equity awards to the directors will be a specified date after the meeting at which they were approved that is within that time frame. The committee may make exceptions to these guidelines for new non-employee directors and special circumstances.

The date on which an equity award is granted is the date specified in the resolutions of the committee authorizing the grant. The grant date must fall on or after the date on which the resolutions are adopted by the committee. For stock options, the exercise price is the closing sale price of the company's common stock on the grant date, as reported by the NYSE, or as otherwise required by the applicable equity plan under which the option is granted. Under our equity plans, the per share exercise price of an option cannot be less than the fair market value of a share of our common stock on the date of grant. Fair market value is defined generally in the plans as the closing sale price of the common stock as reported on the NYSE on the date of grant.

Except as described above, the company does not have any program, plan or practice to time the grant of equity awards in coordination with the release of material non-public information. We try to make equity awards at times when they will not be influenced by scheduled releases of information. We do not time or plan the release of material, non-public information for the purpose of affecting the value of executive compensation.

Blue Coat Systems, Inc. – August 28, 2007

Timing of Equity Awards and Equity Award Policy

In fiscal 2007, the Company conducted an investigation into its historical stock option granting practices. This investigation was managed by a Special Committee of the Board of Directors. As a consequence of the investigation the Company determined that the actual measurement dates for financial accounting purposes of certain stock option grants, primarily during fiscal years 2000-2004, differed from the recorded grant dates of such awards. The Special Committee found that, particularly prior to 2005, option grant dates were selected by certain members of management with the benefit of hindsight based on perceived historical low points in the Company's stock price. The misdating occurred with respect to grants to all levels of employees.

As a result of these activities, the Company recorded additional deferred stock-based compensation to reflect the difference in the Company's stock price from the stated grant date to the actual measurement date, and amortized the deferred stock-based compensation over the appropriate vesting period of each stock option. As a result of the findings of the stock option investigation and the Company's recertification procedures, which are discussed in greater depth in the Company's Form 10-K for the fiscal year ended April 30, 2006 and its Form 10-Q for the fiscal quarter ended January 31, 2007, various of the Company's consolidated financial statements and related disclosures were restated.

The Company has taken steps to amend the exercise prices of options awarded to each of its executive officers where the recorded grant date differed from the actual measurement date for accounting purposes. As well, the Company offered its U.S.-based employees, who were not then or previously executive officers, the opportunity to tender their eligible discounted options for correctly priced options under a tender offer, which closed on May 29, 2007. The terms of that offer are more fully described in the Tender Offer Statement on Schedule TO that the Company filed with the SEC on May 1, 2007. Each of the Company's eligible employees participated in the Tender Offer and had the exercise price of his or her options increased to the fair market value of the Company's Common Stock on the actual measurement date. The Company has agreed to pay those employees a cash bonus equal to the amount by which the increased exercise price of the affected options exceeded the original exercise price. This amount will be paid in January 2008.

As a consequence of the stock option investigation and restatement, the Company has taken actions to ensure that the exercise price of its stock option awards is set at fair market value of the date of the award, which the Board of Directors has determined is the closing price of the Company's Common Stock as reported on NASDAQ on the date of the award. The Company has also taken steps to ensure that any equity award is not deliberately timed to precede or follow the release of material nonpublic information in a manner that could be expected to benefit the optionees. On March 6, 2007, upon the recommendation of the Special Committee and its counsel, the Board of Directors adopted an Equity Award Policy ("Equity Award Policy") intended to provide an added level of control over the Company's making of equity awards. The Equity Award Policy was subsequently amended to better meet the Company's requirements. A copy of the Equity Award Policy, as currently in effect, is available under the heading "Corporate Governance" of the Investor Relations section of the Company's website at http://www.bluecoat.com/aboutus/investor_relations. The Equity Award Policy was adopted, in part, to ensure that all equity awards that the Company makes undergo appropriate Board scrutiny, that there is no abusive timing of the Company's equity awards, and that all stock options are granted at fair market value on the date of the award.

The Company's Equity Award Policy provides that equity awards approved by the Compensation Committee will only be effective on the third Thursday of the calendar month following the later of (a) the date of approval, or (b) the occurrence of the Award Event. It provides that equity awards approved by the Stock Option Committee will only be granted on the third Thursday of the calendar month following the date of approval, which must be after the occurrence of the Award Event. If the third Thursday of the month is not a business day, then the date of grant will be the first business day thereafter. Under the Equity Award Policy, the

"Award Event" is the event that triggers the equity award, such as the bona fide commencement of employment, the promotion of an employee or the closing of an acquisition. Under the Equity Award Policy, fair market value is specified as the NASDAQ closing price of the Company's Common Stock, and any stock option must be priced at fair market value on the date of grant.

The Company's Equity Award Policy also governs the provision of annual "refresh" awards to existing employees. Under the Equity Award Policy such awards are approved by the applicable committee of the Board after completion of the Company's annual budget planning process, and will be effective on the third Thursday of June.

The Equity Award Policy also provides that grants of equity awards to non-employee directors may only be made pursuant to the automatic option grant program set forth in the Company's 1999 Director Option Plan ("Director Plan") and implemented by resolution under the Company's 1999 Stock Incentive Plan, as discussed above under "Director Compensation."

PMC-Sierra, Inc. – March 22, 2007

The Committee has implemented general policies relating to grants of stock options and other awards and these policies also apply to our executive officers. Specifically, the Committee has determined that stock options shall be granted only on the first Tuesday of each month (or, alternatively, on the date the last Committee member approves such grants if not approved prior to the first Tuesday of each month). Monthly grants for newly hired and promoted employees are considered valuable to support ongoing hiring and incentive objectives to remain competitive and to concentrate the administrative activities on a single day. In fiscal 2007, PMC expects to make grants of restricted stock units on a quarterly basis using the same grant date each quarter. The first grants of restricted stock units will be made on May 25th in fiscal 2007 and PMC intends to make quarterly grants each year on February 25th, May 25th, August 25th, and November 25th or the next trading day following those dates. Grants are approved only at a properly constituted meeting of the Committee or by electronic unanimous written consent of the Committee members. All required documentation, including the list of equity award recipients and the recommended grant amounts, is expected to be sent by management and received by the Committee at least one week prior to the proposed grant date. The Committee may only make changes to the award recipients and recommended grant amounts prior to the grant date. All stock option grants and other awards have a per share exercise price equal to closing price of the PMC's Common Stock on the NASDAQ Global Market on the date of grant. If the markets are closed on the date of grant, then the exercise price will be the closing price on the next trading day.

As PMC grants options on a monthly basis, and expects to grant restricted stock units on a quarterly basis, each on predetermined dates, equity compensation awards to executive officers may be made prior to the release of material, nonpublic information that may result in an increase in the price of PMC's Common Stock, such as a significant positive earnings announcement. Management and the Committee believe that consistency in grant dates for equity compensation awards is paramount. Given PMC's ongoing hiring efforts in a competitive job market and the historical volatility of its stock trading price, management and the Committee believe that it is important to grant equity incentive awards as close as possible to the start-date of newly hired employees. Option awards provided in connection with PMC's annual performance review of all employees, including executive officers, shall be granted on the first Tuesday of March in connection with the regularly monthly grant schedule and grants of restricted stock units will be made on May 25 (or the next trading day if the market is closed on the scheduled grant date).

Merck & Co., Inc. – March 12, 2007

No Backdating or Spring Loading: Merck does not backdate options or grant options retroactively. In addition, we do not plan to coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. Merck's options are granted at fair market value on a fixed date or event (such as the first Friday following an employee's hire), with all required approvals obtained in advance of or on the actual grant date. All grants to executive officers require the approval of the Compensation and Benefits Committee. The Company's general practice is to grant options only on the annual grant date and on a specified date each quarter, although there are occasions when grants have been made on other dates. The Company is working to eliminate "off cycle" grants to the extent possible.

Fair market value has been consistently determined as the average of the high and low on the New York Stock exchange on the grant date. Starting in 2007, fair market value will be determined as the closing price on the grant date. In order to ensure that its exercise price fairly reflects all material information—without regard to whether the information seems positive or negative—every grant of options is contingent upon an assurance by the Company's General Counsel that the Company is not in possession of material undisclosed information. If the Company is in possession of such information, grants are suspended until the second business day after public dissemination of the information. In certain countries outside the United States, a higher, but not lower, grant price may be used to satisfy provisions of local applicable law.

Genentech, Inc. – March 17, 2007

Timing of Grants and Exercise Price: Annual grants are awarded each September to NEOs and other designated employees at the regularly scheduled meeting of the Compensation Committee. The exercise price for these grants is equal to the closing fair market value of our Common Stock on the date the Compensation Committee approves the grant. For new-hire grants, options are typically provided as part of a NEO's offer package. The Compensation Committee approves new-hire stock option awards for NEOs as well as other executive officers, and has delegated the authority to the Chairman to approve all other new-hire stock option awards. For non-executive officers, new-hire stock options are granted by the Chairman either on the date of approval or if the non-executive officer is not yet an employee, then effective as of the first day of employment with the Company. For those other employees who receive grants as new hires, it is our process to grant stock options on or shortly after the first day of their employment, with the grant date based on the date of approval by the Chairman. Given that both annual and new-hire grants to

NEOs are made using a fixed-date approach, the Compensation Committee does not consider the release or possession of material non-public information in determining grant dates.

Oracle Corporation – September 14, 2007

Timing of Stock Option Grants

We have a policy of generally granting stock options on preset dates. We do not grant stock options in anticipation of the release of material nonpublic information, and we do not time the release of material nonpublic information based on stock option grant dates. Because we believe stock options are an important part of our compensation program, we grant options on an annual basis to key employees (other than newly hired employees), including our executive officers. The Compensation Committee approves these annual option grants during the ten business-day period following the second business day after the announcement of our fiscal year-end earnings report. We implemented this policy in an effort to issue our annual stock option grants during the time when potential material information regarding our financial performance is most likely to be available to the market.

Option grants of more than 100,000 shares to existing and newly hired executive officers (which are not part of the annual stock option grants to key employees) generally occur on a preset date each month at a meeting of the Compensation Committee.

Google Inc. – April 4, 2007

Timing of Equity Grants

Pursuant to a policy adopted by the LDC Committee in 2005, the effective grant date for all equity awards to executives, members of our board of directors and non-employee advisors is the first business day of the month following the date on which the LDC Committee approves the grant, unless otherwise specified by our board of directors or the LDC Committee. For other employees, equity grants are effective on the date they are approved by the LDC Committee or its designee. All stock option grants to named executive officers are granted with an exercise price equal to or above the fair market value of the underlying stock on the date of grant. The LDC Committee does not grant equity compensation awards in anticipation of the release of material nonpublic information. Similarly, Google does not time the release of material nonpublic information based on equity award grant dates.

Capital One Financial Corporation – March 20, 2007

Equity Grant Practices

Stock option award practices are intended to reflect the high standards that are consistent with our core values. For the CEO, the date of grant for equity-based awards is the date of the

Committee meeting in which the grants are approved. The grant date for awards made to NEOs is determined by the Committee at the meeting where the awards are approved. The Committee does not seek to time equity grants to take advantage of material non-public information and in no event is the grant date set prior to the date of Committee approval.

The exercise price for stock option awards is their Fair Market Value ("FMV"), which under the terms of our Amended and Restated 2004 Stock Incentive Plan (the "2004 Plan") is the average of the high and low market price of the Company's stock on the date of grant. A full definition of FMV is available in the 2004 Plan, as approved by our stockholders.

In response to recent publicized concerns regarding stock option grant practices in publicly-traded companies, the Committee requested that the Company's Internal Audit group conduct a review of the Company's historic stock option grant practices. After conducting a thorough review, the Company's Internal Audit department concluded that the Company had not engaged in options backdating, "bullet dodging" or "spring-loading" practices or any other irregularities in its option grant practices. The Company's Internal Audit department similarly concluded that there were no irregularities in the Company's restricted stock and RSU grant practices. The Company's Chief Internal Auditor presented these results to the Committee and to the Audit and Risk Committee of the Board of Directors in January 2007.

Gartner, Inc. – April 27, 2007

It is the Company's policy not to make equity awards to executive officers prior to the release of material non-public information. Generally speaking, executive new hire awards given as an inducement to joining the Company are made on the 15th or 30th day of the month first following the executive's start date (and after approval of the Compensation Committee), and retention and promotion awards are made on the 15th or 30th day of the month first following the date of Compensation Committee approval, but the grant of these awards may be delayed pending the release of material non-public information.

Convergys Corporation – March 13, 2007

Timing of Equity Awards

Annual Grant Practice. Equity grants are made annually. Details regarding the grants including the terms of the grants, the recipients, the size of the grants and the date of grants are reviewed and approved by the Committee, usually during its meeting in February. At that time, the date of grant is also determined by the Committee. The grant date is typically a date at the end of the first quarter but within the first 90 days of the start of the year. This timing is chosen in order to comply with the requirements of Section 162(m) of the Internal Revenue Code and allocate related grant expense appropriately. Under certain circumstances, including for example, a reorganization that involves a reduction in force, the Committee might set the grant date (or change the grant date) with respect to a particular group of employees (other than executive officers subject to Section 162(m)) on a date after the date when the reductions are expected to have been completed. In the case of stock options, the exercise price is set at the average of the high and low price on the NYSE of Common Shares on the date of grant.

New Hire Grant Practice. If an executive level employee is hired or promoted during the year after the annual grant has been made, such employee may be eligible to receive an equity award. In this case, unless the individual is an officer of the Company, the CEO has the authority to approve the grant within guidelines established by the Committee. If the individual is an officer of the Company, only the Committee has authority to approve an equity award to such individual. Awards are made effective on the later of the executive's date of hire/promotion or the date the grant is approved by the CEO or the Committee, as applicable. The CEO reports to the Committee at each committee meeting all awards he has approved under these circumstances since the last meeting.

Grant Policy. Due to the process described above for the timing of grants, the Company does not believe a formal plan providing for coordination between the timing of annual and new hire equity grants and the release of material non-public information is necessary.

<u>General Electric Company – February 27, 2007</u>

Equity Grant Practices. The exercise price of each stock option awarded to our senior executives under our long-term incentive plan is the closing price of GE stock on the date of grant, which is the date of the September MDCC meeting at which equity awards for senior executives are determined. PSUs and RSUs are also granted to our named executives at this meeting. Board and committee meetings are generally scheduled at least a year in advance. Scheduling decisions are made without regard to anticipated earnings or other major announcements by the company. We prohibit the repricing of stock options.

<u>Xilinx, Inc. – May 30, 2007</u>

Equity Grant Procedures and Guidelines

Our equity program is a broad-based, long-term retention program that is intended to allow us to attract and retain talented employees and align stockholder and employee interests. Generally, we review the performance and compensation levels of executives, including the named executive officers, during the annual Focal Review Period and grants of equity awards are made to executives following such review (on or about July 1 of each year) .

We have conducted an internal review of our equity granting procedures to ensure that our procedures satisfy both our objectives and all applicable compliance requirements. To this end, the Company has adopted written procedures for the grant of equity awards. With respect to grants to employees and officers, including named executive officers, the Compensation Committee reserves the authority to make grants at such time and with such terms as it deems appropriate in its discretion, subject to the terms of the 2007 Plan. Generally, grants of equity awards are made to officers based on and in connection with the annual review during the Focal

Review Period. However, the Compensation Committee has and does grant equity awards at its scheduled meetings or by unanimous written consent for new hires and promotions. Grants approved during scheduled meetings become effective and are priced as of the date of approval or a pre-determined future date. For example, new hire grants are effective as of the later of the date of approval or the newly hired employee’s start date. Grants approved by unanimous written consent become effective and are priced as of the date the last signature is obtained or as of a predetermined future date. The Company has not granted, nor does it intend in the future to grant, equity awards to executives in anticipation of the release of material nonpublic information that is likely to result in changes to the price of the Company’s Common Stock, such as a significant positive or negative earnings announcement. Similarly, the Compensation Committee has not timed, nor does it intend in the future to time, the release of material nonpublic information based on equity award grant dates. In any event, because equity compensation awards typically vest over four-year periods, the effect of any immediate increase in the price of the Company’s Common Stock following grant is minimal.

The Board of Directors has delegated to the CEO and CFO limited authority to approve equity award grants to non-officer employees pursuant to the terms of the 2007 Plan, and subject to the provisions of pre-determined guidelines. Specifically, with respect to non-officer employees, our annual focal awards will be granted on or about July 1 of each year (or if such day is not a business day, the first business day thereafter), and other equity awards will generally be granted on the 10th day of the month, or if such day is not a business day, the first business day thereafter that the Company’s stock is traded. The Compensation Committee is responsible for determining and granting all equity awards to executive officers.

Under the 2007 Plan, the exercise price of options and stock appreciation rights may not be less than 100% of the closing price of the shares underlying such options and stock appreciation rights on the date of grant.

The Compensation Committee is in the process of considering a policy for seeking the return (claw-back) from executive officers of stock sales proceeds to the extent that they had been inflated due to financial results that later had to be restated.