

# *The Spread of Options Backdating:*

*A closer look at the boards  
and directors involved*

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## **The Corporate Library**

Governance. Compensation. Performance.

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## The Spread of Options Backdating:

### A closer look at the boards and directors involved

#### Introduction

One of the most significant conclusions of The Corporate Library's first examination of backdating stock options – *Backdating Stock Options: Are There Common Characteristics Among the Companies Implicated?*<sup>1</sup> – was that the level of interconnectedness between directors sitting on the boards of companies implicated in the scandal was much higher than could be expected from a similar, randomly selected sample. This conclusion led us to believe that the practice of backdating stock options may have been spread by word of mouth, through the conduit of directors sitting on the boards of more than one company.

A new study of the wider group of companies now implicated in the backdating scandal, based on data taken from The Corporate Library's governance database Board Analyst, has supplied further evidence for this conclusion. Indeed, director interlocking relationships are fast becoming what appear to be the most important characteristic and indicator of backdating problems. The Corporate Library's clients can view a regularly updated list of companies being investigated for backdating options by going to the Board Analyst website at <http://www.boardanalyst.com/backdatingoptionswatch.aspx>.

The number of companies implicated in the options backdating scandal has more than doubled since the first report, rising from 51 at the end of June 2006 to 120 companies at the end of September 2006. At the same time, the number of companies with director-based links has risen almost fivefold, from 11 to 51.

#### Survey findings

Of the 120 companies now under investigation for backdating stock options, 51 of them, or 42.5 percent, have directors who sit on more than one board within the group. This group of individuals comprises a total of 49 directors – 43 directors who sit on two boards and 6 directors who sit on the boards of three of the implicated companies. This is out of a total of 1,440 directors. These figures compare to the findings of the earlier study, which showed that there were 11 directors who sat on two boards, out of a total of 599 directors. The proportion of related directors has increased by more than 80 percent.

Indeed, such is the web of inter-relatedness that there are 27 companies of the 120 which have more than one dual-board director on the board. Only three such companies existed in the earlier study. *Table 1* gives the companies involved.

Three companies have six directors who sit on more than one implicated company board – Comverse, Verint Systems and Ulticom. Of course, Comverse is the controlling stockholder of Verint, so the board similarity here is a symptom of this

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<sup>1</sup>Available from [www.thecorporatelibrary.com](http://www.thecorporatelibrary.com).

**Table 1: Companies with more than one dual-board director (Source: *The Corporate Library/Board Analyst*)**

Company name	Number of directors sitting on boards of other implicated companies
Comverse	6 directors
Ulticom	6 directors
Verint Systems	6 directors
Verisign	5 directors
Juniper Networks	4 directors
Xilinx	4 directors
Analog Device	3 directors
Apple Computers	3 directors
Sanmina-SCI	3 directors
Applied Micro Circuits	2 directors
BEA Systems	2 directors
Brocade Communications	2 directors
Ditech	2 directors
Equinix	2 directors
Foundry Networks	2 directors
Gap	2 directors
Intuit	2 directors
KLA-Tencor	2 directors
Macrovision	2 directors
Novell	2 directors
Novellus	2 directors
PMC-Sierra	2 directors
Rambus	2 directors
Sonus Networks	2 directors
THQ	2 directors
Western Digital	2 directors
Zoran	2 directors

relationship, rather than any other more sinister problem. The median number of directors within this group is two.

Table 2 contains all the links among the 51 linked scandal companies sorted by director. The most important connecting directors in the network of option scandal boards are William H. Kurtz and Scott G. Kriens. These directors connect the most central boards.

### Network analysis

In coming to these conclusions, the study looked at all the present-day connections among the 120 companies implicated at some point in the past in the practice of backdating of stock option grants. Of the companies implicated in the options backdating scandal, some 51 of their boards are linked to at least one other of 120 'scandal' company boards via a director presently or recently

**Table 2: Director Network Analysis (Source: The Corporate Library/Board Analyst)**

Company name	Director name	Company name
Brown Forman Corp	Alfred J. Amoroso	Foundry Networks Inc
Foundry Networks Inc	Alfred J. Amoroso	Brown Forman Corp
Brown Forman Corp	Andrew K. Ludwick	Foundry Networks Inc
Foundry Networks Inc	Andrew K. Ludwick	Brown Forman Corp
Blue Coat Systems Inc	Andrew S. Rachleff	Equinix Inc
Equinix Inc	Andrew S. Rachleff	Blue Coat Systems Inc
Applied Micro Circuits Corp	Arthur B. Stabenow	Zoran Corp /De/
Zoran Corp /De/	Arthur B. Stabenow	Applied Micro Circuits Corp
Comverse Technology Inc/Ny/	Avi Aronovitz	Verint Systems Inc
Verint Systems Inc	Avi Aronovitz	Comverse Technology Inc/Ny/
Sanmina-SCI Corp	Bernard V. Vonderschmitt	Xilinx Inc
Xilinx Inc	Bernard V. Vonderschmitt	Sanmina-SCI Corp
Autodesk Inc	Carol A. Bartz	Castle Convertible Fund Inc
Castle Convertible Fund Inc	Carol A. Bartz	Autodesk Inc
Comverse Technology Inc/Ny/	David Kreinberg	Ulticom Inc
Comverse Technology Inc/Ny/	David Kreinberg	Verint Systems Inc
Ulticom Inc	David Kreinberg	Comverse Technology Inc/Ny/
Ulticom Inc	David Kreinberg	Verint Systems Inc
Verint Systems Inc	David Kreinberg	Comverse Technology Inc/Ny/
Verint Systems Inc	David Kreinberg	Ulticom Inc
Atmel Corp	David Sugishita	Ditech Communications Corp
Ditech Communications Corp	David Sugishita	Atmel Corp
Castle Convertible Fund Inc	Dean O. Morton	KLA Tencor Corp
Castle Convertible Fund Inc	Dean O. Morton	Clorox Co /De/
Clorox Co /De/	Dean O. Morton	KLA Tencor Corp
Clorox Co /De/	Dean O. Morton	Castle Convertible Fund Inc
KLA Tencor Corp	Dean O. Morton	Clorox Co /De/
KLA Tencor Corp	Dean O. Morton	Castle Convertible Fund Inc
Ditech Communications Corp	Edwin L. Harper	McAfee, Inc.
McAfee, Inc.	Edwin L. Harper	Ditech Communications Corp
Apple Computer Inc	Eric E. Schmidt	Novell Inc
Novell Inc	Eric E. Schmidt	Apple Computer Inc
Juniper Networks Inc	Frank Marshall	PMC Sierra Inc
PMC Sierra Inc	Frank Marshall	Juniper Networks Inc
Semtech Corp	Glen M. Antle	Trident Microsystems Inc
Trident Microsystems Inc	Glen M. Antle	Semtech Corp
Brocade Communications Systems Inc	Gregory L. Reyes	Verisign Inc/Ca
Verisign Inc/Ca	Gregory L. Reyes	Brocade Communications Systems Inc
Rambus Inc	Harold E. Hughes	Xilinx Inc
Xilinx Inc	Harold E. Hughes	Rambus Inc
Nvidia Corp	Harvey C. Jones	Wind River Systems Inc
Wind River Systems Inc	Harvey C. Jones	Nvidia Corp
Applied Micro Circuits Corp	Harvey P. White	Viasat Inc
Viasat Inc	Harvey P. White	Applied Micro Circuits Corp



**Table 2: Director Network Analysis (Source: The Corporate Library/Board Analyst)**

Company name	Director name	Company name
THQ Inc	Henry T. DeNero	Western Digital Corp
Western Digital Corp	Henry T. DeNero	THQ Inc
Comverse Technology Inc/Ny/	Jacob Alexander	Ulticom Inc
Comverse Technology Inc/Ny/	Jacob Alexander	Verint Systems Inc
Ulticom Inc	Jacob Alexander	Comverse Technology Inc/Ny/
Ulticom Inc	Jacob Alexander	Verint Systems Inc
Verint Systems Inc	Jacob Alexander	Comverse Technology Inc/Ny/
Verint Systems Inc	Jacob Alexander	Ulticom Inc
KB Home	James A. Johnson	UnitedHealth Group Inc
Unitedhealth Group Inc	James A. Johnson	KB Home
Analog Devices Inc	Jerald G. Fishman	Xilinx Inc
Xilinx Inc	Jerald G. Fishman	Analog Devices Inc
Sanmina-SCI Corp	John C. Bolger	Wind River Systems Inc
Wind River Systems Inc	John C. Bolger	Sanmina-SCI Corp
Analog Devices Inc	John L. Doyle	Xilinx Inc
Xilinx Inc	John L. Doyle	Analog Devices Inc
Juniper Networks Inc	Kenneth Levy	KLA Tencor Corp
KLA Tencor Corp	Kenneth Levy	Juniper Networks Inc
Mercury Interactive Corp	Kenneth R. Klein	Wind River Systems Inc
Wind River Systems Inc	Kenneth R. Klein	Mercury Interactive Corp
Openwave Systems Inc	Kevin J. Kennedy	Rambus Inc
Rambus Inc	Kevin J. Kennedy	Openwave Systems Inc
Blue Coat Systems Inc	Kevin Royal	Novellus Systems Inc
Novellus Systems Inc	Kevin S. Royal	Blue Coat Systems Inc
Brocade Communications Systems Inc	Larry W. Sonsini	Novell Inc
Novell Inc	Larry W. Sonsini	Brocade Communications Systems Inc
Apple Computer Inc	Millard S. Drexler	Gap Inc
Gap Inc	Millard S. Drexler	Apple Computer Inc
Novellus Systems Inc	Neil R. Bonke	Sanmina-SCI Corp
Sanmina-SCI Corp	Neil R. Bonke	Novellus Systems Inc
Ulticom Inc	Paul D. Baker	Verint Systems Inc
Verint Systems Inc	Paul D. Baker	Ulticom Inc
Sonus Networks Inc	Paul J. Ferri	Sycamore Networks Inc
Sycamore Networks Inc	Paul J. Ferri	Sonus Networks Inc
Analog Devices Inc	Paul J. Severino	Sonus Networks Inc
Sonus Networks Inc	Paul J. Severino	Analog Devices Inc
Ulticom Inc	Paul L. Robinson	Verint Systems Inc
Verint Systems Inc	Paul L. Robinson	Ulticom Inc
Sanmina-Sci Corp	Peter J. Simone	Zoran Corp /De/
Zoran Corp /De/	Peter J. Simone	Sanmina-SCI Corp
Comverse Technology Inc/Ny/	Raz Alon	Ulticom Inc
Ulticom Inc	Raz Alon	Comverse Technology Inc/Ny/
CA, Inc.	Richard A. Grasso	Home Depot Inc
Home Depot Inc	Richard A. Grasso	CA, Inc.

**Table 2: Director Network Analysis (Source: *The Corporate Library/Board Analyst*)**

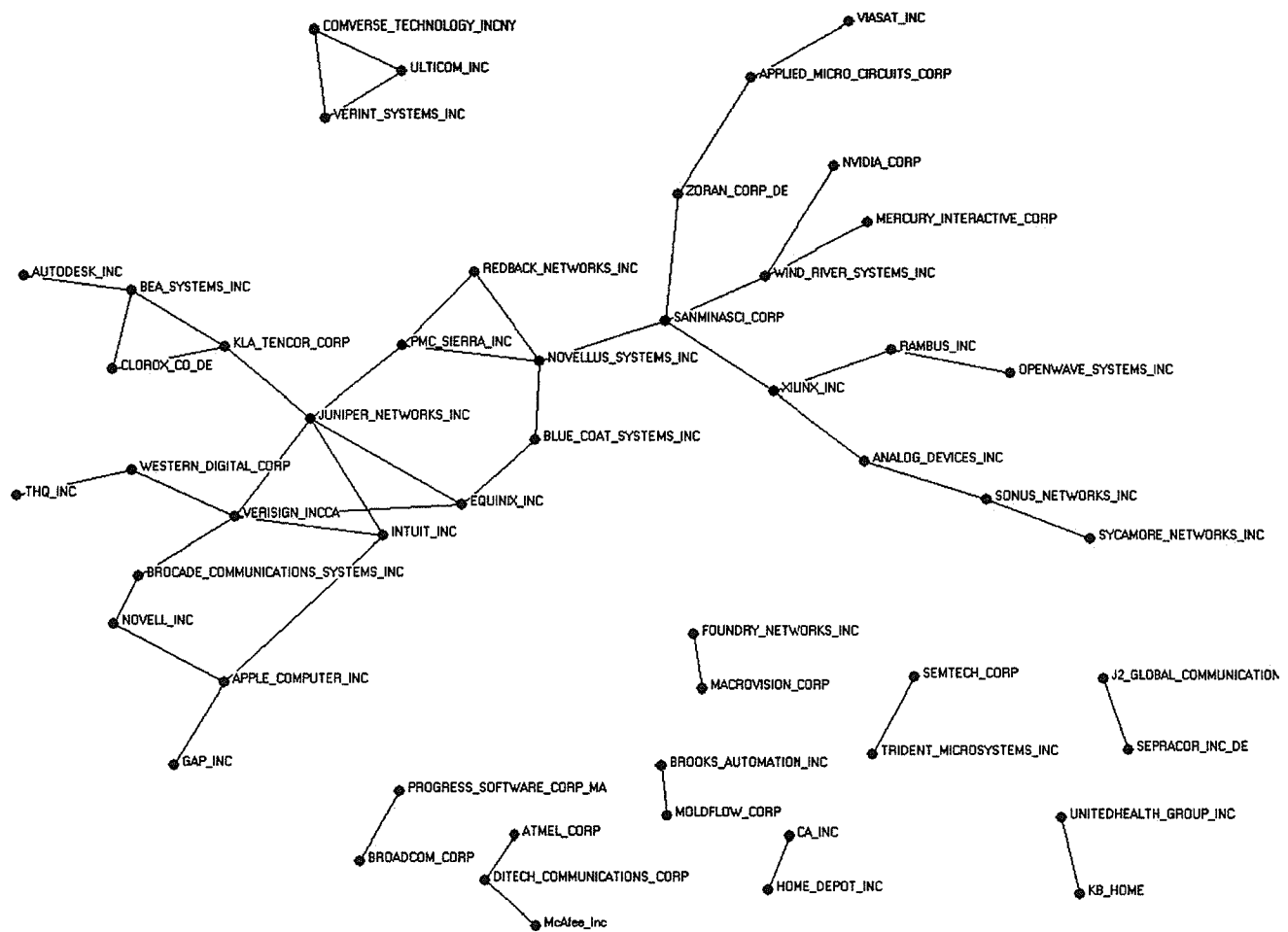
Company name	Director name	Company name
J2 Global Communications Inc	Robert J. Cresci	Sepracor Inc /De/
Sepracor Inc /De/	Robert J. Cresci	J2 Global Communications Inc
Brooks Automation Inc	Robert J. Lepofsky	Moldflow Corp
Moldflow Corp	Robert J. Lepofsky	Brooks Automation Inc
Verisign Inc/Ca	Roger H. Moore	Western Digital Corp
Western Digital Corp	Roger H. Moore	Verisign Inc/Ca
Comverse Technology Inc/Ny/	Ron Hiram	Ulticom Inc
Ulticom Inc	Ron Hiram	Comverse Technology Inc/Ny/
Broadcom Corp	Scott A. McGregor	Progress Software Corp /Ma
Progress Software Corp /Ma	Scott A. McGregor	Broadcom Corp
Equinix Inc	Scott G. Kriens	Juniper Networks Inc
Equinix Inc	Scott G. Kriens	Verisign Inc/Ca
Juniper Networks Inc	Scott G. Kriens	Verisign Inc/Ca
Juniper Networks Inc	Scott G. Kriens	Equinix Inc
Verisign Inc/Ca	Scott G. Kriens	Juniper Networks Inc
Verisign Inc/Ca	Scott G. Kriens	Equinix Inc
Apple Computer Inc	Steven P. Jobs	Gap Inc
Gap Inc	Steven P. Jobs	Apple Computer Inc
Intuit Inc	Stratton D. Sclavos	Juniper Networks Inc
Intuit Inc	Stratton D. Sclavos	Verisign Inc/Ca
Juniper Networks Inc	Stratton D. Sclavos	Intuit Inc
Juniper Networks Inc	Stratton D. Sclavos	Verisign Inc/Ca
Verisign Inc/Ca	Stratton D. Sclavos	Intuit Inc
Verisign Inc/Ca	Stratton D. Sclavos	Juniper Networks Inc
Comverse Technology Inc/Ny/	William F. Sorin	Verint Systems Inc
Verint Systems Inc	William F. Sorin	Comverse Technology Inc/Ny/
Novellus Systems Inc	William H. Kurtz	PMC Sierra Inc
Novellus Systems Inc	William H. Kurtz	Redback Networks Inc
PMC Sierra Inc	William H. Kurtz	Novellus Systems Inc
PMC Sierra Inc	William H. Kurtz	Redback Networks Inc
Redback Networks Inc	William H. Kurtz	Novellus Systems Inc
Redback Networks Inc	William H. Kurtz	PMC Sierra Inc
Apple Computer Inc	William V. Campbell	Intuit Inc
Intuit Inc	William V. Campbell	Apple Computer Inc

serving on both boards. The principal component of this network, which is the largest connected component in the network, consists of 32 boards.

The 51 connected 'scandal' companies are included in *Graph 1* below. The principal component is the central portion of the graph, with the most central boards colored blue.

The boards most central to the principal component of the network are Sanmina-SCI, Novellus Systems, Juniper Networks, PMC Sierra and Xilinx, in that order. Their links to other 'scandal' boards

**Graph 1: 51 Connected 'Scandal' Companies (Source: The Corporate Library/Board Analyst)**



via shared directors place them in positions of most influence, as defined by the social network metric of 'betweenness centrality'. Betweenness centrality provides a measure of how important a board is to the flow of information through the network.

Neil R. Bonke connects Sanmina-SCI and Novellus, connecting the two main parts of the principle component of the network of 'scandal' boards. He served on the board of Sanmina-SCI from 1995 onwards and on the board of Novellus from 2004. William H. Kurtz connects Novellus to PMC Sierra and Redback Networks. Scott Kriens and Stratton Scavos are responsible for Juniper's central position, accounting for links to Equinix and Verisign and Intuit and Verisign, respectively. Both Kriens and Stratton served on these boards prior to 2002.

Key connectors of boards implicated in the options backdating scandal who served prior to 2002 and continue to serve on these boards to the present are David Kreinberg (Verint Systems, Ulticom and Comverse), Jacob Alexander (Verint Systems, Ulticom and Comverse), and William F. Sorin (Verint Systems, Ulticom and

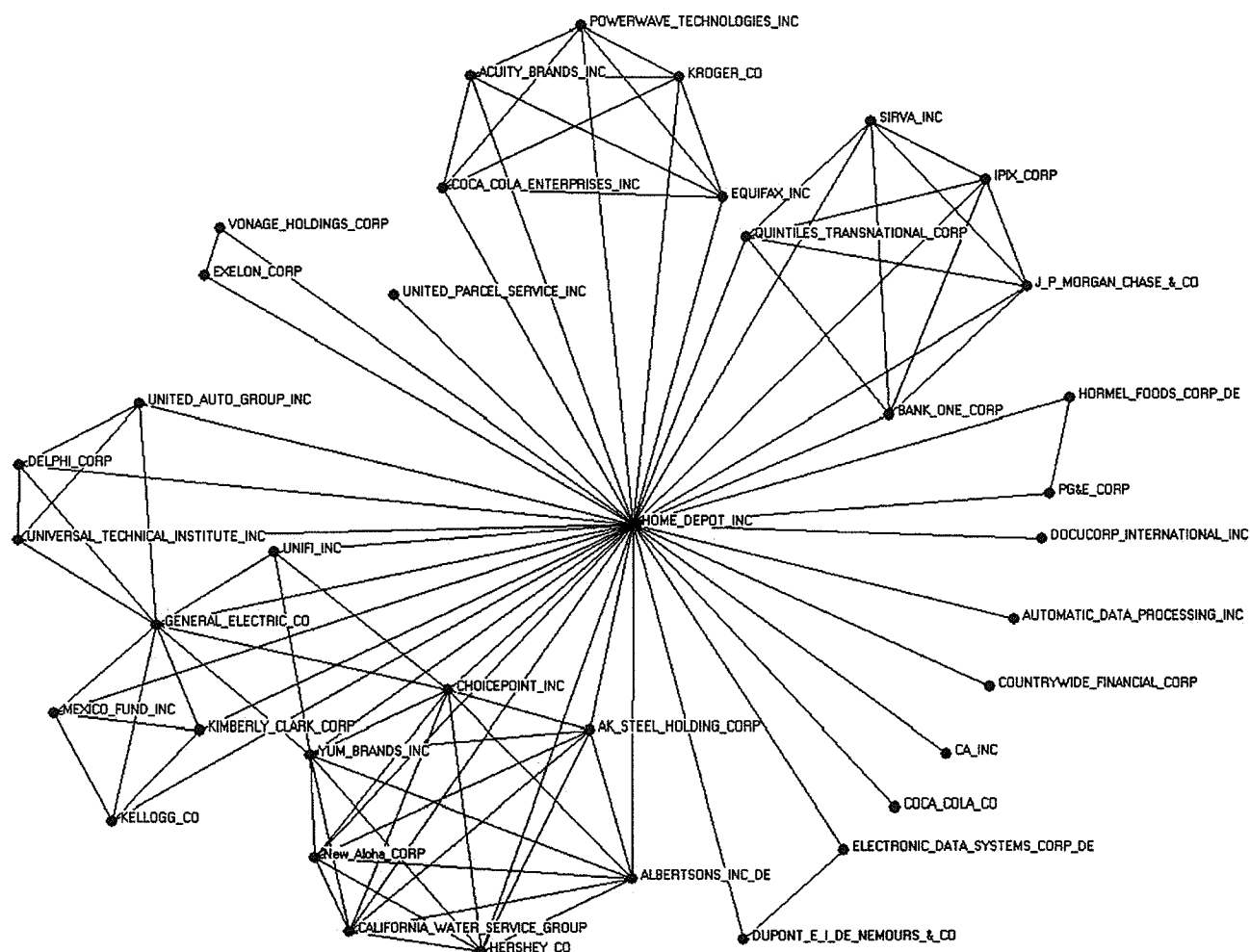
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Comverse), Scott Kriens (Verisign, Equinix and Juniper), Stratton Scavos (Verisign, Juniper and Intuit).

Forty-nine directors presently sit on at least two of the 'scandal' company boards. Of these, 27 served prior to 2002.

Extending the network to consider the position of 'scandal' boards in the network of all boards to which they are linked via at least one shared director results in large company boards being most centrally located. Home Depot and CA Inc. take center-stage. These two boards are linked to each other by Richard Grasso, who served on CA Inc. prior to 2002 and on Home Depot since 2002. Next is Gap Inc., which links to Apple Computer through Millard Drexler and Steve Jobs, both of whom served on both boards in a multiple interlock relationship prior to 2002. See *Graph 2* below for details.

**Graph 2: Network of All Boards with Shared Directors on 'Scandal' Boards (Source: *The Corporate Library/Board Analyst*)**





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### **The Wilson Sonsini Connection**

As an adjunct to the wider survey of interlocks, The Corporate Library also conducted a special study of the connections formed by the principals and partners of the law firm Wilson Sonsini Goodrich & Rosati (WSGR). It is not possible to say just how involved in the still-unfolding stock option backdating scandal was Silicon Valley power attorney Larry Sonsini and his firm. That there was substantial involvement in many of the firms implicated in the scandal is certain, as the firm's name turns up frequently. Of course, it is a reasonable assumption to expect this level of involvement from a firm that has been involved in one way or another in the vast majority of Silicon Valley's many successful IPOs over the past 30 years. But it is possible that there may be further governance concerns about these relationships than mere heavy involvement in IPOs.

There is no evidence to support the notion that option backdating was a WSGR invention. Indeed, nothing has been found to suggest that WSGR or any of its senior partners have in any way broken the law. What has been found is detailed in *Table 3* and in the individual director profiles found at the end of the report. These connections include:

- In addition to representing either the company or underwriter in a great many high-tech IPOs, WSGR partners have gone on to serve as either corporate secretary or as a non-executive director of many of these same companies.
- At the same time, WSGR has also continued to provide many of these firms with ongoing legal services, including the provision of formal opinions in support of various executive and director stock option plans.
- In some of these cases a WSGR partner was serving as an active director at the company, and was, therefore, a potential beneficiary of these plans. Such situations, of course, were fully disclosed in the appropriate SEC filing.
- WSGR partners were also personally invested in many of these same firms, either directly or via one or more special WSGR investment partnerships.

While none of these intertwined relationships are illegal, and all appear to have been fully disclosed to company shareholders, the conclusions are the following: A number of WSGR senior partners, including Mr. Sonsini, knowingly involved themselves in multiple roles with these companies, each of which involved some form of compensation. They were paid for the provision of legal services, and they were paid to serve as company directors, both in cash and in company stock. At the same time, they also made money as investors in many of these same companies. They embraced a series of relationships that were inherently conflicted, and while they may not have led in any way to the current crisis

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facing so many of these companies, the very existence of these multiple relationships, and what they say about the boards involved, could have an effect on the potential for damage now faced by these companies and the individuals involved.

In The Corporate Library's experience, genuinely bad corporate governance involves a wide spectrum of director actions and intentions, with outright fraud at one extreme and base incompetence at the other. But the vast majority of governance-related problems that put shareholder value at risk lives somewhere in the middle. More often than not they involve an ethical rather than a legal dimension, and the Wilson Sonsini Goodrich & Rosati web of connections among its many Silicon Valley clients presents a prime example.

The conclusions are straightforward and direct:

- Partners of corporate legal counsel should not serve as directors of the same company. The dollar amounts of the services provided, or of the fees paid the individual director, are irrelevant; this sort of relationship is fundamentally conflicted and therefore compromised.
- Law firms that provide companies with legal opinions regarding company stock, as well as the individual partners of those firms, should not hold investments in company stock, for similar reasons.

While strict observance of these simple guidelines might not have prevented the options backdating scandal from occurring in the first place, it would certainly have prevented the additional controversy now surrounding WSGR, and the many companies with which it has been involved over the years.

### **General conclusions**

While none of the findings of this survey prove definitively that any of the directors sitting on multiple boards were the conduit for the spread of the practice of option backdating, the theories behind social networking would support such a theory very strongly.

Furthermore, the frequency of links via a shared board member within the group of 'scandal' companies is much higher than can be found among randomly selected groups of US public company boards. In order to confirm this, ten trials were conducted, in each of which groups of 120 boards of US public companies were randomly selected and their links counted. The average number of links in the 10 randomly constructed board networks was 20. This compares to the level of links among the boards implicated in the options backdating scandal, which was 48. None of the 10 trials achieved this level of connectivity. This finding alone would

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be enough to raise red flags.

In addition to this, the existence of groups of key directors within the companies implicated in the scandal supports the original supposition very clearly. Furthermore, this avenue of investigation is now a part of the Securities and Exchange Commission's investigation into companies suspected of backdating stock options. As promised in our first report, The Corporate Library will continue to monitor the spread of director relationships.

**Table 3: WSGR involvement in IPOs of companies implicated in backdating (Source: *The Corporate Library/Board Analyst*)**

Company name	Ticker	Options backdating?	IPO year	IPO client	IPO status	Notes on most recent WSGR involvement
Amkor Technology, Inc	AMKR	Yes	1998	Yes	Company Counsel	Still company counsel in '06
BEA Systems, Inc.	BEAS	Yes	1997	Yes	Underwriter Counsel	Involved with merger of BEA Systems, Baja, and Plumtree in '05
Broadcom Communications	BRCM	Yes	1998	Yes	Underwriter Counsel	Provided legal opinion on option plan as recently as '04
Juniper Networks, Inc.	JNPR	Yes	1999	Yes	Company Counsel	Typical wording of WSGR legal opinion regarding company option plan, but also includes mention of special WSGR investment vehicles: "The validity of the shares of Common Stock offered hereby has been passed upon for Juniper Networks by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. As of the date of this prospectus, WS Investment Company 96A and WS Investment Company 96B, both investment partnerships composed by certain current and former members of and persons associated with Wilson Sonsini Goodrich & Rosati, Professional Corporation, and certain attorneys who are members of or are employed by Wilson Sonsini Goodrich & Rosati beneficially own an aggregate of 159,374 shares of Juniper Networks Common Stock." From S-8 filed August 17, 1999 by Juniper Networks. WSGR has provided Juniper with a legal opinion regarding their option plans as recently as March '06
Macrovision Corporation	MVSN	Yes	1997	Yes	Underwriter Counsel	None since IPO
McAfee, Inc.	MFE	Yes	1999	Yes	Company Counsel	Provided legal opinion on option plan as recently as '05
Microtune, Inc.	TUNE	Yes	2000	Yes	Company Counsel	Involved in settlement of patent dispute between Microtune and Broadcom in '04
NVIDIA Corporation	NVDA	Yes	1999	Yes	Underwriter Counsel	None since IPO
Power Integrations, Inc.	POWI. PK	Yes	1997	Yes	Underwriter Counsel	None since IPO
Quest Software, Inc.	QSFT	Yes	1999	Yes	Underwriter Counsel	Only involvement since IPO was during Quest's acquisition of Aelita Software in '04
Rambus Inc.	RMBS	Yes	1997	Yes	Company Counsel	Provided legal opinion on option plan and other offerings as recently as '05
VeriSign, Inc.	VRSN	Yes	1997	Yes	Underwriter Counsel	None since IPO

# Director and Officer Profile - WSGR: Mark A. Bertelsen

Director name		Age	Profile			
Mark A. Bertelsen		62	Mr. Bertelsen is a Senior Partner of Wilson Sonsini Goodrich & Rosati. He is a trustee of the U.C. Santa Barbara Foundation and served as Chair from 2001 to 2003. Mr. Bertelsen joined Wilson Sonsini Goodrich & Rosati in 1972, was the firm's Managing Partner from 1990 to 1996, and is currently a member of the firm's Policy Committee of senior partners. He received his law degree (J.D.) from Boalt Hall School of Law, University of California, Berkeley, in 1969, and a B.A. in political science from the University of California, Santa Barbara, in 1966.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Atmel Corporation	ATML	Corporate Secretary		Pricewaterhouse Coopers LLP	Yes	Mr. Bertelsen is Corporate Secretary, and has served in that capacity at least back thru 1999. George Perlegos, a former director of Atmel who resigned in August '06, addressed Mr. Bertelsen personally in his resignation letter: "Dear Mr. Bertelsen: I want to inform you that I resign as a director of Atmel Corporation. My reason is that I can no longer fulfill my fiduciary duty as a director, because the corporation, the board, and you are not providing me any information or documents about the company since July 26, 2006. You continue to make decisions without the full board's involvement which I think are illegal and unethical, including the announcement of the second quarter results." Link to 8K filing that includes Mr. Perlogo's resignation letter: <a href="http://www.sec.gov/Archives/edgar/data/872448/000095013406016704/0000950134-06-016704-index.htm">http://www.sec.gov/Archives/edgar/data/872448/000095013406016704/0000950134-06-016704-index.htm</a>
Autodesk, Inc.	ADSK	Director	1992	Ernst & Young LLP	Yes	The Company's 2000 Directors' Option Plan provides for the automatic grant of nonstatutory stock options to our non-employee directors. Upon being elected or appointed to our Board of Directors, each non-employee director is granted an option to purchase 50,000 shares of our Common Stock, with subsequent annual option grants of 20,000 shares of our Common Stock. The exercise price of options granted under the 2000 Directors' Option Plan is equal to the fair value of our Common Stock on the date of grant. Options granted under the 2000 Directors' Option Plan upon election or appointment vest over a three-year period; subsequent annual option grants vest over a one-year period. WSGR has repeatedly provided Autodesk with a legal opinion regarding this and other company option plans, right up through '06.
Informatica Corporation	INFA	Director	2002	Ernst & Young LLP		
Taleo Corporation	TALEO	Director	2002	Deloitte & Touche LLP		



### Director and Officer Profile - WSGR: Thomas L. Cronan III

Director name	Age	Profile				
Thomas L. Cronan III	45	Mr. Cronan serves as Senior Vice President of Finance and Administration and Chief Financial Officer at Redback Networks, Inc. (Redback). He is a member of the bar in New York, California and Connecticut. Previously Mr. Cronan was Vice President, General Counsel and Corporate Secretary for Redback. Prior to joining Redback, he served as in house legal counsel for both public and private high technology companies for more than 15 years including IBM, Entrust, OpenTV, Taligent and enCommerce. At enCommerce Inc., a secure Internet portal company, Mr. Cronan was actively involved in managing finance, human resources, facilities and business development. Earlier in his career he was Special Counsel at Wilson Sonsini Goodrich and Rosati in their Technology Licensing group. Mr. Cronan holds a J.D. from Fordham Law School and a B.S. from Muhlenberg College.				
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Redback Networks Inc.	RBAK	CFO Only		Pricewaterhouse Coopers LLP	Yes	Not a director, but Mr. Cronan, former Special Counsel at Wilson Sonsini, is the CFO of Redback, and as such has received hundreds of thousands of stock option grants from the company as part of his compensation, where WSGR has repeatedly provided a legal opinion on regarding Redback's option plans, most recently in September '06

### Director and Officer Profile - WSGR: John B. Goodrich

Director name	Age	Profile				
John B. Goodrich	64	Mr. Goodrich is the Chief Executive Officer of MaxSP Corporation. Since 1998, Mr. Goodrich has served as of Trimble Navigation Limited's Corporate Secretary. Mr. Goodrich, currently a business consultant, serves on the board of several privately held corporations in high technology businesses. He retired from the law firm of Wilson Sonsini Goodrich & Rosati, where he practiced from 1970 until 2002. Mr. Goodrich received a B.A. degree from Stanford University in 1963, a J.D. from the University of Southern California in 1966, and an L.L.M. in Taxation from New York University in 1970.				
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Tessera Technologies, Inc.	TSRA	Director	2001	Pricewaterhouse Coopers LLP		
Trimble Navigation Limited	TRMB	Director	1981	Ernst & Young LLP		

### Director and Officer Profile - WSGR: Lawrence B. Levy

Director name	Age	Profile				
Lawrence B. Levy	47	Mr. Levy served as Executive Vice President and Chief Financial Officer of Pixar from February 1995 to March 1999. He served as Secretary of Pixar from October 1995 to March 1999. From June 2000 to December 2000, Mr. Levy was President and Chief Executive Officer of Shockwave.com. Prior to joining Pixar, he was Vice Chairman and Chief Financial Officer of Electronics for Imaging, Inc. (EFI). Prior to his tenure at EFI, he was a Partner at the law firm of Wilson Sonsini Goodrich & Rosati specializing in intellectual property protection and licensing. Mr. Levy received a B.S. in business and accounting from Indiana University and a J.D. from Harvard Law School.				
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Pixar Animation Studios (Retired)		Former	1999			

### Director and Officer Profile - WSGR: Katharine A. Martin

Director name	Age	Profile				
Katharine A. Martin	43	Since March 1999, Ms. Martin has served as Nuance Communications, Inc.'s Corporate Secretary. Since September 1999, she has served as a member, and is currently the head of the business law and tax services departments, of Wilson Sonsini Goodrich & Rosati, Professional Corporation. Prior thereto, Ms. Martin was a Partner of Pillsbury Madison & Sutro LLP. She also serves as a director of the Wilson Sonsini Goodrich & Rosati Foundation, a nonprofit organization.				
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Nuance Communications, Inc.	NUAN	Director	1999	BDO Seidman LLP		

### Director and Officer Profile - WSGR: Henry P. Massey Jr.

Director name		Age	Profile			
Henry P. Massey Jr.		67	Mr. Massey has practiced law since 1969 and has been a member of the law firm of Wilson Sonsini Goodrich & Rosati, P.C., since August 1982. He has served as principal corporate counsel of Catapult Communications Corporation since 1998 and served as Secretary of Catapult from October 2002 through January 2003. Mr. Massey holds A.B. and J.D. degrees from Cornell University.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Catapult Communications Corporation	CATT	Director	2001	Deloitte & Touche LLP		Henry P. Massey, Jr., one of our directors, is a member of the law firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation (WSGR), which provides various legal services to Catapult. We anticipate that WSGR will continue to provide services in the current fiscal year. Mr. Massey has served as Catapult's principal corporate counsel since 1998.

### Director and Officer Profile - WSGR: Judith M. O'Brien

Director name		Age	Profile			
Judith M. O'Brien		55	Ms. O'Brien has been a Managing Director at Incubic Venture Funds, a venture capital firm in Mountain View, California, since February 2001. From 1984 until 2001, she was a Partner with Wilson Sonsini Goodrich & Rosati, where she specialized in corporate finance, mergers and acquisitions and general corporate matters.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Adaptec, Inc.	ADPT	Director	2006	Pricewaterhouse Coopers LLP		When Ms. O'Brien joined our Board on July 14, 2006, she was automatically granted an option to purchase 32,500 shares of our common stock at an exercise price of \$4.00 per share. These stock options will vest with respect to 25% of the shares subject to the options on the first anniversary of the grant date, and then with respect to 6.25% of the shares subject to the options for each full quarter thereafter, so long as such person remains a director, such that the options will be fully vested on the fourth anniversary of the date of grant. Additionally, if stockholders approve the 2006 Director Plan described in Proposal No. 2 (Adoption of the Adaptec, Inc. 2006 Director Plan), Ms. O'Brien will receive 16,250 shares of restricted common stock that fully vest after one year; if the Director Plan is not approved, (she) will each receive an additional option to purchase 7,500 shares of our common stock at an exercise price equal to the fair market value on the date of grant. These stock options will vest with respect to 25% of the shares subject to the options on the anniversary of the grant date and then with respect to 6.25% of the shares subject to the options for each full quarter thereafter. If stockholders approve the 2006 Director Plan, the 2000 Director Option Plan will terminate and directors will receive all equity awards under the new plan. We anticipate that if our stockholders approve the 2006 Director Plan, a discretionary grant of 6,250 shares of restricted stock, which will fully vest after one year, will be made under the 2006 Director Plan to each non-employee director that served on our Board of Directors during fiscal 2006.
Ciena Corporation	CIEN	Director	2000	Pricewaterhouse Coopers LLP		
Memec Group Holdings Limited	MEC	Director				

#### Director and Officer Profile - WSGR: Michael J. O'Donnell Esq.

Director name		Age	Profile			
Michael J. O'Donnell Esq.		47	Mr. O'Donnell has been a member of the law firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation, the Company's corporate counsel, since 1993. He serves as corporate counsel to numerous public and private biopharmaceutical and life sciences companies. Mr. O'Donnell received a J.D. degree, cum laude, from Harvard University and a B.A. degree from Bucknell University, summa cum laude.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Pain Therapeutics, Inc.	PTIE	Director	1998	Ernst & Young LLP		

#### Director and Officer Profile - WSGR: Mario M. Rosati

Director name		Age	Profile			
Mario M. Rosati		59	Mr. Rosati has been with the Palo Alto, CA law firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation, since 1971, first as an associate and then as a member since 1975. He holds a B.A. from the University of California, Los Angeles and a J.D. from the University of California, Berkeley, Boalt Hall School of Law.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Aehr Test Systems	AEHR	Director				
Genus Inc.	GGNS	Director				
InterWave Communications International LTD	IWAV	Director				
Management Network Group Incorporated	TMNG	Director				
Sanmina-SCI Corporation	SANM	Director	1997	KPMG LLP	Yes	From Sanmina-SCI's S-8 filing of February '04 - includes mention of special WSGR investment partnership: "Mario M. Rosati, a member of Wilson Sonsini Goodrich & Rosati, serves as a Director of the Registrant. Christopher D. Mitchell, a member of Wilson Sonsini Goodrich & Rosati, serves as Secretary of the Registrant. Wilson Sonsini Goodrich & Rosati is corporate counsel to the Registrant.... The validity of the securities being registered hereby will be passed upon by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. As of the date of this registration statement, WS Investment Company 99B, an investment partnership composed of certain current and former members of and persons associated with Wilson Sonsini Goodrich & Rosati, Professional Corporation, in addition to certain current individual members of Wilson Sonsini Goodrich & Rosati, Professional Corporation, beneficially own an aggregate of 36,273 shares of the Registrant's Common Stock and hold options to purchase 122,500 shares of the Registrant's Common Stock."
Symyx Technologies, Inc.	SMMX	Director	1994	Ernst & Young LLP		
Vivus Inc.	VVUS	Director				

#### Director and Officer Profile - WSGR: Jeffrey D. Saper

Director name		Age	Profile			
Jeffrey D. Saper		58	Mr. Saper has been a Corporate Partner in the firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation, since 1980 and is also a member of the firm's Executive Management Committee and Policy Committee. From February 1997 to March 2002, he served as Secretary of Proxim, Inc. Mr. Saper received a J.D. and a B.A. from New York University.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Proxim Corporation (Retired)		Former	2002			



# Director and Officer Profile - WSGR: Larry W. Sonsini

Director name		Age	Profile			
Larry W. Sonsini		65	Mr. Sonsini has been an attorney of the law firm of Wilson Sonsini Goodrich & Rosati, P.C. (Wilson), since 1966 and has served as its Chairman and Chief Executive Officer for more than the past five years. He is also the New York Stock Exchange's Chairman of the Regulation, Enforcement and Listing Standards Committee and Chairman of the Legal Advisory Committee. Until February 2005, Mr. Sonsini served as the Chief Executive Officer of Wilson. He was a director of the New York Stock Exchange from 2001 to 2003 and Secretary of Pixar from April 1995 to October 1995. Mr. Sonsini received an A.B. degree in Political Science and Economics and an LL.B. degree from the University of California at Berkeley.			
Company name	Ticker	Director status	Director since	Auditor	Options backdating?	Notes
Brocade Communications Systems, Inc.	BRCD	Retired	1999	KPMG LLP	Yes	During fiscal year 2005, the law firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation ("WSGR") acted as principal outside legal counsel to Brocade. Larry W. Sonsini, a director of Brocade until March 2005, serves as a member of WSGR and is currently the Chairman of the firm's Executive Committee. Aggregate fees billed to us by WSGR for legal services rendered during fiscal year 2005 were \$6.7 million, the substantial majority of which related to legal services rendered in connection with the previously disclosed SEC investigation and related private litigation. We believe that the services rendered to us by WSGR were on terms no more or less favorable than those with unrelated parties. Non-employee directors also participated in the Company's 1999 Director Option Plan (the "Director Plan") which provides for automatic option grants to directors for their service to the Company. Only non-employee directors may participate in the Director Plan. The Director Plan provides for the following automatic grants of options to each non-employee director: Initial grant upon joining the Board(1) 80,000 shares Automatic grant on each anniversary of joining the board(2) 20,000 shares (1) Vests as to 1/16th of the shares each quarter, fully vested on the 4th anniversary of the date of grant (2) Vests as to 1/4th of the shares each quarter, commencing on the 3rd anniversary of the date of grant and fully vested on the fourth anniversary of each grant
Echelon Corporation	ELON	Director	1993	KPMG LLP		
KLA-Tencor Corporation	KLAC	Corporate Secretary		Pricewaterhouse Coopers LLP	Yes	Provided legal opinion regarding company option plans, including director stock option plans. Mr. Sonsini known to be Corporate Secretary between '97-'01
Lattice Semiconductor Corporation	LSCC	Retired	1991	Pricewaterhouse Coopers LLP		
LSI Logic Corporation	LSI	Retired	2000	Pricewaterhouse Coopers LLP		
Novell, Inc.	NOVL	Retired	1988	Pricewaterhouse Coopers LLP	Yes	Provided legal opinion regarding company option plans, including a stock option plan for the benefit of Novell's non-executive directors. From Novell's January '00 S-8 filings: "Counsel for the Registrant, Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California 94304, has rendered an opinion to the effect that the Common Stock offered hereby will, when issued in accordance with the Registrant's 1991 Stock Plan, be legally and validly issued, fully paid and nonassessable. Larry W. Sonsini, a member of such law firm, is a director of the Registrant and owns 6,600 shares of Registrant's Common Stock plus options to purchase an additional 190,000 shares of Registrant's Common Stock." And then from Novell's July '00 S-8 filing - Just six months later: "Counsel for the Registrant, Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California 94304, has rendered an opinion to the effect that the Common Stock offered hereby will, when issued in accordance with the Registrant's 2000 Nonqualified Stock Option Plan, be legally and validly issued, fully paid and nonassessable. Larry W. Sonsini, a member of such law firm, is a director of the Registrant and owns 6,600 shares of Registrant's Common Stock plus options to purchase an additional 205,000 shares of Registrant's Common Stock." Also, from Novell's January '04 10K filing: "In fiscal 2002 and 2001 legal fees of approximately \$3 million each year were paid to Wilson, Sonsini, Goodrich & Rosati, a law firm in which Mr. Larry W. Sonsini, a former member of our Board is a senior partner. Mr. Sonsini resigned as a board member in the third quarter of fiscal 2002."
Pixar Animation Studios (Retired)		Former	1995			
SVB Financial Group	SIVB	Advisory Member	2003	KPMG LLP		