

# Accounting Issues

## Employee Stock Option Expense Is the Time Right for Change?

- **ESTIMATED IMPACTS OF EXPENSING THE FAIR VALUE OF EMPLOYEE STOCK OPTIONS ON COMPANIES IN THE S&P 500 INDEX ARE ANALYZED.** In this fifth annual compilation, we compare reported diluted EPS to disclosed pro forma diluted EPS adjusted for the fair value of employee stock option grants for the S&P 500 companies. We estimate the impact on each company's operating margin, and we examine the volatility assumptions used to estimate the fair value of the options as well as the trend in the number of options being granted.
- **ESTIMATED AGGREGATE DILUTED EPS AS ADJUSTED IS APPROXIMATELY 20% LOWER THAN REPORTED EPS IN 2001 (8% IN 2000 AND 6% IN 1999).** This is the result of a 30% increase in pro forma after-tax stock option expense and a 54% decrease in reported net income due largely to special charges.
- **ESTIMATED AGGREGATE OPERATING INCOME DROPS BY APPROXIMATELY 12% IN 2001 (8% IN 2000 AND 5% IN 1999) WHEN ADJUSTED FOR THE FAIR VALUE OF EMPLOYEE STOCK OPTIONS.** Sixty-nine companies experienced a double-digit decline for all three years 1999-2001. For five companies, a year-over-year increase in operating margins turned to a year-over-year decline when the fair value of stock options was factored in.
- **SLOWLY BUT SURELY, EVENTS SEEM TO BE LEADING TO A CHANGE IN ACCOUNTING.** Not this year, maybe not even next, but change seems inevitable. S&P has decided to deduct the fair value of employee stock options in calculating its new core earnings statistic. The International Accounting Standards Board is about to issue an exposure draft calling for companies using its standards to use the fair value method of accounting for options, and many investors seem to be receptive to change.

**Please read the important disclosure information on the last page of this report.**

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*All pricing in this report is as of the market close on July 19, 2002, unless otherwise indicated.*

# BEAR STEARNS

## Employee Stock Options: Is the Time Right for Change?

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The debate over how to account for stock options granted to employees is decades old. The accounting controversy is *not* about whether stock options granted to employees are compensation. Accounting literature has recognized that stock options granted to employees are compensation for nearly 50 years. Even before Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, was issued in 1972 (APB No. 25), Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins* (ARB No. 43), which was issued in 1953, contained the following statement:

The practice of granting to officers and other employees options to purchase or rights to subscribe for shares of a corporation's capital stock has been followed by a considerable number of corporations over a period of many years. To the extent that such options and rights involve a measurable amount of compensation, this cost of services received should be accounted for as such. The amount of compensation involved may be substantial and omission of such costs from the corporation's accounting may result in overstatement of net income to a significant degree . . . Although there is, from the standpoint of the grantee, a value inherent in a restricted future right to purchase shares at a price at or even above the fair value of shares at the grant date, the committee believes it is impracticable to measure any such value. (Accounting Research Bulletin No. 43, Chapter 13B, *Compensation Involved in Stock Option and Stock Purchase Plans, Committee on Accounting Procedure, 1953*).

The accounting controversy is, and always has been, about how to *measure* the compensation.

Under current U.S. generally accepted accounting principles (GAAP), there are two allowed alternative ways to measure stock option compensation: the "fair value" method as described in Financial Accounting Standard No. 123, *Accounting for Stock-Based Compensation* (FAS No. 123), and the "intrinsic" value method explained in APB Opinion No. 25. Even though the FASB expressed the view, as long ago as 1995 that financial statements "would be more relevant and representationally faithful if the estimated fair value of employee stock options was included in determining an entity's net income . . ." (FAS No. 123, paragraph 61), most companies continue to use the intrinsic value method. **Boeing (BA)** and **Winn Dixie (WIN)** were among the exceptions. However, in the last few weeks, other companies, including **Coca-Cola (KO)**, **Bank One (ONE)**, and **The Washington Post (WPO)** have adopted or announced their intention to adopt the fair value method.

### ***The Fair Value Method***

Under FAS No. 123's fair value method, compensation cost is the fair value of the employee stock options issued measured by applying an option pricing model at the date options are granted to employees. Any option pricing model, such as the Black-Scholes or a binomial model, is permitted under FAS No. 123 provided it "takes into account as of the grant date the exercise price and expected life of the option, the

current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the expected term of the option (FAS No. 123, paragraph 19).” The vast majority of companies in the S&P 500 use the Black-Scholes model. However, some companies such as **Ameren (AEE)**, **Boeing (BA)**, **Procter & Gamble Co. (PG)**, and **Washington Mutual (WM)** use the binomial model.

The value calculated at the grant date is fixed. That is, it is never adjusted for changes in the price of the underlying stock, its volatility, or other assumptions used in estimating its value at the grant date. The grant date fair value is charged to compensation expense with a corresponding credit to equity (additional paid-in capital) over the period employee services are provided. This generally means the grant date fair value is amortized to compensation expense from the grant date to the vesting date.

### ***The Intrinsic Value Method***

Under the alternative intrinsic value method currently used by most companies, the employee compensation is also measured at the *grant* date of the option. However, it is measured as the difference between the market price of the underlying stock and the exercise price of the option (the option’s intrinsic value). That value is also amortized to compensation expense over the employee’s service period, generally the period from grant date to vesting date. However, since companies generally set the exercise price of the option equal to the market price of the stock at the grant date, the intrinsic value and hence, compensation cost, is zero.

### ***Tax Treatment***

The U.S. Internal Revenue Code also considers most employee stock options, those considered “nonqualified,” to be compensation. (See *Accounting Issues* July 6, 2000 for an explanation of “qualified” versus “nonqualified” options.) However, the Internal Revenue Code measures compensation as the intrinsic value (market price of the underlying stock less the exercise price of the option) at the *exercise* date. When the employee exercises the option, the employee has taxable compensation and the company that granted the option has a tax deductible compensation expense for the same amount. At the current corporate statutory rate, this gives the granting corporation a tax benefit equal to 35% of the option’s intrinsic value at the exercise date.

For reporting to shareholders, if the company is using the intrinsic value method, the tax benefit is not reflected as a reduction of the company’s tax expense in the income statement. The tax benefit is recorded directly in the balance sheet as an increase in equity (additional paid-in capital) and a reduction of income taxes payable.

If the company is following the fair value method, it applies deferred tax accounting. That is, it accrues a tax benefit (deferred tax asset) as the fair value of the option is expensed. This reduces the after-tax stock option expense by 35%. When the option is exercised, the previously accrued deferred tax asset is reduced by the benefit received. If the tax benefit exceeds the previously accrued tax asset, the difference is a direct increase to equity (additional paid-in capital). If the actual tax benefit

received is less than the deferred tax asset accrued (e.g., if the option lapses unexercised), the excess deferred tax asset is written off, reducing earnings.

### ***Cash Flow Statement***

In the cash flow statement, the tax benefit from the exercise of employee stock options is shown, either implicitly or explicitly, as an operating cash inflow. This is true whether the company is using the intrinsic value or fair value method. If the company is using the fair value method, the employee stock compensation expense is added back to net income as a noncash charge in arriving at operating cash flow. The tax benefit received on the exercise of the employee stock option (an operating cash inflow) and the exercise proceeds received (financing cash inflow) are the only aspects of employee stock options that are ever reflected in a cash flow statement under GAAP.

We believe that this is the correct treatment under GAAP. The objective of a GAAP cash flow statement is to show cash receipts and disbursements grouped as operating, investing, and financing cash inflows and outflows. That is, it only reflects the effects of transactions that go through the company's bank accounts.

For analytic purposes, however, we view compensation paid in the form of stock options in substance to be two separate transactions. The first transaction is the payment of compensation to employees, an operating cash outflow. The second transaction is the purchase of stock options by the employees, a financing cash inflow. The fact that these two transactions have occurred simultaneously, in our view, does not change the analytic substance.

### ***Diluted EPS***

In calculating diluted EPS, companies must include the potentially dilutive effects of employee stock options by applying the "treasury stock" method. Under the treasury stock method, when an option is "in-the-money" (e.g., when the average market price of the underlying stock during the period exceeds the exercise price of the option), the company must assume that the option is exercised (whether vested or not.) The company then assumes that it uses the exercise proceeds and the hypothetical tax benefit to repurchase shares of the company's stock at the average price during that period.

The treasury stock method must be applied in computing diluted EPS even if the company is using the fair value method. Some believe that this is double counting. We do not.

We believe that the numerator effect and denominator effect of the option measures two separate and distinct effects of using options. The numerator effect is the cost to the company of the service provided by the employees as measured by the fair value of the consideration paid to the employees — the fair value of the stock option at the date of grant. The denominator effect is a measure of the wealth transferred from the existing shareholders to potential shareholders (option holders) or vice versa.

### ***Footnote Disclosure***

Currently, FAS No. 123 requires that companies using the allowed alternative intrinsic value method must disclose in a footnote their net income and EPS as if they had applied the fair value method to options granted in fiscal years beginning after December 15, 1994, along with the assumptions used to estimate the fair value. The information in this report was compiled from these footnote disclosures.

One of the primary reasons why we support placing stock option compensation on the income statement is that it ensures that investors will be provided with updated information on stock option activity in a timelier manner. A quarterly footnote to the financial statements updating investors on the option activity of the trailing three months would improve the ability of the market to process this information efficiently. Few companies currently provide stock option information in their quarterly statements. As a result, option information is outdated by the time it is released to the public. Consider a company with a December fiscal year-end that grants options to its employees in January — it could be 15 months from the January grant date before investors will learn the details of these transactions in the footnotes of the next 10K. Given that stock option programs have become the standard practice of the vast majority of S&P 500 companies and that the expense can often run into the millions, if not billions, of dollars, it is clear that this is information that investors need sooner rather than later to make sound investment decisions.

In reviewing the footnotes of the S&P 500 companies, we found that there was a large variation in the quality of the disclosures. Disclosure items such as vesting periods and weighted average fair value of option grants were often omitted from stock option footnotes, while other items were presented in a manner that would render them virtually meaningless to investors. This is particularly true when we consider volatility assumptions. As outlined later in this report, in option pricing models, the volatility assumption, which is based on management's assumptions, has the greatest impact on the fair value of an option relative to the other assumptions. Under SFAS 123, companies may elect to present stock price volatilities, expected option lives, and expected dividend yields as ranges rather than weighted averages — a practice that can inhibit transparency. Consider **Edison International (EIX)**, which presented an expected volatility assumption range of 17%-52% in 2001. The use of this substantial range tells investors very little about the volatility assumption that the company actually used in its option pricing model and makes it difficult for readers to evaluate management's assumptions.

### ***Add Intrinsic Value Method to Endangered Species List***

Employee stock option accounting is not currently on the agenda of the Financial Accounting Standards Board (FASB). Still, we believe that the FASB will eliminate the intrinsic value method of accounting for grants of employee stock options in the not too distant future. Our best estimate is that this will occur around 2004 or 2005.

The FASB came within a heartbeat of requiring the use of the fair value method in 1994. However, due to lack of support from the investment community or the SEC, intense opposition from the business community, and the threat of Congressional

action to abolish the FASB it threw in the towel and compromised on the current system of alternatives with footnote disclosure.

We believe that wounds caused by the divisive nature of that earlier debate over employee stock option accounting have healed. Only one of the seven members of the FASB at the time of the first attempt to eliminate the intrinsic value method is still on the Board. That member is one of two that objected to the Board's compromising on the current disclosure-based solution. The other former FASB member that objected is currently a member of the International Accounting Standards Board (IASB) and that Board's liaison member to the FASB. In addition, the FASB's new chairman, effective July 1, 2002, was a part-time member of the IASB.

These connections with the IASB are significant. The IASB, later this year, will issue an exposure draft requiring companies following International Accounting Standards (IAS) to use the fair value method of accounting for employee stock options beginning in 2004. Part of the FASB's mandate is to facilitate convergence to a single set of global accounting standards. We believe that the FASB will let the IASB take the heat this time. When the IASB finalizes its rule, we believe the FASB will act in the name of international harmonization.

Other factors likely to influence the FASB's decision to revisit the accounting treatment of employee stock options include Standard and Poor's (S&P) recent decision to adjust its new core earnings statistic for the fair value of employee stock options as currently disclosed in company footnotes. The investment community's growing understanding and acceptance of a fair value approach to accounting for employee stock options and the recent decision of a handful of large companies to adopt the fair value approach are also developments likely to encourage the FASB to reconsider FAS No. 123.

### ***Transition to a Fair Value Approach***

As mentioned above, if a company is currently using the intrinsic value method, it must disclose annually in a footnote what its net income and EPS would have been if it had used the fair value method for options granted in fiscal years beginning after December 15, 1994. Thus, an investor can assess what a requirement to switch to the fair value method might mean to a company's reported earnings by referring to the footnote in the company's most recent annual report.

We believe, however, that if companies either voluntarily adopt or are required to adopt the fair value method, the result may be significantly less dilutive to earnings, at least in the short term, than the footnote disclosure suggests. First, FAS No. 123's transition provisions state that "[r]egardless of when an entity initially adopts those provisions (fair value method), they shall be applied to all awards granted after the beginning of the fiscal year in which the recognition provisions are first applied" (FAS No. 123, paragraph 52). This implies that the fair value method should only be applied to options granted after the beginning of the fiscal year in which the fair value method is adopted. Since the fair value of an option grant is generally amortized over the vesting period, it could take several years for the compensation expense in the income statement to approach the amount currently disclosed in the

footnote. Also, during the transition period, it is likely that companies will alter their stock option plans and policies, reducing the number of options granted and/or making them more performance based. This will reduce the grant date fair value of new options. Experience tells us that when a company must account for a cost, it does a better job of managing that cost.

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**GROWTH IN  
EMPLOYEE STOCK  
OPTION  
COMPENSATION  
EXPENSE**

Disclosed stock option compensation expense has been growing rapidly. However, the growth seems to be slowing. We estimate that for the period 1999-2001, stock option compensation expense for the S&P 500 grew from \$38 billion in 1999 to \$80 billion in 2001 at a compound rate of 45%.

From 2000 to 2001, the pro forma compensation expense grew 30%, compared to 61% growth from 1999 to 2000.

The absolute expense numbers are also large:

- Five companies had FAS No. 123 pretax compensation expense in excess of \$2 billion during 2001: **Microsoft (MSFT)**, \$3.4 billion; **Cisco Systems (CSCO)**, \$2.8 billion; **Nortel Networks (NT)**, \$2.7 billion; **AOL Time Warner (AOL)**, \$2.4 billion; and **International Business Machines (IBM)**, \$2.1 billion. According to our calculations, Microsoft is the first company to cross the \$3 billion threshold. We also calculated that just three companies had over \$2 billion during 2000: Nortel, Yahoo, and Microsoft.
- In 2001, the 13 companies listed in the following table had over \$1 billion in pretax FAS No. 123 stock option compensation. There were ten companies in 2000. Three companies fell off the list: **AT&T Wireless Group (AWE)**, **Pfizer (PFE)**, and **WorldCom Group (WCOM)**. Newcomers include **Broadcom (BRCM)**, **Hewlett-Packard (HWP)**, **JP Morgan Chase (JPM)**, **Merrill Lynch (MER)**, and **Siebel Systems (SEBL)**. Hewlett-Packard would have had pretax option expense of \$1.9 billion in 2001 if Compaq Computer options are included.

**Table 1. Pro Forma Stock Option Compensation in Excess of \$1 Billion (\$ in millions)**

Company Name	Ticker Symbol	Pro Forma Pretax Stock Option Compensation
MICROSOFT CORP	MSFT	\$3,377
CISCO SYSTEMS INC	CSCO	2,818
NORTEL NETWORKS CORP	NT	2,743
AOL TIME WARNER INC	AOL	2,385
INTL BUSINESS MACHINES CORP	IBM	2,065
INTEL CORP	INTC	1,728
LUCENT TECHNOLOGIES INC	LU	1,623
YAHOO INC	YHOO	1,484
MERRILL LYNCH & CO	MER	1,423
SIEBEL SYSTEMS INC	SEBL	1,203
HEWLETT-PACKARD CO	HWP	1,148
BROADCOM CORP -CL A	BRCM	1,110
J P MORGAN CHASE & CO	JPM	1,037

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Of the 13 companies with grants in excess of \$1 billion in 2001, six companies, Cisco, Nortel, AOL Time Warner, Lucent, Yahoo, and Broadcom, all reported losses from continuing operations before applying option expense. Another four companies, Intel, Merrill Lynch, Siebel Systems, and Hewlett-Packard, have option expense in excess of 50% of reported income from continuing operations in 2001.

We believe that several factors have contributed to the growth in stock option expense, among them an increase in the number of options that have been granted and an increase in the fair values of options granted.

Another contributing factor is the phased-in nature of the information disclosed. As mentioned earlier, for purposes of the pro forma disclosure, companies need only include the effects of options granted in fiscal years beginning after December 15, 1994. These effects are included in the calculation over the option vesting period. Therefore, companies with vesting periods in excess of six years are not yet displaying the full impact. Starting in 2000, most of the companies in the S&P 500 appeared to be disclosing the full impact of a company's stock compensation program. We estimate that in 1999 approximately 360 companies were disclosing fully phased-in results and in 1998 we estimate that only 220 companies showed a fully phased-in impact.

### ***Growth in Fair Value of Options Granted***

One factor contributing to the jump in pro forma stock option compensation is the steady rise in the fair values of options granted between 1999 and 2000. The average fair value of options decreased slightly in 2001 despite a modest increase in the average exercise price and an increase in volatility assumptions. This decrease is primarily due to the significant decrease in the risk-free rate in 2001. In the table below, we provide the average fair value and exercise price for stock options granted by companies in the S&P 500 for each of the last three years.

**Table 2. S&P 500 Average Exercise Price and Fair Value of Options**

Fiscal Year	Average Exercise Price	Average Fair Value	Fair Value as % of Exercise Price
2001	\$37.44	\$14.55	39%
2000	37.07	15.06	41%
1999	35.32	12.37	35%

Note: These figures are based on the 425 of the 500 companies that provided average exercise price and fair value of granted options for all three years.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### ***Trends in Option Grants***

Another factor contributing to the growth in pro forma stock option compensation expense is the growth in the number of stock options granted. As outlined in the table below, the increase in the pretax stock option expense can be traced to substantial increases in the number of options granted and the average fair value of option grants between 1998 and 2001.

S&P 500 companies granted 7.4 billion options in 2001 after granting 7.2 billion options in 2000, an increase of 35% over 1999 grant levels. In 1999, the companies of the S&P 500 granted approximately 5.3 billion options which were in line with 1998's 5 billion options as we highlighted in our September 2001 report.

The increase in option grants and the steady increase in the average fair value of option grants over the past several years have a direct and immediate impact on stock option expense. Based on our estimates, the total value of options granted more than doubled over the past four years, from \$43 billion in 1998 to \$105 billion in 2001. Most companies have vesting periods for options of between three and five years in which a ratable portion of each year's grants will be expensed. As companies complete recording the amortized expense for options granted in earlier years, they must begin amortizing a portion of the current year's options that are greater in number and value than those granted in earlier years. When firms grant a greater number of options with higher fair values than options in previous years, it follows that option expense will increase.

To illustrate the impact of these escalations, we have taken the aggregate option grants of the S&P 500 and the weighted average fair value of options granted by the S&P 500 in the table below, and we created a synthetic tranche of options for each year. We use this information to illustrate the impact on employee stock option expense assuming a three year vesting schedule.

**Table 3. Estimated Aggregate S&P 500 Option Grant Value Computations (\$ in millions)**

	2001	2000	1999	1998*
Total Options Granted (in millions)	7,447	7,216	5,334	5,040
Weighted Avg. Fair Value of Option Grant**	\$14.15	\$17.47	\$12.73	\$8.68
Total Value of Options (in millions)	\$105,406	\$126,069	\$67,895	\$ 43,767
Amount Amortized per Year (in millions)***	\$35,135	\$42,023	\$22,632	\$14,589

\* The 1998 information is from our September 2001 report. The 1998 figures do not take into account adjustments for changes in the companies in the S&P 500 index or mergers, acquisitions, or sales that have occurred during the 2001 fiscal year.

\*\* Weighted average fair values include all companies in the S&P Index that provided both option grant information and weighted-average fair value of options. These values are based on the following percentage of total options granted: 96% in 2001, 95% in 2000, 92% in 1999, and 88% in 1998.

\*\*\* Assumes a three year vesting period.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Option grants typically vest over a period of between three and five years. If we assume that each synthetic tranche in Table 3 vests over a three-year period, we arrive at the amortization amounts listed above. As shown in the table below, the 1998 option grants would fully vest in 2000. In 2001, the 2001 options would replace the 1998 options in the computation of stock option expense. Thus, much of the difference between the 2000 and 2001 stock option expense can be explained by the difference between the amounts amortized for the 1998 and 2001 option grants.

**Table 4. Estimated Aggregate S&P 500 Pretax Option Expense Computation (\$ in millions)**

	2001	2000	1999	1998*	Total
2001 Expense	\$35,135	\$42,023	\$22,632		<b>\$99,790</b>
2000 Expense		\$42,023	\$22,632	\$14,589	<b>\$79,243</b>

Note: In the example above, the compensation expense would increase by 26% despite a slight decrease in the total fair value of the options granted between 2000 and 2001. The actual aggregate increase in pretax stock option compensation increased by 30% in 2001. The primary difference between the actual compensation expense for the S&P 500 companies and the amounts presented in this example is our use of 3 year vesting schedule.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Due to the requirement to expense option grants over the vesting period, companies like **Conexant Systems (CNXT)** with highly volatile stock prices and generous option granting policies can create a seemingly disproportional relationship between stock option expense and the market values of their stocks. As seen in the table below, Conexant Systems' \$607 million in pretax stock option expense represents 29% of its \$2.1 billion market value at its 2001 fiscal year-end. Conexant, like many technology companies, has seen its stock price fall considerably over the past several years. In the case of Conexant, its fiscal year-end market value decreased from \$9.7 billion in 2000 to \$2.1 billion in 2001. Regardless of the current stock price, the effects of granting options at the higher valuations of 1999 and 2000 will be felt for several years because the company will recognize a portion of these option grants each year until they have fully vested.

**Table 5. Pretax Pro Forma Stock Option Expense as a Percentage of Fiscal Year-End Market Value in 2001 (\$ in millions)**

Company Name	Ticker Symbol	Market Value at Fiscal Year-end 2001	Pretax Stock Option Expense 2001	Expense as a % of Market Value 2001
CONEXANT SYSTEMS INC	CNXT	\$ 2,107	\$ 607	29%
PALM INC	PALM	921	243	26%
APPLIED MICRO CIRCUITS CORP	AMCC	2,404	409	17%
NOVELL INC	NOVL	1,283	203	16%
YAHOO INC	YHOO	10,210	1,484	15%
US AIRWAYS GROUP INC	U	429	58	14%
RATIONAL SOFTWARE CORP	RATL	3,056	366	12%
PROVIDIAN FINANCIAL CORP	PVN	1,011	119	12%
NORTEL NETWORKS CORP	NT	23,975	2,743	11%
APPLE COMPUTER INC	AAPL	5,443	618	11%
PARAMETRIC TECHNOLOGY CORP	PMTC	1,352	144	11%
SAPIENT CORP	SAPE	974	104	11%
BROADCOM CORP -CL A	BRCM	10,810	1,110	10%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

### Sector Analysis

With 3.1 billion in option grants in 2001, the technology sector granted the most options of any sector in the S&P 500. The technology sector's 3.1 billion options represent 42% of the 7.4 billion options granted by S&P 500 companies in the aggregate in 2001. This is especially significant when we consider that with 80 companies in the S&P 500, the technology sector represents only 16% of the 500 companies represented in the index.

**Table 6. Option Grants per Sector and Percentage of Total Grants by S&P 500 (in millions)**

Sector (Number of Companies)	Option Grants per Sector			Percentage of Total Grants		
	2001	2000	1999	2001	2000	1999
Technology (80)	3,102.0	3,283.1	2,036.6	42%	45%	38%
Financials (77)	1,037.5	862.3	755.1	14%	12%	14%
Consumer Cyclical (87)	1,001.5	815.5	608.6	13%	11%	11%
Communication Services (13)	586.7	626.8	442.2	8%	9%	8%
Health Care (46)	521.8	500.1	512.7	7%	7%	10%
Capital Goods (67)	444.8	398.5	343.0	6%	6%	6%
Consumer Staples (34)	334.2	333.1	308.9	4%	5%	6%
Utilities (37)	176.3	144.8	98.4	2%	2%	2%
Energy (24)	127.1	98.3	99.2	2%	1%	2%
Basic Materials (35)	114.9	153.5	129.7	2%	2%	2%
<b>Total</b>	<b>7,446.8</b>	<b>7,216.0</b>	<b>5,334.5</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

The 80 companies that represent the technology sector (made up of the technology hardware & equipment and software & services industries) in the S&P 500 granted an aggregate 3.1 billion options in 2001, a 5.5% decrease from the 3.3 billion options that were granted in 2000. This decrease is largely due to a reduction of 250 million option grants within the Software and Services industry. The 3.1 billion options represent approximately 42% of all option grants during 2001 by S&P 500 companies. In 1999 and 2000, the technology sector granted 38% and 45% of the total options granted.

When we include the 13 companies that make up the communications services sector with the technology sector, together these two sectors, consisting of 93 companies, grant 50% of all options granted by S&P 500 companies.

When we observe the aggregate pretax option expense of the S&P 500, we find that the technology sector also recorded 47% of the pretax stock option expense of the index. In all, the technology sector recorded approximately \$38 billion in pretax stock option expense. The index as a whole recorded approximately \$80 billion in pretax stock option expense. The table below presents the pretax stock option expense for all ten sectors.

**Table 7. Pretax Option Expense per Sector and Percentage of Total Grants by S&P 500**  
(\$ in millions)

Sector (Number of Companies)	Expense per Sector			Percentage of Total Expense		
	2001	2000	1999	2001	2000	1999
Technology (80)	\$ 37,924	\$ 25,996	\$ 11,073	47%	42%	29%
Financials (77)	10,231	7,667	6,294	13%	13%	17%
Consumer Cyclicals (87)	8,030	6,145	4,629	10%	10%	12%
Health Care (46)	6,808	6,607	4,763	9%	11%	13%
Communication Services (13)	5,206	4,987	3,256	7%	8%	9%
Capital Goods (67)	4,727	3,910	3,353	6%	6%	9%
Consumer Staples (34)	3,300	2,441	2,000	4%	4%	5%
Energy (24)	1,398	1,296	1,007	2%	2%	3%
Basic Materials (35)	1,209	1,442	1,139	2%	2%	3%
Utilities (37)	1,138	831	532	1%	1%	1%
<b>Total</b>	<b>\$ 79,971</b>	<b>\$ 61,323</b>	<b>\$ 38,046</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

The option grant activity of the technology sector is even more interesting when we consider it in the context of its relationship to net income. In 2001, the technology sector posted an aggregate net loss of nearly \$116 billion — by far, the worst performance of any sector. While the financial sector was second only to the technology sector in the number of options granted and option expense, it also recorded the largest share of pro forma net income of the index. Due largely to the losses of the technology sector, the S&P 500 had aggregate pro forma net income of only \$149 billion in 2001 — a 63% decrease from aggregate pro forma net income of 2000.

**Table 8. Pro Forma Aggregate Net Income per Sector (\$ in millions)**

Sector (Number of Companies)	Net Income per Sector			Percentage of Total		
	2001	2000	1999	2001	2000	1999
Financials (77)	\$ 80,081	\$ 100,805	\$ 98,030	54%	25%	28%
Health Care (46)	40,664	27,625	26,215	27%	7%	7%
Energy (24)	37,193	44,453	20,717	25%	11%	6%
Consumer Staples (34)	35,075	34,067	33,092	23%	9%	9%
Capital Goods (67)	33,293	44,897	38,667	22%	11%	11%
Utilities (37)	21,290	11,739	16,108	14%	3%	5%
Consumer Cyclicals (87)	14,540	45,425	49,036	10%	11%	14%
Basic Materials (35)	4,355	9,926	8,614	3%	2%	2%
Communication Services (13)	(1,444)	27,052	23,614	-1%	7%	7%
Technology (80)	(115,782)	52,921	40,786	-78%	13%	11%
<b>Total</b>	<b>\$ 149,265</b>	<b>\$ 398,909</b>	<b>\$ 354,879</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### **Industry Analysis**

One-hundred-fifty companies in the S&P 500 from six industries account for 68% of all options granted by the S&P 500 companies. Generally speaking, these companies have a high concentration of specialized labor. They include telecommunication services, technology hardware and equipment, media, software & services, diversified financial services, and pharmaceuticals & biotechnology.

The following table illustrates the breakdown of option grants among the industries represented in the S&P 500. While, for the most part, industries have maintained their percentage share of options granted over the past three years, the media industry has outpaced the other industries in 2001 by capturing an additional 3% of option grants and the software & services industry has seen its share decline by 3%.

**Table 9. Option Grants per Industry and Percentage of Total Grants by S&P 500 (in millions)**

Industry (Number of Companies)	Option Grants per Industry			Percentage of Total Grants		
	2001	2000	1999	2001	2000	1999
Technology Hardware & Equipment (59)	2,452	2,381	1,475	33%	33%	28%
Software & Services (21)	650	902	561	9%	12%	11%
Telecommunication Services (13)	587	627	442	8%	9%	8%
Media (16)	546	308	224	7%	4%	4%
Diversified Financials (22)	514	445	328	7%	6%	6%
Banks (27)	390	304	345	5%	4%	6%
Pharmaceuticals & Biotechnology (19)	334	289	334	4%	4%	6%
Capital Goods (39)	254	214	191	3%	3%	4%
Food Beverage & Tobacco (19)	226	222	220	3%	3%	4%
Retailing (28)	205	190	164	3%	3%	3%
Health Care Equipment & Services (26)	183	187	165	2%	3%	3%
Utilities (37)	176	145	98	2%	2%	2%
Commercial Services & Supplies (19)	154	152	124	2%	2%	2%
Energy (24)	127	98	99	2%	1%	2%
Insurance (23)	121	103	68	2%	1%	1%
Materials (37)	118	157	135	2%	2%	3%
Hotels Restaurants & Leisure (11)	97	76	81	1%	1%	2%
Automobiles & Components (10)	91	141	68	1%	2%	1%
Household & Personal Products (7)	68	51	47	1%	1%	1%
Consumer Durables & Apparel (22)	61	100	73	1%	1%	1%
Transportation (10)	43	57	42	1%	1%	1%
Food & Drug Retailing (8)	40	60	42	1%	1%	1%
Real Estate (2)	10	6	8	0%	0%	0%
Forest Products (1)	1	1	0	0%	0%	0%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### ***Sub-Industry Analysis***

Within the industries above, 16 sub-industries had average option grants per firm in excess of 20 million options in 2001. These sub-industries are largely technology-related. These sub-industries are listed below.

**Table 10. Sub-Industries with Largest Average Option Grants per Company (in millions)**

Sub-Industry (Number of Companies)	Average Option Grants per Firm			Growth Rates	
	2001	2000	1999	2-Year	1-Year
Networking Equipment (2)	179	157	126	43%	14%
Movies & Entertainment (3)	155	65	49	214%	137%
Internet Software & Services (1)	60	27	38	58%	122%
Telecommunications Equipment (12)	59	62	26	129%	-4%
Wireless Telecommunication Services (3)	59	40	13	344%	48%
Computer Hardware (9)	59	72	42	41%	-18%
Systems Software (7)	49	95	45	9%	-49%
Integrated Telecomm. Services (10)	41	51	40	2%	-19%
Computer Storage & Peripherals (3)	36	20	16	126%	78%
Semiconductors (18)	32	25	20	59%	30%
Industrial Conglomerates (4)	30	22	22	36%	38%
Soft Drinks (4)	28	19	31	-9%	49%
Diversified Financial Services (17)	27	25	18	56%	11%
Automobile Manufacturers (2)	26	51	15	78%	-49%
Application Software (9)	23	19	20	17%	23%
Pharmaceuticals (13)	22	19	21	3%	17%

Note: Wireless Telecommunication Services, Computer Hardware, and Diversified Financial Services all have a company lacking three complete years of option information. If AT&T Wireless Services Inc., Palm Inc., and Stilwell Financial are omitted from this analysis, the normalized 1-year and 2-year growth rates and average option grants of these sub-industries would change. The normalized 1-year and 2-year growth rate of Wireless Telecommunication Services would have been 56% and 68%. The normalized 1-year and 2-year growth rate of Computer Hardware would have been -20% and 34%. The normalized 1-year and 2-year growth rate of Diversified Financial Service would have been 16% and 56%.

Note: Includes all sub-industries where the average option grants were in excess of 20 million per company during 2001.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### ***Company Analysis***

The 11 companies in the following table granted over 100 million options each during 2001. Many companies have granted more options in recent years as a result of previously issued options being “under water.” Three companies broke the 300-million-option barrier in 2001, whereas only one (Microsoft) did so during 2000. In the case of AOL Time Warner, 190.5 million of the 384 million options granted in 2001 were the result of the company exchanging outstanding Time Warner options into the merged company’s options.

**Table 11. Companies with Option Grants Exceeding 100 Million in 2001 (in millions)**

Company Name (Ticker)	Ticker Symbol	Options Granted 2001	Options Granted 2000	Options Granted 1999
AOL TIME WARNER INC *	AOL	384	67	102
LUCENT TECHNOLOGIES INC	LU	348	286	62
CISCO SYSTEMS INC	CSCO	320	295	245
INTEL CORP	INTC	247	167	107
MICROSOFT CORP	MSFT	224	304	78
J P MORGAN CHASE & CO	JPM	163	51	45
DELL COMPUTER CORP	DELL	126	154	50
SUN MICROSYSTEMS INC	SUNW	124	132	92
SIEBEL SYSTEMS INC	SEBL	111	47	55
AT&T WIRELESS SERVICES INC	AWE	110	77	NA
WORLDCOM INC-WORLDCOM GROUP	WCOM	101	112	157

\* 2001 figure includes 190.5 million Time Warner options exchanged for AOL options as a result of the merger.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

- In 1999, only six companies, **AOL Time Warner (AOL)**, **Cisco Systems (CSCO)**, Compaq, **Intel (INTC)**, **Oracle (ORCL)**, and **WorldCom (WCOM)**, granted over 100 million options each. Cisco actually granted over 200 million options.

**GRANTS AND OPTIONS  
OUTSTANDING AS A  
PERCENTAGE OF  
COMMON SHARES  
OUTSTANDING**

In 2001, 64 companies issued options representing 5% or more of the common shares outstanding (**Appendix I**); in 2000, 77 companies, and in 1999, 59 companies. Twenty-six companies granted options exceeding 5% or more of their common shares outstanding in each of the last three years. Two companies granted options representing 10% or more of their common shares outstanding in each of the last three years: **Broadcom (BRCM)** and **Nvidia (NVDA)**.

The 33 companies in the table below have options outstanding representing 20% or more of their common shares outstanding. In 2000, there were 24 such companies, and in 1999, there were 20. In 2001, Siebel Systems had the largest ratio of options outstanding to total common shares outstanding (47%). There are 97 companies for which options are 4% or less of shares outstanding, including 10 companies for which options are less than 1%.

**Table 12. Total Options Outstanding Greater than 20% of Shares Outstanding**

<b>Company Name</b>	<b>Ticker Symbol</b>	<b>Options as a % of Shares Outstanding</b>
SIEBEL SYSTEMS INC	SEBL	47%
BROADCOM CORP -CL A	BRCM	42%
DELTA AIR LINES INC	DAL	42%
CONEXANT SYSTEMS INC	CNXT	33%
NVIDIA CORP	NVDA	33%
APPLE COMPUTER INC	AAPL	28%
AUTODESK INC	ADSK	26%
LEHMAN BROTHERS HOLDINGS INC	LEH	26%
QUINTILES TRANSNATIONAL CORP	QTRN	25%
PARAMETRIC TECHNOLOGY CORP	PMTC	25%
MAXIM INTEGRATED PRODUCTS	MXIM	25%
YAHOO INC	YHOO	24%
CENDANT CORP	CD	24%
CAPITAL ONE FINL CORP	COF	23%
US AIRWAYS GROUP INC	U	23%
AETNA INC	AET	23%
NOVELL INC	NOVL	22%
HASBRO INC	HAS	22%
RATIONAL SOFTWARE CORP	RATL	22%
MERCURY INTERACTIVE CORP	MERQ	22%
ADOBE SYSTEMS INC	ADBE	22%
GENERAL MILLS INC	GIS	22%
MCKESSON CORP	MCK	21%
LSI LOGIC CORP	LSI	21%
PRICE (T. ROWE) GROUP	TROW	21%
MERRILL LYNCH & CO	MER	21%
NATIONAL SEMICONDUCTOR CORP	NSM	21%
APPLIED MICRO CIRCUITS CORP	AMCC	20%
CITRIX SYSTEMS INC	CTXS	20%
NETWORK APPLIANCE INC	NTAP	20%
LUCENT TECHNOLOGIES INC	LU	20%
SAPIENT CORP	SAPE	20%
GATEWAY INC	GTW	20%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

## **OPTION EXERCISES DECLINE**

Slumping stock prices had a noticeable impact on the number of options exercised in 2001. The number of options exercised decreased 22% in 2001 — much of this decline is due to employees in the technology sector exercising 500 million fewer options in 2001 than the nearly 1.6 billion options exercised in 2000. Four sectors - basic materials, capital goods, consumer cyclicals, and consumer staples — posted increases in the number of options exercised in 2001.

**Table 13. Options Exercised per Sector and Percentage of Total Exercised by S&P 500**  
(in millions)

Sector (Number of Companies)	Options per Sector			Percentage of Total		
	2001	2000	1999	2001	2000	1999
Technology (80)	1,042.7	1,577.6	1,451.5	39%	46%	44%
Financials (77)	366.6	433.6	412.3	14%	13%	12%
Consumer Cyclical (87)	353.8	269.3	384.3	13%	8%	12%
Health Care (46)	297.9	444.7	310.1	11%	13%	9%
Capital Goods (67)	210.3	193.7	253.5	8%	6%	8%
Consumer Staples (34)	158.7	144.5	144.5	6%	4%	4%
Communication Services (13)	71.8	170.9	189.9	3%	5%	6%
Basic Materials (35)	66.3	41.3	90.7	2%	1%	3%
Energy (24)	52.8	79.4	46.1	2%	2%	1%
Utilities (37)	36.9	41.0	20.1	1%	1%	1%
<b>Total</b>	<b>2,657.8</b>	<b>3,396.0</b>	<b>3,303.1</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### OPTION CANCELLATIONS INCREASE

As is to be expected in periods of declining stock prices when fewer options are exercised, there was a considerable increase in the number of options canceled in 2001 — again, most notably in the technology sector.

**Table 14. Options Canceled per Sector and Percentage of Total Canceled by S&P 500** (in millions)

Sector (Number of Companies)	Options per Sector			Percentage of Total		
	2001	2000	1999	2001	2000	1999
Technology (80)	977.8	560.8	423.6	55%	43%	45%
Consumer Cyclical (87)	166.7	186.5	132.2	9%	14%	14%
Communication Services (13)	158.0	148.3	79.7	9%	11%	8%
Financials (77)	154.2	173.6	111.5	9%	13%	12%
Health Care (46)	94.4	68.2	64.9	5%	5%	7%
Capital Goods (67)	89.1	71.0	61.8	5%	5%	7%
Consumer Staples (34)	63.7	60.2	37.4	4%	5%	4%
Utilities (37)	32.5	14.6	6.6	2%	1%	1%
Basic Materials (35)	21.6	16.0	10.6	1%	1%	1%
Energy (24)	9.3	8.1	10.5	1%	1%	1%
<b>Total</b>	<b>1,767.1</b>	<b>1,307.4</b>	<b>938.9</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### IMPACT ON EPS AND NET INCOME

We estimate that the aggregate diluted EPS for the S&P 500 would have been 20% lower in 2001 if the fair value of employee stock options had been expensed. This impact is dramatic relative to the 8% impact that we estimated for 2000. This substantial increase in the impact on EPS is the result of two primary factors: a 30% increase in pro forma after-tax stock option expense and a 54% decrease in reported after-tax earnings due largely to special charges such as goodwill write-offs. If 2001 earnings had been in line with 2000 earnings, we estimate that stock option expense would have reduced EPS by approximately 10%. In **Appendix A**, reported diluted EPS and pro forma diluted EPS reduced by a charge for employee stock option expense for each of the companies in the S&P 500 Index are compiled for the three fiscal years 1999, 2000, and 2001. The EPS amounts are from continuing operations before extraordinary items and changes in accounting principle. The year-over-year growth rates in EPS for the most recent fiscal years are also presented.

### **Impact on Sectors, Industries, and Sub-Industries**

Some industries tend to be more generous grantors of employee stock options and clearly show a more dramatic impact when reported net income is compared to pro forma net income.

- Of the 22 sub-industries where pro forma net income declined by 10% or more from reported net income, the Technology sector had the largest representation with a total of seven sub-industries.
- The remaining 14 sub-industries were spread across a number of sectors. Three are from the Health Care sector and two are from the Materials sector.
- The 2001 reported net income for Applications Software and Advertising sub-industries would swing to a pro forma net loss if the fair value of options granted were charged to compensation expense.
- The 22 sub-industries in the following table experienced a decline of 10% or more from reported to pro forma earnings for all three years examined. There were 12 sub-industries that had a decline of 10% or more from reported to pro forma earnings for each year during the 1998-2000 period.

**Table 15. Sub-Industries with Aggregate Stock Option Expense of More than 10% of Aggregate Net Income for All Three Years**

Sub-Industry (Number of Companies)	2001 Expense as a % of Earnings	2000 Expense as a % of Earnings	1999 Expense as a % of Earnings
Advertising (3)	260%	12%	11%
Application Software (9)	221%	71%	55%
Computer Hardware (9)	49%	17%	10%
Semiconductor Equipment (4)	42%	11%	21%
Health Care Distributors & Services (4)	35%	18%	26%
Health Care Supplies (1)	30%	16%	11%
Biotechnology (6)	28%	20%	12%
Employment Services (1)	25%	12%	10%
Diversified Commercial Services (7)	24%	16%	29%
Aluminum (2)	20%	11%	10%
Environmental Services (2)	17%	219%	N/M
Health Care Equipment (11)	17%	10%	11%
Specialty Stores (6)	15%	12%	10%
Oil & Gas Equipment & Services (3)	14%	16%	29%
Construction & Engineering (2)	12%	11%	33%
Electronic Equipment & Instruments (10)	N/M	27%	15%
Gold (3)	N/M	N/M	44%
Internet Software & Services (1)	N/M	1887%	664%
Movies & Entertainment (3)	N/M	58%	25%
Networking Equipment (2)	N/M	53%	27%
Semiconductors (18)	N/M	14%	14%
Telecommunications Equipment (12)	N/M	150%	31%

N/M — Percentage decline is not meaningful since the group has a reported loss.

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

### ***Impact on Companies***

- There were 147 companies in the S&P 500 with pro forma diluted EPS that were less than reported EPS by 10% or more in the most recent fiscal year, the same number of companies as in 2000. In 1999, 137 companies exceeded 10%.
- Fifty-two companies experienced a decline of 10% or more from reported to pro forma earnings for all three years presented (**Appendix C**). In last year's report, this figure was 53.
- In 2001, the pro forma diluted EPS for the 38 companies in the following table is less than half the reported EPS. The first 20 companies in the list swing from earnings per share to a loss per share.

**Table 16. Pro Forma EPS Half the Size of Reported EPS**

Company Name	Ticker Symbol	2001 Reported Diluted EPS	2001 Pro Forma Diluted EPS	Percentage Decline in EPS
RAYTHEON CO	RTN	0.01	(0.13)	1400%
ALLIED WASTE INDS INC	AW	0.01	(0.08)	900%
MERCURY INTERACTIVE CORP	MERQ	0.20	(1.18)	690%
XILINX INC	XLNX	0.10	(0.31)	410%
NETWORK APPLIANCE INC	NTAP	0.21	(0.52)	348%
COMVERSE TECHNOLOGY INC	CMVT	0.29	(0.71)	345%
RATIONAL SOFTWARE CORP	RATL	0.35	(0.78)	323%
SIEBEL SYSTEMS INC	SEBL	0.49	(1.02)	308%
EL PASO CORP	EP	0.13	(0.17)	231%
BMC SOFTWARE INC	BMC	0.17	(0.17)	200%
SCHWAB (CHARLES) CORP	SCH	0.06	(0.06)	200%
MERRILL LYNCH & CO	MER	0.57	(0.38)	167%
AT&T WIRELESS SERVICES INC	AWE	0.05	(0.03)	160%
SANMINA-SCI CORP	SANM	0.12	(0.06)	150%
SOUTHERN CO	SO	1.61	(0.79)	149%
CITRIX SYSTEMS INC	CTXS	0.54	(0.22)	141%
DISNEY (WALT) CO	DIS	0.11	(0.02)	118%
GENZYME CORP	GENZ	0.22	(0.03)	115%
HEWLETT-PACKARD CO	HWP	0.32	(0.03)	109%
EASTMAN KODAK CO	EK	0.26	(0.01)	104%
ADOBE SYSTEMS INC	ADBE	0.83	0.12	86%
TMP WORLDWIDE INC	TMPW	0.61	0.10	84%
VERIZON COMMUNICATIONS	VZ	0.22	0.04	82%
INTEL CORP	INTC	0.19	0.04	79%
NVIDIA CORP	NVDA	1.03	0.29	72%
AUTODESK INC	ADSK	0.80	0.24	70%
PEOPLESOFT INC	PSFT	0.59	0.21	64%
TRIBUNE CO	TRB	0.28	0.10	64%
LOCKHEED MARTIN CORP	LMT	0.18	0.07	61%
UNIVISION COMM. INC	UVN	0.23	0.09	61%
DELL COMPUTER CORP	DELL	0.46	0.19	59%
TOYS R US INC	TOY	0.33	0.14	58%
DONNELLEY (R R) & SONS CO	DNY	0.21	0.09	57%
COMCAST CORP -CL A SPL	CMCSK	0.23	0.10	57%
CENDANT CORP	CD	0.45	0.20	56%
QLOGIC CORP	QLGC	0.72	0.32	56%
MEDIMMUNE INC	MEDI	0.70	0.33	53%
SUN MICROSYSTEMS INC	SUNW	0.29	0.14	52%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**IMPACT ON OPERATING INCOME**

Aggregate operating income drops approximately 12% in 2001 when adjusted for employee stock compensation, compared to 8% in 2000 and 5% in 1999. Aggregate operating income of the companies in the S&P 500 Index declined 15% in 2001. This decrease produced a three-year CAGR of -1.1%. If the impact of stock option expense was included, the three-year CAGR would have declined to -4.4%. In **Appendix B**, we have estimated the impact of employee stock option compensation on the operating income and operating margin for the companies included in the S&P

500. To calculate the pretax amount of employee stock option expense, we assume a marginal tax rate of 40%. We then subtracted the pretax employee stock option expense from reported operating income to arrive at pro forma operating income. The reported operating income is from FactSet Research Systems and has been adjusted by FactSet to exclude nonrecurring items. In addition, for Financial Services companies we make an adjustment to the operating income figure provided by FactSet to include their net interest income/expense. Refer to footnote (b) of Appendix B for a list of the companies adjusted.

### ***Impact on Sub-Industries***

- Pro forma operating income declined by 10% or more from reported operating income for 29 sub-industries in 2001, 27 in 2000, and 21 in 1999. In addition, four sub-industries had operating losses in 2001, and one had an operating loss in 2000 and 1999.
- Six sub-industries experienced declines of 50% or more in 2001.

The following table lists the 19 sub-industries within the S&P 500 where pro forma operating income was less than reported operating income by 10% or more for all three years. Only ten sub-industries made this list in last year's report.

**Table 17. Sub-Industries with an Operating Income Decline of 10% or More for All Three Years**

Sub-Industry (Number of Companies)	2001 Percentage Decline in Operating Income	2000 Percentage Decline in Operating Income	1999 Percentage Decline in Operating Income
Wireless Telecommunication Services (3)	8044%	N/M	N/M
Networking Equipment (2)	794%	41%	25%
Semiconductors (18)	510%	23%	16%
Application Software (9)	216%	102%	69%
Electronic Equipment & Instruments (10)	101%	23%	11%
Movies & Entertainment (3)	60%	27%	23%
Computer Hardware (9)	45%	20%	12%
Semiconductor Equipment (4)	44%	13%	26%
Gold (3)	35%	23%	17%
Biotechnology (6)	30%	22%	15%
Employment Services (1)	27%	13%	10%
Health Care Distributors & Services (4)	21%	18%	19%
Advertising (3)	15%	10%	10%
Diversified Commercial Services (7)	14%	12%	12%
Oil & Gas Equipment & Services (3)	11%	16%	21%
Specialty Stores (6)	11%	10%	10%
Broadcasting & Cable TV (3)	N/M	86%	13%
Internet Software & Services (1)	N/M	694%	343%
Telecommunications Equipment (12)	N/M	57%	19%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

### Impact on Companies

- Not surprisingly, 54 of the 141 companies (**Appendix F**) with a double-digit percentage decline in operating income can be classified as technology companies.
- Among the remaining 87 companies, there are some unexpected entries such as **Gap Inc. (GPS)** (32% decline), **Starbucks Corp. (SBUX)** (27% decline), **Schlumberger (SLB)** (16% decline), **Big Lots Inc. (BLI)** (16% decline), **Alcoa Inc (AA)** (13% decline), and **J P Morgan Chase & Co (JPM)** (11% decline).
- There were 71 companies that experienced a double-digit decline for all three years presented (see **Appendix G**).

The following table lists the 19 companies that shift from an operating profit to an operating loss in 2001 when the fair value of employee stock options is charged to compensation expense.

**Table 18. Operating Income Shifting to Operating Loss (\$ in millions)**

Company Name	Ticker Symbol	2001	2001	2001	Percentage Decline
		Reported Operating Income	FAS 123 Compensation Expense	Pro Forma Operating Income	
CISCO SYSTEMS INC	CSCO	21	(2,818)	(2,797)	13421%
EMC CORP/MA	EMC	21	(560)	(539)	2699%
CIENA CORP	CIEN	41	(541)	(500)	1318%
NEXTEL COMMUNICATIONS	NXTL	54	(548)	(494)	1015%
MERCURY INTERACTIVE CORP	MERQ	26	(207)	(181)	807%
BMC SOFTWARE INC	BMC	27	(138)	(112)	520%
ADVANCED MICRO DEVICES	AMD	38	(197)	(159)	520%
INTUIT INC	INTU	40	(176)	(136)	436%
RATIONAL SOFTWARE CORP	RATL	94	(366)	(272)	388%
PARAMETRIC TECHNOLOGY CORP	PMTC	40	(144)	(105)	364%
AOL TIME WARNER INC	AOL	703	(2,385)	(1,682)	339%
SIEBEL SYSTEMS INC	SEBL	358	(1,203)	(845)	336%
NETWORK APPLIANCE INC	NTAP	136	(402)	(266)	295%
COMVERSE TECHNOLOGY INC	CMVT	128	(303)	(175)	236%
CITRIX SYSTEMS INC	CTXS	136	(244)	(108)	180%
COMPAQ COMPUTER CORP	CPQ	479	(756)	(277)	158%
TELLABS INC	TLAB	169	(202)	(33)	120%
MCKESSON CORP	MCK	208	(228)	(20)	110%
IMMUNEX CORP	IMNX	103	(109)	(6)	106%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

### IMPACT ON OPERATING MARGINS

As might be expected, technology companies dominate our list of companies in which stock option compensation impacts operating margins. The following table lists the ten companies with the largest basis point declines in operating margin. As was the case last year, they are all technology companies.

**Table 19. Top Ten Declines in Operating Margin**

Company Name (Ticker Symbol)	Ticker Symbol	2000 Reported Operating Margin	2000 Pro Forma Operating Margin	Basis Point Decline
YAHOO INC	YHOO	-13%	-220%	(20,685)
BROADCOM CORP -CL A	BRCM	-152%	-267%	(11,544)
APPLIED MICRO CIRCUITS CORP	AMCC	-67%	-161%	(9,400)
SIEBEL SYSTEMS INC	SEBL	17%	-41%	(5,873)
MERCURY INTERACTIVE CORP	MERQ	7%	-50%	(5,728)
CONEXANT SYSTEMS INC	CNXT	-102%	-159%	(5,717)
PMC-SIERRA INC	PMCS	-53%	-109%	(5,597)
RATIONAL SOFTWARE CORP	RATL	12%	-33%	(4,491)
CITRIX SYSTEMS INC	CTXS	23%	-18%	(4,126)
NETWORK APPLIANCE INC	NTAP	14%	-26%	(4,000)

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

### IMPACT ON TRENDS IN OPERATING MARGINS

Trends in operating margins are affected when the fair value of employee stock options are recorded as compensation expense. For example, the reported operating margins for **Nvidia (NVDA)** have been a consistent 34% to 35% between 1999 and 2001. However, using the FAS No. 123 pro forma data, Nvidia's margin decreases from 26% in 1999 to 15% in 2000 to 6% in 2001. There are 19 companies in the S&P 500, including Nvidia (**Appendix H**), in which a positive three-year trend in operating margins is eliminated when using the pro forma data. There were five companies in which the year-over-year increase in reported operating margins swings to a year-over-year decline. These companies are **Amgen Inc. (AMGN)**, **Baxter International Inc. (BAX)**, Nvidia Corp., **St. Jude Medical Inc. (STJ)**, and **Veritas Software Co. (VRTS)**.

In addition to the three-year trend in margins, we analyzed the year-over-year changes in margin. The following table lists the 15 companies where the year-over-year increase in reported operating margins from 2000 to 2001 swings to a year-over-year decline in pro forma operating margins.

**Table 20. Pro Forma Shows Opposite Trend in Operating Margin**

Company Name	Ticker Symbol	2001	2000	2001	2000
		Reported Operating Margin	Reported Operating Margin	Pro Forma Operating Margin	Pro Forma Operating Margin
AMGEN INC	AMGN	44%	43%	36%	38%
BAXTER INTERNATIONAL	BAX	19%	18%	16%	17%
CITRIX SYSTEMS INC	CTXS	23%	26%	-18%	-21%
CONVERGYS CORP	CVG	16%	15%	13%	13%
IMMUNEX CORP	IMNX	10%	12%	-1%	-4%
ITT INDUSTRIES INC	ITT	11%	10%	10%	10%
KING PHARMACEUTICALS	KG	43%	46%	41%	39%
MARSH & MCLENNAN COS	MMC	22%	21%	20%	20%
NVIDIA CORP	NVDA	35%	35%	6%	15%
PERKINELMER INC	PKI	11%	11%	7%	9%
SIGMA-ALDRICH	SIAL	19%	20%	18%	17%
ST JUDE MEDICAL INC	STJ	21%	20%	17%	18%
UNIVISION COMMUNICATIONS	UVN	26%	30%	19%	16%
VERITAS SOFTWARE CO	VRTS	-38%	-46%	-70%	-67%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

## OPTION PRICING ASSUMPTIONS

Public companies with one or more stock-based compensation plans must disclose annually certain information about the assumptions used to calculate their employee stock option expense for each year that an income statement is provided, including the method used to estimate fair value. The vast majority of companies in our analysis utilize the Black-Scholes pricing model. However, some companies, such as **Ameren (AEE)**, **Boeing (BA)**, **Procter & Gamble Co. (PG)**, and **Washington Mutual Inc. (WM)**, chose to use the binomial pricing model. Option pricing models are dependent on several assumptions that are made to arrive at the fair value of an option. Major assumptions that must be disclosed on a weighted-average basis are:

- risk-free rate,
- expected life,
- expected volatility, and
- expected dividend yield.

For those not familiar with the complex world of option pricing, the following table shows the impact that a change in assumption will have on the fair value of an option if all of the other variables are held constant. An increase in an option's fair value will result in increased compensation expense under FAS No. 123 and lower pro forma EPS.

**Table 21. Effect on Fair Value from Change in Assumption While All Others Are Held Constant**

Variable	Impact on the Fair Value of an Option	
	Increase in Variable	Decrease in Variable
Stock Price	Increase	Decrease
Strike Price	Decrease	Increase
Risk-Free Rate	Increase	Decrease
Expected Life	Increase	Decrease
Expected Volatility	Increase	Decrease
Expected Dividend Yield	Decrease	Increase

Source: *Options, Futures, and Other Derivative Securities*, Second Edition, John C. Hull.

The following table contains the aggregate average assumptions for all the companies in the S&P 500 over the past four years. Of the assumptions used to price options, the most notable change has occurred in the average volatility assumption, which has increased 1,100 basis points in four years.

**Table 22. Option Pricing Assumptions of the Average S&P 500 Option Plan**

Assumption	2001	2000	1999	1998*
Volatility	42.00%	39.00%	35.00%	31.00%
Risk-Free Rate	4.85%	6.50%	5.59%	5.30%
Dividend Yield	1.42%	1.51%	1.43%	1.41%
Expected Life (in years)	5.46	5.45	5.45	5.40
Average Stock Price at Grant	\$37.44	\$37.07	\$35.32	\$33.86

\* The 1998 information is from our September 2001 report. The 1998 figures do not take into account adjustments for changes in the companies in the S&P 500 index or mergers, acquisitions, or sales that have occurred during the 2001 fiscal year.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

### ***The Volatility Assumption***

Volatility is an important variable when pricing options and it is probably the most difficult one for companies to estimate, since it involves a great deal of management judgment. There is no formula in place that states the appropriate weighting between historical and estimated future volatility. Consequently, there is no standard method for arriving at these estimates. Two individuals could analyze the same company and arrive at very different volatility assumptions.

A change in volatility can have a significant impact on option value. Higher volatility implies higher variability in stock price and a greater probability that the future stock price will exceed the exercise price of the option, increasing the value of the option to the holder.

The following table illustrates the impact that the volatility assumption can have on the value of an option. In this table, with the exception of volatility, we used the average assumptions of the S&P 500 to price the option of a \$10 stock with a \$10 exercise price. A \$10 stock was used to emphasize the relationship between the stock price and the option price. The volatility assumptions used represent the minimum [**Genuine Parts Co. (GPC)**, 5%], maximum [**Novell Inc. (NOVL)**, 209%], average (42%), and quartile values of companies in the S&P 500.

**Table 23. Impact of Volatility Assumptions on Fair Value of Option**

Exercise Price of Stock	Risk-Free Rate	Expected Life	Expected Dividend	Volatility	Fair Value of Option
\$10.00	4.85%	5.46	1.42%	5%	\$1.56
10.00	4.85%	5.46	1.42%	25%	2.81
10.00	4.85%	5.46	1.42%	42%	4.01
10.00	4.85%	5.46	1.42%	50%	4.55
10.00	4.85%	5.46	1.42%	75%	6.05
10.00	4.85%	5.46	1.42%	100%	7.21
10.00	4.85%	5.46	1.42%	209%	9.14

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

As noted above, even the volatility assumption itself appears to be volatile. There was an increase in the aggregate average option volatility assumption for the S&P 500 from 35% to 42% over the past three years. In our September 2001 report, we found the average volatility to be 31% in 1998. This represents a 1,100-basis-point increase in volatility over the past four years. During 2001, of the 489 companies with available information, 331 companies increased their volatility assumptions, while 94 reduced their assumptions, and 64 companies used the same volatility that was used in 2000. In the table below, we show the sub-industries with the largest ranges in volatility assumptions.

**Table 24. Sub-Industries with the Largest Ranges in Volatility in 2001**

Sub-Industry (Number of Companies)	2001 Average Volatility	2001 Minimum Volatility	2001 Maximum Volatility	Basis Point Range
Systems Software (7)	90%	39%	209%	17,000
Electrical Components & Equipment (6)	57%	25%	112%	8,690
Semiconductors (17)	76%	47%	133%	8,600
Telecommunications Equipment (10)	74%	46%	131%	8,515
IT Consulting & Services (4)	64%	39%	117%	7,840
Multi-Utilities & Unregulated Power (6)	50%	25%	86%	6,060
Electronic Equipment & Instruments (9)	60%	45%	94%	4,900
Advertising (2)	53%	30%	75%	4,465
Health Care Equipment (11)	41%	31%	72%	4,101
Integrated Telecommunication Services (8)	35%	24%	64%	4,000
Computer Hardware (8)	56%	38%	77%	3,930
Application Software (8)	82%	60%	98%	3,800
Pharmaceuticals (12)	37%	27%	65%	3,800
Diversified Commercial Services (6)	42%	26%	61%	3,541
Biotechnology (5)	61%	44%	79%	3,500
Movies & Entertainment (2)	43%	27%	59%	3,230
Computer Storage & Peripherals (3)	61%	48%	80%	3,200
Airlines (3)	40%	27%	58%	3,120
Banks (17)	29%	10%	41%	3,095
Restaurants (5)	37%	30%	57%	2,710

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

The sub-industries below had average volatilities of 50% or above. As we would expect, the majority of these sub-industries are in the Technology sector. The Systems Software sub-industry, consisting of **Adobe Systems Inc. (ADBE)**, **BMC Software Inc. (BMC)**, **Computer Associates Intl Inc. (CA)**, **Microsoft Corp (MSFT)**, **Novell Inc. (NOVL)**, **Oracle Corp. (ORCL)**, and **Veritas Software Co. (VRTS)**, posted the largest increase in volatility — jumping 31 percentage points, from 59% in 2000 to 90% in 2001.

**Table 25. Sub-Industries with the Largest Average Volatilities in 2001**

Sub-Industry (Number of Companies)	2001 Option Volatility	2000 Option Volatility	1999 Option Volatility
Systems Software (7)	90%	59%	49%
Application Software (8)	82%	74%	64%
Internet Software & Services (1)	79%	76%	71%
Semiconductors (17)	76%	68%	60%
Wireless Telecommunication Services (1)	75%	63%	68%
Telecommunications Equipment (10)	74%	65%	59%
Semiconductor Equipment (4)	74%	75%	65%
IT Consulting & Services (4)	64%	62%	48%
Computer Storage & Peripherals (3)	61%	55%	48%
Biotechnology (5)	61%	58%	50%
Electronic Equipment & Instruments (9)	60%	54%	45%
Electrical Components & Equipment (6)	57%	46%	38%
Computer Hardware (8)	56%	50%	46%
Oil & Gas Equipment & Services (2)	56%	57%	56%
Advertising (2)	53%	53%	33%
Computer & Electronics Retail (3)	50%	42%	38%
Multi-Utilities & Unregulated Power (6)	50%	38%	37%
Construction & Engineering (2)	50%	44%	41%

Note: Some companies either did not provide three years of option volatility assumptions or presented the volatility assumptions in the form of a range rather than an average. To preserve the value of year-to-year comparisons, these firms have been removed for the purpose of the analysis in this table. One company was removed from each of the following sub-industries: Application Software, Semiconductors, Biotechnology, Electronic Equipment & Instruments, Electronic Components & Equipment, Computer Hardware, Oil & Gas Equipment & Services, and Advertising. Two companies were removed from the following sub-industries: Wireless Telecommunication Services and Telecommunications Equipment. The number of firms listed above represents the adjusted numbers.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Higher volatility equates to higher option value, which, in turn, should result in higher pro forma option compensation expense. To demonstrate this relationship, we grouped all of the companies in the S&P 500 according to their volatility assumptions. We then compared the reported earnings to the pro forma earnings for each grouping. The following table emphasizes the relationship between volatility and the impact of employee stock options on earnings.

**Table 26. Difference Between Reported and Pro Forma EPS for Different Levels of Volatility**

<b>Volatility Range</b>	<b>Number of Companies</b>	<b>% Decline in Earnings</b>
Less than 20%	7	-2%
20% ≤ Volatility < 30%	117	-5%
30% ≤ Volatility < 40%	153	-10%
40% ≤ Volatility < 50%	89	-36%
50% ≤ Volatility < 209%	101	N/M

N/M - Percentage decline is not meaningful since the group has a reported loss.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

We have compiled all of the assumptions used by the S&P 500 companies to derive their option values. This information is available to clients of Bear Stearns upon request.

# BEAR STEARNS

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# Appendix

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# BEAR STEARNS

**APPENDIX A. Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
ABBOTT LABORATORIES (32.14)	ABT	Dec-01	0.99	0.88	-11%	-44%	-48%
		Dec-00	1.78	1.69	-5%	13%	13%
		Dec-99	1.57	1.49	-5%		
ACE LIMITED (25.8) (s)	ACE	Dec-01	(0.64)	(0.72)	N/M	-128%	-132%
		Dec-00	2.31	2.24	-3%	25%	N/M
		Dec-99	1.85	N/A	N/M		
ADC TELECOMMUNICATIONS (2.07)	ADCT	Oct-01	(1.64)	(1.77)	N/M	-245%	-279%
		Oct-00	1.13	0.99	-12%	927%	9800%
		Oct-99	0.11	0.01	-91%		
ADOBE SYSTEMS INC (24.39)	ADBE	Nov-01	0.83	0.12	-86%	-27%	-84%
		Nov-00	1.13	0.77	-32%	23%	-1%
		Nov-99	0.92	0.78	-15%		
ADVANCED MICRO DEVICES (8.49)	AMD	Dec-01	(0.18)	(0.54)	N/M	-106%	-122%
		Dec-00	2.95	2.43	-18%	N/M	N/M
		Dec-99	(0.30)	(0.42)	N/M		
AES CORP (3.03)	AES	Dec-01	0.87	0.79	-9%	-47%	-49%
		Dec-00	1.65	1.56	-5%	90%	86%
		Dec-99	0.87	0.84	-3%		
AETNA INC (42.66)	AET	Dec-01	(2.03)	(2.11)	N/M	N/M	N/M
		Dec-00	(0.90)	(1.77)	N/M	-135%	-178%
		Dec-99	2.54	2.28	-10%		
AFLAC INC (25.47)	AFL	Dec-01	1.28	1.22	-5%	2%	1%
		Dec-00	1.26	1.21	-4%	21%	19%
		Dec-99	1.04	1.02	-2%		
AGILENT TECHNOLOGIES (20.75) (g)	A	Oct-01	(0.89)	(1.99)	N/M	-160%	-329%
		Oct-00	1.49	0.87	-42%	84%	23%
		Oct-99	0.81	0.71	-12%		
AIR PRODUCTS & CHEMICALS (42.58)	APD	Sep-01	2.33	2.21	-5%	309%	391%
		Sep-00	0.57	0.45	-21%	-73%	-77%
		Sep-99	2.09	1.98	-5%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
ALBERTO-CULVER CO -CL B (42.73)	ACV	Sep-01	1.91	1.81	-5%	4%	3%
		Sep-00	1.83	1.75	-4%	21%	21%
		Sep-99	1.51	1.45	-4%		
ALBERTSONS INC (27.05)	ABS	Jan-02	1.23	1.16	-6%	-33%	-34%
		Jan-01	1.83	1.76	-4%	81%	87%
		Jan-00	1.01	0.94	-7%		
ALCAN INC (29.6)	AL	Dec-01	(0.01)	(0.03)	N/M	-100%	-101%
		Dec-00	2.45	2.33	-5%	19%	17%
		Dec-99	2.06	2.00	-3%		
ALCOA INC (27)	AA	Dec-01	1.05	0.84	-20%	-42%	-46%
		Dec-00	1.81	1.56	-14%	28%	28%
		Dec-99	1.41	1.22	-13%		
ALLEGHENY ENERGY INC (19.22)	AYE	Dec-01	3.73	3.71	-1%	31%	31%
		Dec-00	2.84	2.83	0%	16%	16%
		Dec-99	2.45	2.45	0%		
ALLEGHENY TECHNOLOGIES (10.98)	ATI	Dec-01	(0.31)	(0.38)	N/M	-119%	-125%
		Dec-00	1.60	1.51	-6%	38%	37%
		Dec-99	1.16	1.10	-5%		
ALLERGAN INC (59.02)	AGN	Dec-01	1.69	1.48	-12%	5%	1%
		Dec-00	1.61	1.47	-9%	16%	15%
		Dec-99	1.39	1.28	-8%		
ALLIED WASTE INDS INC (7.4)	AW	Dec-01	0.01	(0.08)	-900%	-97%	-128%
		Dec-00	0.36	0.29	-19%	N/M	N/M
		Dec-99	(1.33)	(1.38)	N/M		
ALLSTATE CORP (35.08)	ALL	Dec-01	1.61	1.57	-2%	-45%	-46%
		Dec-00	2.95	2.92	-1%	-13%	-13%
		Dec-99	3.38	3.36	-1%		
ALLTEL CORP (42.23)	AT	Dec-01	3.34	3.26	-2%	-46%	-47%
		Dec-00	6.20	6.14	-1%	151%	153%
		Dec-99	2.47	2.43	-2%		
ALTERA CORP (12.43)	ALTR	Dec-01	(0.10)	(0.32)	N/M	-108%	-130%
		Dec-00	1.19	1.07	-10%	120%	118%
		Dec-99	0.54	0.49	-9%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
AMBAC FINANCIAL GP (55.92)	ABK	Dec-01	3.97	3.85	-3%	16%	16%
		Dec-00	3.41	3.33	-2%	18%	19%
		Dec-99	2.88	2.81	-2%		
AMERADA HESS CORP (69.44)	AHC	Dec-01	10.25	10.10	-1%	-10%	-10%
		Dec-00	11.38	11.19	-2%	135%	134%
		Dec-99	4.85	4.78	-1%		
AMEREN CORP (37.98) (f) (i)	AEE	Dec-01	3.45	3.45	0%	4%	4%
		Dec-00	3.33	3.33	0%	19%	19%
		Dec-99	2.81	2.81	0%		
AMERICAN ELECTRIC POWER (28.3)	AEP	Dec-01	3.11	3.07	-1%	231%	230%
		Dec-00	0.94	0.93	-1%	-69%	-70%
		Dec-99	3.07	3.07	0%		
AMERICAN EXPRESS (31.65)	AXP	Dec-01	0.98	0.80	-18%	-53%	-58%
		Dec-00	2.07	1.92	-7%	14%	12%
		Dec-99	1.81	1.71	-6%		
AMERICAN GREETINGS -CL A (14.59)	AM	Feb-01	(1.46)	(1.53)	N/M	-207%	-223%
		Feb-00	1.37	1.24	-9%	-46%	-50%
		Feb-99	2.53	2.46	-3%		
AMERICAN INTERNATIONAL GRP (56.81)	AIG	Dec-01	2.07	2.02	-2%	-18%	-19%
		Dec-00	2.52	2.48	-2%	8%	7%
		Dec-99	2.34	2.32	-1%		
AMERICAN PWR CNVRSION (11.08)	APCC	Dec-01	0.58	0.33	-43%	-30%	-49%
		Dec-00	0.83	0.65	-22%	-22%	-31%
		Dec-99	1.07	0.94	-12%		
AMERISOURCEBERGEN CORP (61.35)	ABC	Sep-01	2.10	1.73	-18%	11%	-3%
		Sep-00	1.90	1.79	-6%	38%	40%
		Sep-99	1.38	1.28	-7%		
AMGEN INC (35.46)	AMGN	Dec-01	1.03	0.86	-17%	-2%	-9%
		Dec-00	1.05	0.95	-10%	3%	0%
		Dec-99	1.02	0.95	-7%		
AMR CORP/DE (12.01)	AMR	Dec-01	(11.43)	(11.54)	N/M	-338%	-342%
		Dec-00	4.81	4.77	-1%	15%	15%
		Dec-99	4.17	4.14	-1%		
AMSOUTH BANCORPORATION (19.45)	ASO	Dec-01	1.45	1.38	-5%	69%	66%
		Dec-00	0.86	0.83	-3%	0%	4%
		Dec-99	0.86	0.80	-7%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
ANADARKO PETROLEUM CORP (41.56)	APC	Dec-01	(0.73)	(0.90)	N/M	-117%	-122%
		Dec-00	4.25	4.05	-5%	1600%	2282%
		Dec-99	0.25	0.17	-32%		
ANALOG DEVICES (26.62)	ADI	Oct-01	0.93	0.50	-46%	-42%	-64%
		Oct-00	1.59	1.38	-13%	189%	207%
		Oct-99	0.55	0.45	-18%		
ANDREW CORP (12)	ANDW	Sep-01	0.76	0.68	-11%	-22%	-25%
		Sep-00	0.98	0.91	-7%	165%	184%
		Sep-99	0.37	0.32	-14%		
ANHEUSER-BUSCH COS INC (44)	BUD	Dec-01	1.89	1.81	-4%	12%	10%
		Dec-00	1.69	1.64	-3%	15%	14%
		Dec-99	1.47	1.44	-2%		
AOL TIME WARNER INC (11.58)	AOL	Dec-01	(1.11)	(1.43)	N/M	-347%	-853%
		Dec-00	0.45	0.19	-58%	13%	-14%
		Dec-99	0.40	0.22	-45%		
AON CORP (23.03)	AOC	Dec-01	0.73	0.69	-5%	-60%	-61%
		Dec-00	1.82	1.76	-3%	37%	36%
		Dec-99	1.33	1.29	-3%		
APACHE CORP (49.43)	APA	Dec-01	4.97	4.79	-4%	-5%	-6%
		Dec-00	5.21	5.12	-2%	234%	244%
		Dec-99	1.56	1.49	-4%		
APPLE COMPUTER INC (14.96)	AAPL	Sep-01	(0.11)	(1.26)	N/M	-105%	-191%
		Sep-00	2.18	1.38	-37%	20%	-14%
		Sep-99	1.81	1.61	-11%		
APPLERA APPLIED BIOSYS (14.85)	ABI	Jun-01	0.96	0.52	-46%	12%	-20%
		Jun-00	0.86	0.65	-24%	19%	5%
		Jun-99	0.72	0.62	-14%		
APPLIED MATERIALS INC (16.8)	AMAT	Oct-01	0.91	0.65	-29%	-62%	-71%
		Oct-00	2.40	2.21	-8%	173%	203%
		Oct-99	0.88	0.73	-17%		
APPLIED MICRO CIRCUITS CORP(4.85)	AMCC	Mar-01	(1.63)	(2.55)	N/M	-915%	-3288%
		Mar-00	0.20	0.08	-60%	150%	33%
		Mar-99	0.08	0.06	-25%		
ARCHER-DANIELS-MIDLAND (11.12) (f)	ADM	Jun-01	0.58	0.58	0%	29%	29%
		Jun-00	0.45	0.45	0%	10%	10%
		Jun-99	0.41	0.41	0%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
ASHLAND INC (37.5)	ASH	Sep-01	5.77	5.72	-1%	41%	42%
		Sep-00	4.10	4.04	-1%	5%	5%
		Sep-99	3.90	3.85	-1%		
AT&T CORP (9.92)	T	Dec-01	(1.33)	(1.48)	N/M	-277%	-324%
		Dec-00	0.75	0.66	-12%	-60%	-63%
		Dec-99	1.87	1.80	-4%		
AT&T WIRELESS SERVICES (5.65) (g)	AWE	Dec-01	0.05	(0.03)	-160%	-82%	-114%
		Dec-00	0.28	0.21	-25%	N/M	N/M
		Dec-99	(0.16)	(0.18)	N/M		
AUTODESK INC (12.52)	ADSK	Jan-02	0.80	0.24	-70%	0%	-29%
		Jan-01	0.80	0.34	-58%	900%	N/M
		Jan-00	0.08	(0.37)	-563%		
AUTOMATIC DATA PROC (32)	ADP	Jun-01	1.44	1.27	-12%	10%	8%
		Jun-00	1.31	1.18	-10%	19%	17%
		Jun-99	1.10	1.01	-8%		
AUTOZONE INC (64.88)	AZO	Aug-01	1.54	1.48	-4%	-23%	-23%
		Aug-00	2.00	1.93	-4%	23%	23%
		Aug-99	1.63	1.57	-4%		
AVAYA INC (3.9)	AV	Sep-01	(1.33)	(1.51)	N/M	N/M	N/M
		Sep-00	(1.39)	(1.74)	N/M	-304%	-451%
		Sep-99	0.68	0.50	-27%		
AVERY DENNISON CORP (53.8)	AVY	Dec-01	2.47	2.34	-5%	-13%	-14%
		Dec-00	2.84	2.72	-4%	33%	36%
		Dec-99	2.13	2.00	-6%		
AVON PRODUCTS (43.72)	AVP	Dec-01	1.79	1.68	-6%	-11%	-14%
		Dec-00	2.02	1.95	-3%	73%	74%
		Dec-99	1.17	1.12	-4%		
BAKER-HUGHES INC (27.5)	BHI	Dec-01	1.30	1.22	-6%	319%	388%
		Dec-00	0.31	0.25	-19%	210%	1150%
		Dec-99	0.10	0.02	-80%		
BALL CORP (35.6)	BLL	Dec-01	(1.85)	(1.92)	N/M	-273%	-286%
		Dec-00	1.07	1.03	-4%	-32%	-32%
		Dec-99	1.58	1.52	-4%		
BANK OF AMERICA CORP (61.52)	BAC	Dec-01	4.18	3.96	-5%	-8%	-9%
		Dec-00	4.52	4.34	-4%	1%	1%
		Dec-99	4.48	4.30	-4%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
BANK OF NEW YORK CO INC (29.34)	BK	Dec-01	1.81	1.73	-4%	-6%	-7%
		Dec-00	1.92	1.87	-3%	-15%	-16%
		Dec-99	2.27	2.23	-2%		
BANK ONE CORP (34.6)	ONE	Dec-01	2.28	2.12	-7%	N/M	N/M
		Dec-00	(0.45)	(0.57)	N/M	-115%	-120%
		Dec-99	2.95	2.89	-2%		
BARD (C.R.) INC (48.57)	BCR	Dec-01	2.75	2.57	-7%	32%	34%
		Dec-00	2.09	1.92	-8%	-8%	-11%
		Dec-99	2.28	2.15	-6%		
BARRICK GOLD CORP (16.9) (j)	ABX	Dec-01	0.18	0.12	-33%	N/M	N/M
		Dec-00	(2.18)	(2.24)	N/M	-584%	-660%
		Dec-99	0.45	0.40	-11%		
BAUSCH & LOMB INC (28.66)	BOL	Dec-01	0.78	0.54	-31%	-48%	-57%
		Dec-00	1.49	1.25	-16%	-15%	-20%
		Dec-99	1.75	1.56	-11%		
BAXTER INTERNATIONAL INC (31.75)	BAX	Dec-01	1.09	0.83	-24%	-12%	-27%
		Dec-00	1.24	1.14	-8%	-6%	-7%
		Dec-99	1.32	1.23	-7%		
BB&T CORP (33.26)	BBT	Dec-01	2.12	2.07	-2%	39%	39%
		Dec-00	1.53	1.49	-3%	-11%	-11%
		Dec-99	1.71	1.67	-2%		
BEAR STEARNS COMPANIES (55.1)	BSC	Nov-01	4.27	4.05	-5%	-20%	-24%
		Nov-00	5.35	5.30	-1%	201%	198%
		Nov-99	1.78	1.78	0%		
BECTON DICKINSON & CO (25.01)	BDX	Sep-01	1.63	1.51	-7%	9%	9%
		Sep-00	1.49	1.38	-7%	43%	48%
		Sep-99	1.04	0.93	-11%		
BED BATH & BEYOND INC (29.25)	BBBY	Feb-01	0.59	0.53	-10%	28%	29%
		Feb-00	0.46	0.41	-11%	35%	32%
		Feb-99	0.34	0.31	-9%		
BELLSOUTH CORP (27.61)	BLS	Dec-01	1.36	1.30	-4%	-39%	-40%
		Dec-00	2.23	2.18	-2%	24%	24%
		Dec-99	1.80	1.76	-2%		
BEMIS CO (41.04)	BMS	Dec-01	2.64	2.62	-1%	8%	11%
		Dec-00	2.44	2.37	-3%	12%	11%
		Dec-99	2.18	2.14	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
BEST BUY CO INC (31.2)	BBY	Feb-01	1.86	1.67	-10%	14%	10%
		Feb-00	1.63	1.52	-7%	58%	58%
		Feb-99	1.03	0.96	-7%		
BIG LOTS INC (15.67)	BLI	Jan-02	(0.25)	(0.31)	N/M	-128%	-136%
		Jan-01	0.88	0.85	-3%	5%	16%
		Jan-00	0.84	0.73	-13%		
BIOGEN INC (31.71)	BGEN	Dec-01	1.78	1.47	-17%	-18%	-23%
		Dec-00	2.16	1.90	-12%	54%	52%
		Dec-99	1.40	1.25	-11%		
BIOMET INC (23.42)	BMET	May-01	0.73	0.71	-3%	12%	11%
		May-00	0.65	0.64	-2%	38%	36%
		May-99	0.47	0.47	0%		
BLACK & DECKER CORP (36.28)	BDK	Dec-01	1.34	1.14	-15%	-60%	-64%
		Dec-00	3.37	3.15	-7%	-2%	-7%
		Dec-99	3.45	3.38	-2%		
BLOCK H & R INC (42.13)	HRB	Apr-01	2.99	2.80	-6%	17%	16%
		Apr-00	2.55	2.41	-5%	8%	8%
		Apr-99	2.36	2.23	-6%		
BMC SOFTWARE INC (14)	BMC	Mar-01	0.17	(0.17)	-200%	-82%	-121%
		Mar-00	0.96	0.81	-16%	-34%	-40%
		Mar-99	1.46	1.34	-8%		
BOEING CO (39.92) (e)	BA	Dec-01	3.41	3.41	0%	40%	40%
		Dec-00	2.44	2.44	0%	-2%	-2%
		Dec-99	2.49	2.49	0%		
BOISE CASCADE CORP (28.24)	BCC	Dec-01	(0.96)	(1.17)	N/M	-135%	-145%
		Dec-00	2.73	2.62	-4%	-11%	-11%
		Dec-99	3.06	2.95	-4%		
BOSTON SCIENTIFIC CORP (24.7)	BSX	Dec-01	(0.13)	(0.23)	N/M	-114%	-128%
		Dec-00	0.91	0.83	-9%	1%	4%
		Dec-99	0.90	0.80	-11%		
BRISTOL MYERS SQUIBB (22.2)	BMY	Dec-01	1.29	1.16	-10%	-37%	-40%
		Dec-00	2.05	1.94	-5%	10%	10%
		Dec-99	1.87	1.77	-5%		
BROADCOM CORP -CL A (19.86)	BRCM	Dec-01	(10.79)	(13.42)	N/M	N/M	N/M
		Dec-00	(3.13)	(5.01)	N/M	-1110%	N/M
		Dec-99	0.31	(0.50)	-261%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
BROWN-FORMAN -CL B (59.7)	BF.B	Apr-01	3.40	3.35	-1%	7%	7%
		Apr-00	3.18	3.14	-1%	9%	8%
		Apr-99	2.93	2.91	-1%		
BRUNSWICK CORP (21.19)	BC	Dec-01	0.96	0.90	-6%	-58%	-60%
		Dec-00	2.28	2.23	-2%	47%	51%
		Dec-99	1.55	1.48	-5%		
BURLINGTON NORTHERN SF (27.68)	BNI	Dec-01	1.89	1.86	-2%	-20%	-17%
		Dec-00	2.36	2.25	-5%	-3%	-4%
		Dec-99	2.44	2.34	-4%		
BURLINGTON RESOURCES INC (34.31)	BR	Dec-01	2.69	2.63	-2%	-14%	-14%
		Dec-00	3.12	3.06	-2%	N/M	N/M
		Dec-99	(0.05)	(0.19)	N/M		
CALPINE CORP (4.75)	CPN	Dec-01	1.85	1.77	-4%	54%	55%
		Dec-00	1.20	1.14	-5%	167%	192%
		Dec-99	0.45	0.39	-13%		
CAMPBELL SOUP CO (22)	CPB	Jul-01	1.55	1.52	-2%	-6%	-6%
		Jul-00	1.65	1.62	-2%	1%	2%
		Jul-99	1.63	1.59	-2%		
CAPITAL ONE FINL CORP (35.21)	COF	Dec-01	2.91	2.71	-7%	30%	38%
		Dec-00	2.24	1.97	-12%	30%	27%
		Dec-99	1.72	1.55	-10%		
CARDINAL HEALTH INC (52.75)	CAH	Jun-01	1.88	1.71	-9%	18%	11%
		Jun-00	1.60	1.54	-4%	43%	66%
		Jun-99	1.12	0.93	-17%		
CARNIVAL CORP (25.22) (i)	CCL	Nov-01	1.58	1.54	-3%	-1%	-4%
		Nov-00	1.60	1.60	0%	-4%	-4%
		Nov-99	1.66	1.66	0%		
CATERPILLAR INC (41.41)	CAT	Dec-01	2.32	2.17	-6%	-23%	-25%
		Dec-00	3.02	2.90	-4%	15%	14%
		Dec-99	2.63	2.55	-3%		
CENDANT CORP (13.24)	CD	Dec-01	0.45	0.20	-56%	-49%	-74%
		Dec-00	0.89	0.76	-15%	N/M	N/M
		Dec-99	(0.30)	(0.51)	N/M		
CENTEX CORP (45.75)	CTX	Mar-01	4.65	4.24	-9%	10%	12%
		Mar-00	4.22	3.80	-10%	13%	8%
		Mar-99	3.75	3.52	-6%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

<b>Company Name</b>	<b>Ticker Symbol</b>	<b>Fiscal Year Ending</b>	<b>Reported Diluted EPS (a)</b>	<b>Pro Forma Diluted EPS (a)</b>	<b>% Difference Reported Vs. Pro Forma Diluted EPS</b>	<b>Growth Rate Reported Diluted EPS</b>	<b>Growth Rate Pro Forma Diluted EPS</b>
CENTURYTEL INC (24.86)	CTL	Dec-01	2.41	2.35	-2%	48%	48%
		Dec-00	1.63	1.59	-2%	-4%	-6%
		Dec-99	1.70	1.69	-1%		
CHARTER ONE FINL INC (27.26)	CF	Dec-01	2.21	2.09	-5%	16%	17%
		Dec-00	1.90	1.79	-6%	36%	38%
		Dec-99	1.40	1.30	-7%		
CHEVRONTEXACO CORP (74.5)	CVX	Dec-01	3.70	3.62	-2%	-49%	-50%
		Dec-00	7.21	7.18	0%	140%	148%
		Dec-99	3.00	2.90	-3%		
CHIRON CORP (28.78)	CHIR	Dec-01	0.90	0.64	-29%	1025%	N/M
		Dec-00	0.08	(0.08)	-200%	-88%	-114%
		Dec-99	0.69	0.58	-16%		
CHUBB CORP (58.35)	CB	Dec-01	0.63	0.37	-41%	-84%	-90%
		Dec-00	4.01	3.76	-6%	10%	9%
		Dec-99	3.66	3.45	-6%		
CIENA CORP (5.18)	CIEN	Oct-01	(5.75)	(6.79)	N/M	-2230%	N/M
		Oct-00	0.27	(0.09)	-133%	N/M	N/M
		Oct-99	(0.01)	(0.15)	N/M		
CIGNA CORP (82.16)	CI	Dec-01	6.59	6.27	-5%	8%	7%
		Dec-00	6.08	5.85	-4%	72%	74%
		Dec-99	3.54	3.37	-5%		
CINCINNATI FINANCIAL CORP (37.24)	CINF	Dec-01	1.19	1.13	-5%	63%	71%
		Dec-00	0.73	0.66	-10%	-52%	-55%
		Dec-99	1.52	1.47	-3%		
CINERGY CORP (27.5)	CIN	Dec-01	2.75	2.72	-1%	10%	10%
		Dec-00	2.50	2.47	-1%	-1%	-2%
		Dec-99	2.53	2.51	-1%		
CINTAS CORP (42.97)	CTAS	May-01	1.30	1.27	-2%	14%	13%
		May-00	1.14	1.12	-2%	39%	38%
		May-99	0.82	0.81	-1%		
CIRCUIT CITY GP (16.46)	CC	Feb-01	0.73	0.67	-8%	-54%	-57%
		Feb-00	1.60	1.56	-3%	48%	49%
		Feb-99	1.08	1.05	-3%		
CISCO SYSTEMS INC (13.65)	CSCO	Jul-01	(0.14)	(0.38)	N/M	-139%	-281%
		Jul-00	0.36	0.21	-42%	24%	0%
		Jul-99	0.29	0.21	-28%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
CITIGROUP INC (36) (o)	C	Dec-01	2.75	2.64	-4%	5%	6%
		Dec-00	2.62	2.50	-5%	20%	21%
		Dec-99	2.19	2.07	-5%		
CITIZENS COMMUNICATIONS CO (7.49)	CZN	Dec-01	(0.28)	(0.38)	N/M	N/M	N/M
		Dec-00	(0.15)	(0.24)	N/M	-128%	-150%
		Dec-99	0.53	0.48	-9%		
CITRIX SYSTEMS INC (5.26)	CTXS	Dec-01	0.54	(0.22)	-141%	15%	N/M
		Dec-00	0.47	(0.21)	-145%	-23%	-164%
		Dec-99	0.61	0.33	-46%		
CLEAR CHANNEL COMM (30.12)	CCU	Dec-01	(1.93)	(2.02)	N/M	-439%	-504%
		Dec-00	0.57	0.50	-12%	119%	138%
		Dec-99	0.26	0.21	-19%		
CLOROX CO/DE (32.18)	CLX	Jun-01	1.36	1.20	-12%	-17%	-23%
		Jun-00	1.64	1.56	-5%	59%	59%
		Jun-99	1.03	0.98	-5%		
CMS ENERGY CORP (8.73)	CMS	Dec-01	(2.76)	(2.79)	N/M	-1020%	-1062%
		Dec-00	0.30	0.29	-3%	-88%	N/M
		Dec-99	2.42	-	-100%		
COCA-COLA CO (45.09)	KO	Dec-01	1.60	1.51	-6%	82%	89%
		Dec-00	0.88	0.80	-9%	-10%	-12%
		Dec-99	0.98	0.91	-7%		
COCA-COLA ENTERPRISES (17.3)	CCE	Dec-01	(0.75)	(0.86)	N/M	-239%	-287%
		Dec-00	0.54	0.46	-15%	315%	475%
		Dec-99	0.13	0.08	-38%		
COLGATE-PALMOLIVE CO (44.36)	CL	Dec-01	1.89	1.81	-4%	11%	13%
		Dec-00	1.70	1.60	-6%	16%	14%
		Dec-99	1.47	1.40	-5%		
COMCAST CORP -CL A SPL (21.6)	CMCSK	Dec-01	0.23	0.10	-57%	-89%	-95%
		Dec-00	2.16	2.05	-5%	127%	133%
		Dec-99	0.95	0.88	-7%		
COMERICA INC (53.23)	CMA	Dec-01	3.88	3.63	-6%	-10%	-13%
		Dec-00	4.31	4.17	-3%	4%	4%
		Dec-99	4.13	4.00	-3%		
COMPAQ COMPUTER (o) (v)		Dec-01	(0.34)	(0.74)	N/M	-197%	-669%
		Dec-00	0.35	0.13	-63%	0%	-46%
		Dec-99	0.35	0.24	-31%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
COMPUTER ASSOCIATES (10.25) (b)	CA	Mar-01	(1.02)	(1.18)	N/M	-182%	-205%
		Mar-00	1.25	1.12	-10%	13%	-46%
		Mar-99	1.11	2.06	86%		
COMPUTER SCIENCES CORP (36.65)	CSC	Mar-01	1.37	1.15	-16%	-42%	-49%
		Mar-00	2.37	2.25	-5%	12%	12%
		Mar-99	2.12	2.01	-5%		
COMPUWARE CORP (3.68)	CPWR	Mar-01	0.32	0.17	-47%	-65%	-77%
		Mar-00	0.91	0.75	-18%	5%	1%
		Mar-99	0.87	0.74	-15%		
COMVERSE TECHNOLOGY INC (8.54)	CMVT	Jan-02	0.29	(0.71)	-345%	-79%	-177%
		Jan-01	1.39	0.92	-34%	29%	14%
		Jan-00	1.08	0.81	-25%		
CONAGRA FOODS INC (21.94)	CAG	May-01	1.33	1.30	-2%	66%	71%
		May-00	0.80	0.76	-5%	16%	15%
		May-99	0.69	0.66	-4%		
CONCORD EFS INC (24.08)	CEFT	Dec-01	0.42	0.36	-14%	0%	-3%
		Dec-00	0.42	0.37	-12%	56%	54%
		Dec-99	0.27	0.24	-11%		
CONEXANT SYSTEMS INC (2.13) (z)	CNXT	Sep-01	(5.94)	(7.43)	N/M	N/M	N/M
		Sep-00	(0.90)	(1.65)	N/M	-1600%	N/M
		Sep-99	0.06	(0.10)	-267%		
CONOCO INC (22.9)	COC	Dec-01	2.51	2.44	-3%	-16%	-18%
		Dec-00	3.00	2.96	-1%	156%	160%
		Dec-99	1.17	1.14	-3%		
CONSECO INC (1.28)	CNC	Dec-01	(1.29)	(1.37)	N/M	N/M	N/M
		Dec-00	(3.51)	(3.59)	N/M	-296%	-312%
		Dec-99	1.79	1.69	-6%		
CONSOLIDATED EDISON INC (34.87)	ED	Dec-01	3.21	3.19	-1%	17%	17%
		Dec-00	2.74	2.73	-1%	-12%	-13%
		Dec-99	3.13	3.12	0%		
CONSTELLATION ENERGY (23.53) (g) (i)	CEG	Dec-01	0.52	0.49	-6%	-77%	N/M
		Dec-00	2.30	N/A	-100%	6%	N/M
		Dec-99	2.18	N/A	-100%		
CONVERGYS CORP (15.78)	CVG	Dec-01	0.80	0.54	-33%	-27%	-43%
		Dec-00	1.09	0.94	-14%	35%	32%
		Dec-99	0.81	0.71	-12%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
COOPER INDUSTRIES INC (32.88)	CBE	Dec-01	2.75	2.70	-2%	-28%	-27%
		Dec-00	3.80	3.72	-2%	9%	9%
		Dec-99	3.50	3.42	-2%		
COOPER TIRE & RUBBER (18.25)	CTB	Dec-01	0.25	0.18	-28%	-81%	-85%
		Dec-00	1.31	1.24	-5%	-27%	-29%
		Dec-99	1.79	1.74	-3%		
COORS (ADOLPH) -CL B (51.4)	RKY	Dec-01	3.31	2.86	-14%	13%	11%
		Dec-00	2.93	2.57	-12%	19%	17%
		Dec-99	2.46	2.20	-11%		
CORNING INC (3.6)	GLW	Dec-01	(5.89)	(6.29)	N/M	-1380%	-2006%
		Dec-00	0.46	0.33	-28%	-29%	-46%
		Dec-99	0.65	0.61	-6%		
COSTCO WHOLESALE CORP (33.08)	COST	Aug-01	1.29	1.15	-11%	-4%	-6%
		Aug-00	1.35	1.22	-10%	22%	20%
		Aug-99	1.11	1.02	-8%		
COUNTRYWIDE CREDIT IND (41.68)	CCR	Dec-01	3.14	2.91	-7%	-11%	-10%
		Dec-00	3.52	3.25	-8%	7%	4%
		Dec-99	3.29	3.13	-5%		
CRANE CO (20.85)	CR	Dec-01	1.47	1.37	-7%	-27%	-28%
		Dec-00	2.02	1.91	-5%	35%	35%
		Dec-99	1.50	1.41	-6%		
CSX CORP (32.86)	CSX	Dec-01	1.38	1.32	-4%	57%	67%
		Dec-00	0.88	0.79	-10%	487%	2533%
		Dec-99	0.15	0.03	-80%		
CUMMINS INC (28.96)	CUM	Dec-01	(2.66)	(2.97)	N/M	-1430%	N/M
		Dec-00	0.20	-	-100%	-95%	-100%
		Dec-99	4.13	3.93	-5%		
CVS CORP (25.8)	CVS	Dec-01	1.00	0.86	-14%	-45%	-51%
		Dec-00	1.83	1.76	-4%	18%	17%
		Dec-99	1.55	1.50	-3%		
DANA CORP (14.4)	DCN	Dec-01	(2.01)	(2.12)	N/M	-192%	-201%
		Dec-00	2.18	2.09	-4%	-29%	-31%
		Dec-99	3.08	3.01	-2%		
DANAHER CORP (58.21)	DHR	Dec-01	2.01	1.88	-6%	-10%	-11%
		Dec-00	2.23	2.11	-5%	25%	23%
		Dec-99	1.79	1.72	-4%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
DARDEN RESTAURANTS INC (20.75)	DRI	May-01	1.59	1.49	-6%	19%	17%
		May-00	1.34	1.27	-5%	35%	34%
		May-99	0.99	0.95	-4%		
DEERE & CO (38.86)	DE	Oct-01	(0.27)	(0.41)	N/M	-113%	-122%
		Oct-00	2.06	1.89	-8%	102%	105%
		Oct-99	1.02	0.92	-10%		
DELL COMPUTER CORP (25.08) (o)	DELL	Jan-02	0.46	0.19	-59%	-42%	-70%
		Jan-01	0.79	0.63	-20%	30%	19%
		Jan-00	0.61	0.53	-13%		
DELPHI AUTOMOTIVE SYS (9.71)	DPH	Dec-01	(0.66)	(0.78)	N/M	-135%	-145%
		Dec-00	1.88	1.74	-7%	-4%	-7%
		Dec-99	1.95	1.87	-4%		
DELTA AIR LINES INC (15.72)	DAL	Dec-01	(9.99)	(10.23)	N/M	-242%	-250%
		Dec-00	7.05	6.84	-3%	-17%	-16%
		Dec-99	8.52	8.12	-5%		
DELUXE CORP (33.99)	DLX	Dec-01	2.69	2.64	-2%	15%	16%
		Dec-00	2.34	2.28	-3%	-12%	-12%
		Dec-99	2.65	2.58	-3%		
DEVON ENERGY CORP (40.13)	DVN	Dec-01	0.34	0.23	-32%	-94%	-96%
		Dec-00	5.50	5.36	-3%	N/M	N/M
		Dec-99	(1.68)	(1.85)	N/M		
DILLARDS INC -CL A (22.57)	DDS	Jan-02	0.78	0.71	-9%	-26%	-28%
		Jan-01	1.06	0.98	-8%	-32%	-31%
		Jan-00	1.55	1.43	-8%		
DISNEY (WALT) CO (16.64)	DIS	Sep-01	0.11	(0.02)	-118%	-81%	-104%
		Sep-00	0.57	0.46	-19%	-8%	-18%
		Sep-99	0.62	0.56	-10%		
DOLLAR GENERAL CORP (15.99)	DG	Jan-02	0.62	0.59	-5%	195%	293%
		Jan-01	0.21	0.15	-29%	-62%	-69%
		Jan-00	0.55	0.49	-11%		
DOMINION RESOURCES INC (56.4)	D	Dec-01	2.15	2.06	-4%	22%	19%
		Dec-00	1.76	1.73	-2%	-37%	-36%
		Dec-99	2.81	2.71	-4%		
DONNELLEY (R R) & SONS CO (23.29)	DNY	Dec-01	0.21	0.09	-57%	-90%	-96%
		Dec-00	2.17	2.07	-5%	-10%	-10%
		Dec-99	2.40	2.29	-5%		

APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
DOVER CORP (30.07)	DOV	Dec-01	0.82	0.75	-9%	-67%	-70%
		Dec-00	2.52	2.48	-2%	38%	39%
		Dec-99	1.83	1.78	-3%		
DOW CHEMICAL (27.84)	DOW	Dec-01	(0.46)	(0.52)	N/M	-125%	-131%
		Dec-00	1.85	1.70	-8%	1%	-3%
		Dec-99	1.84	1.75	-5%		
DOW JONES & CO INC (38.93)	DJ	Dec-01	1.14	0.98	-14%	N/M	N/M
		Dec-00	(1.35)	(1.46)	N/M	-145%	-150%
		Dec-99	2.99	2.93	-2%		
DTE ENERGY CO (35.96)	DTE	Dec-01	2.14	2.08	-3%	-35%	-36%
		Dec-00	3.27	3.25	-1%	-2%	-2%
		Dec-99	3.33	3.32	0%		
DU PONT (E I) DE NEMOURS (38.3)	DD	Dec-01	4.15	4.06	-2%	89%	93%
		Dec-00	2.19	2.10	-4%	1053%	1005%
		Dec-99	0.19	0.19	0%		
DUKE ENERGY CORP (19.95)	DUK	Dec-01	2.56	2.53	-1%	8%	7%
		Dec-00	2.38	2.36	-1%	111%	111%
		Dec-99	1.13	1.12	-1%		
DYNEGY INC (3.97)	DYN	Dec-01	1.90	1.73	-9%	28%	21%
		Dec-00	1.48	1.43	-3%	124%	131%
		Dec-99	0.66	0.62	-6%		
EASTMAN CHEMICAL CO (39.72)	EMN	Dec-01	(2.33)	(2.43)	N/M	-159%	-164%
		Dec-00	3.94	3.82	-3%	546%	570%
		Dec-99	0.61	0.57	-7%		
EASTMAN KODAK CO (27.8)	EK	Dec-01	0.26	(0.01)	-104%	-94%	-100%
		Dec-00	4.59	4.41	-4%	6%	11%
		Dec-99	4.33	3.96	-9%		
EATON CORP (62.88)	ETN	Dec-01	2.43	2.21	-9%	-52%	-54%
		Dec-00	5.06	4.81	-5%	-39%	-41%
		Dec-99	8.31	8.11	-2%		
ECOLAB INC (37.22)	ECL	Dec-01	1.45	1.37	-6%	-8%	-10%
		Dec-00	1.58	1.52	-4%	21%	20%
		Dec-99	1.31	1.27	-3%		
EDISON INTERNATIONAL (12.95)	EIX	Dec-01	7.37	7.36	0%	N/M	N/M
		Dec-00	(5.82)	(5.86)	N/M	-398%	-401%
		Dec-99	1.95	1.95	0%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
EL PASO CORP (13.36) (o)	EP	Dec-01	0.13	(0.17)	-231%	-95%	-107%
		Dec-00	2.43	2.35	-3%	367%	370%
		Dec-99	0.52	0.50	-4%		
ELECTRONIC DATA SYSTEMS (31.59)	EDS	Dec-01	2.86	2.61	-9%	19%	17%
		Dec-00	2.40	2.24	-7%	182%	195%
		Dec-99	0.85	0.76	-11%		
EMC CORP/MA (8.1)	EMC	Dec-01	(0.23)	(0.38)	N/M	-129%	-154%
		Dec-00	0.79	0.71	-10%	72%	65%
		Dec-99	0.46	0.43	-7%		
EMERSON ELECTRIC CO (49.11)	EMR	Sep-01	2.40	2.36	-2%	-27%	-27%
		Sep-00	3.30	3.25	-2%	10%	10%
		Sep-99	3.00	2.95	-2%		
ENGELHARD CORP (24.1)	EC	Dec-01	1.71	1.66	-3%	31%	33%
		Dec-00	1.31	1.25	-5%	-11%	-11%
		Dec-99	1.47	1.41	-4%		
ENTERGY CORP (36.6)	ETR	Dec-01	3.13	2.94	-6%	5%	2%
		Dec-00	2.97	2.89	-3%	32%	32%
		Dec-99	2.25	2.19	-3%		
EOG RESOURCES INC (33.94)	EOG	Dec-01	3.30	3.20	-3%	2%	2%
		Dec-00	3.24	3.14	-3%	-19%	-21%
		Dec-99	4.01	3.99	0%		
EQUIFAX INC (21.98)	EFX	Dec-01	0.84	0.70	-17%	-19%	-24%
		Dec-00	1.04	0.92	-12%	-2%	-3%
		Dec-99	1.06	0.95	-10%		
EQUITY OFFICE PROPERTIES (24.75)	EOP	Dec-01	1.33	1.31	-2%	-3%	-4%
		Dec-00	1.37	1.36	-1%	4%	4%
		Dec-99	1.31	1.30	-1%		
EQUITY RESIDENTIAL PPTYS (24.27)	EQR	Dec-01	1.36	1.35	-1%	-19%	-19%
		Dec-00	1.67	1.66	-1%	46%	50%
		Dec-99	1.14	1.11	-3%		
EXELON CORP (42.61)	EXC	Dec-01	4.39	4.37	0%	58%	76%
		Dec-00	2.77	2.48	-10%	-10%	-18%
		Dec-99	3.08	3.03	-2%		
EXXON MOBIL CORP (32.4)	XOM	Dec-01	2.18	2.14	-2%	-4%	-4%
		Dec-00	2.27	2.23	-2%	103%	106%
		Dec-99	1.12	1.08	-4%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
FAMILY DOLLAR STORES (28.86)	FDO	Aug-01	1.10	1.08	-2%	10%	10%
		Aug-00	1.00	0.98	-2%	23%	23%
		Aug-99	0.81	0.80	-1%		
FANNIE MAE (68.68)	FNM	Dec-01	5.89	5.79	-2%	38%	41%
		Dec-00	4.26	4.12	-3%	14%	13%
		Dec-99	3.73	3.66	-2%		
FEDDDIE MAC (56.12) (e)	FRE	Dec-01	5.96	5.92	-1%	76%	76%
		Dec-00	3.39	3.36	-1%	15%	15%
		Dec-99	2.95	2.93	-1%		
FEDERATED DEPT STORES (33)	FD	Jan-02	2.59	2.35	-9%	-35%	-38%
		Jan-01	3.97	3.77	-5%	6%	5%
		Jan-00	3.76	3.59	-5%		
FEDEX CORP (49.21)	FDX	May-01	1.99	1.89	-5%	-14%	-15%
		May-00	2.32	2.23	-4%	10%	10%
		May-99	2.10	2.03	-3%		
FIFTH THIRD BANCORP (60.09)	FITB	Dec-01	1.86	1.68	-10%	-6%	-8%
		Dec-00	1.98	1.82	-8%	19%	18%
		Dec-99	1.66	1.54	-7%		
FIRST DATA CORP (32.26)	FDC	Dec-01	2.20	2.02	-8%	-2%	-6%
		Dec-00	2.25	2.14	-5%	-18%	-20%
		Dec-99	2.76	2.67	-3%		
FIRSTENERGY CORP (27.3)	FE	Dec-01	2.85	2.83	-1%	6%	5%
		Dec-00	2.69	2.69	0%	8%	8%
		Dec-99	2.50	2.50	0%		
FISERV INC (32.3)	FISV	Dec-01	1.09	1.02	-6%	17%	16%
		Dec-00	0.93	0.88	-5%	27%	28%
		Dec-99	0.73	0.69	-5%		
FLEETBOSTON FINANCIAL (22.67)	FBF	Dec-01	0.83	0.75	-10%	-76%	-78%
		Dec-00	3.52	3.45	-2%	63%	67%
		Dec-99	2.16	2.06	-5%		
FLUOR CORP (29.11)	FLR	Dec-01	1.64	1.50	-9%	6%	4%
		Dec-00	1.55	1.44	-7%	198%	251%
		Dec-99	0.52	0.41	-21%		
FORD MOTOR CO (12.39)	F	Dec-01	(3.02)	(3.10)	N/M	-184%	-188%
		Dec-00	3.59	3.51	-2%	-32%	-32%
		Dec-99	5.26	5.17	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
FOREST LABORATORIES (70.45)	FRX	Mar-01	1.18	0.93	-21%	84%	82%
		Mar-00	0.64	0.51	-20%	42%	34%
		Mar-99	0.45	0.38	-16%		
FORTUNE BRANDS INC (45.72)	FO	Dec-01	2.49	2.39	-4%	N/M	N/M
		Dec-00	(0.88)	(0.97)	N/M	N/M	N/M
		Dec-99	(5.35)	(5.39)	N/M		
FPL GROUP INC (49.42)	FPL	Dec-01	4.62	4.59	-1%	12%	12%
		Dec-00	4.14	4.09	-1%	2%	1%
		Dec-99	4.07	4.06	0%		
FRANKLIN RESOURCES INC (31.67)	BEN	Sep-01	1.91	1.76	-8%	-16%	-21%
		Sep-00	2.28	2.24	-2%	35%	34%
		Sep-99	1.69	1.67	-1%		
FREEPRT MCMOR COP&GLD (15.73)	FCX	Dec-01	0.53	0.49	-8%	104%	133%
		Dec-00	0.26	0.21	-19%	-57%	-64%
		Dec-99	0.61	0.58	-5%		
GANNETT CO (64.5)	GCI	Dec-01	3.14	3.01	-4%	-14%	-15%
		Dec-00	3.65	3.55	-3%	11%	10%
		Dec-99	3.29	3.24	-2%		
GAP INC (12.15)	GPS	Jan-02	(0.01)	(0.10)	N/M	-101%	-112%
		Jan-01	1.00	0.86	-14%	-21%	-25%
		Jan-00	1.26	1.15	-9%		
GATEWAY INC (3.26)	GTW	Dec-01	(3.14)	(3.36)	N/M	-513%	N/M
		Dec-00	0.76	(0.14)	-118%	-42%	-114%
		Dec-99	1.32	0.98	-26%		
GENERAL DYNAMICS CORP (80.17)	GD	Dec-01	4.65	4.54	-2%	4%	3%
		Dec-00	4.48	4.40	-2%	3%	4%
		Dec-99	4.36	4.22	-3%		
GENERAL ELECTRIC CO (26.52)	GE	Dec-01	1.41	1.37	-3%	11%	10%
		Dec-00	1.27	1.24	-2%	19%	17%
		Dec-99	1.07	1.06	-1%		
GENERAL MILLS INC (38.99)	GIS	May-01	2.28	2.15	-6%	14%	14%
		May-00	2.00	1.89	-6%	18%	15%
		May-99	1.70	1.64	-4%		
GENERAL MOTORS CORP (42.57) (c)	GM	Dec-01	1.77	1.38	-22%	-74%	-78%
		Dec-00	6.68	6.26	-6%	-22%	-24%
		Dec-99	8.53	8.23	-4%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
GENUINE PARTS CO (28.86)	GPC	Dec-01	1.71	1.71	0%	-22%	-22%
		Dec-00	2.20	2.19	0%	4%	5%
		Dec-99	2.11	2.09	-1%		
GENZYME CORP (18.55)	GENZ	Dec-01	0.22	(0.03)	-115%	-84%	-103%
		Dec-00	1.35	1.07	-21%	-21%	-30%
		Dec-99	1.71	1.52	-11%		
GEORGIA-PACIFIC CORP (21.96)	GP	Dec-01	(2.09)	(2.22)	N/M	-208%	-228%
		Dec-00	1.94	1.74	-10%	-52%	-55%
		Dec-99	4.07	3.89	-4%		
GILLETTE CO (27.77)	G	Dec-01	0.86	0.75	-13%	12%	9%
		Dec-00	0.77	0.69	-10%	-32%	-31%
		Dec-99	1.13	1.00	-12%		
GOLDEN WEST FINANCIAL (60.47)	GDW	Dec-01	5.11	5.08	-1%	50%	51%
		Dec-00	3.41	3.37	-1%	19%	18%
		Dec-99	2.87	2.86	0%		
GOODRICH CORP (20.67)	GR	Dec-01	1.65	1.51	-8%	-24%	-29%
		Dec-00	2.16	2.12	-2%	184%	226%
		Dec-99	0.76	0.65	-14%		
GOODYEAR TIRE & RUBBER (16.01) (o)	GT	Dec-01	(1.27)	(1.46)	N/M	-608%	-1722%
		Dec-00	0.25	0.09	-64%	-84%	-93%
		Dec-99	1.53	1.38	-10%		
GRAINGER (W W) INC (42.22)	GWW	Dec-01	1.84	1.72	-7%	-10%	-11%
		Dec-00	2.05	1.94	-5%	7%	5%
		Dec-99	1.92	1.85	-4%		
GREAT LAKES CHEMICAL (22.35)	GLK	Dec-01	(5.76)	(5.82)	N/M	-338%	-348%
		Dec-00	2.42	2.35	-3%	0%	2%
		Dec-99	2.41	2.30	-5%		
GUIDANT CORP (31.3)	GDT	Dec-01	1.58	1.19	-25%	31%	32%
		Dec-00	1.21	0.90	-26%	9%	5%
		Dec-99	1.11	0.86	-23%		
HALLIBURTON CO (11.55)	HAL	Dec-01	1.28	1.17	-9%	205%	255%
		Dec-00	0.42	0.33	-21%	8%	3%
		Dec-99	0.39	0.32	-18%		
HANCOCK JOHN FINL SVCS (31) (g)	JHF	Dec-01	1.99	1.88	-6%	-19%	-23%
		Dec-00	2.45	2.44	0%	371%	369%
		Dec-99	0.52	0.52	0%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
HARLEY-DAVIDSON INC (45.35)	HDI	Dec-01	1.43	1.39	-3%	27%	26%
		Dec-00	1.13	1.10	-3%	31%	31%
		Dec-99	0.86	0.84	-2%		
HARRAHS ENTERTAINMENT (41.72)	HET	Dec-01	1.81	1.74	-4%	N/M	N/M
		Dec-00	(0.09)	(0.23)	N/M	-105%	-114%
		Dec-99	1.71	1.59	-7%		
HARTFORD FINL SVCS GRP INC (49.53)	HIG	Dec-01	2.27	2.05	-10%	-48%	-51%
		Dec-00	4.33	4.17	-4%	14%	14%
		Dec-99	3.79	3.67	-3%		
HASBRO INC (11.69)	HAS	Dec-01	0.35	0.29	-17%	N/M	N/M
		Dec-00	(0.82)	(0.94)	N/M	-188%	-212%
		Dec-99	0.93	0.84	-10%		
HCA INC (43.1)	HCA	Dec-01	1.72	1.63	-5%	341%	462%
		Dec-00	0.39	0.29	-26%	-65%	-72%
		Dec-99	1.12	1.04	-7%		
HEALTH MANAGEMENT ASSOC (17.65)	HMA	Sep-01	0.76	0.72	-5%	12%	13%
		Sep-00	0.68	0.64	-6%	15%	19%
		Sep-99	0.59	0.54	-8%		
HEALTHSOUTH CORP (8.25)	HRC	Dec-01	0.51	0.45	-12%	-28%	-35%
		Dec-00	0.71	0.69	-3%	294%	475%
		Dec-99	0.18	0.12	-33%		
HEINZ (H J) CO (34.52)	HNZ	Apr-01	1.41	1.31	-7%	-43%	-45%
		Apr-00	2.47	2.40	-3%	91%	100%
		Apr-99	1.29	1.20	-7%		
HERCULES INC (10.42)	HPC	Dec-01	(0.54)	(0.73)	N/M	-159%	-206%
		Dec-00	0.91	0.69	-24%	-44%	-52%
		Dec-99	1.62	1.44	-11%		
HERSHEY FOODS CORP (57.36)	HSY	Dec-01	1.50	1.45	-3%	-38%	-39%
		Dec-00	2.42	2.37	-2%	-26%	-25%
		Dec-99	3.26	3.18	-2%		
HEWLETT-PACKARD CO (12.8) (d)	HWP	Oct-01	0.32	(0.03)	-109%	-82%	-102%
		Oct-00	1.73	1.54	-11%	16%	8%
		Oct-99	1.49	1.43	-4%		
HILTON HOTELS CORP (11)	HLT	Dec-01	0.45	0.41	-9%	-38%	-41%
		Dec-00	0.73	0.69	-5%	11%	11%
		Dec-99	0.66	0.62	-6%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
HOME DEPOT INC (28.7)	HD	Jan-02	1.29	1.19	-8%	17%	18%
		Jan-01	1.10	1.01	-8%	10%	7%
		Jan-00	1.00	0.94	-6%		
HONEYWELL INTERNATIONAL (30.21)	HON	Dec-01	(0.12)	(0.23)	N/M	-106%	-112%
		Dec-00	2.05	1.96	-4%	8%	8%
		Dec-99	1.90	1.82	-4%		
HOUSEHOLD INTERNATIONAL (40.72)	HI	Dec-01	4.08	4.02	-1%	15%	15%
		Dec-00	3.55	3.51	-1%	16%	16%
		Dec-99	3.07	3.03	-1%		
HUMANA INC (13.43)	HUM	Dec-01	0.70	0.68	-3%	30%	39%
		Dec-00	0.54	0.49	-9%	N/M	N/M
		Dec-99	(2.28)	(2.40)	N/M		
HUNTINGTON BANCSHARES (17.35)	HBAN	Dec-01	0.71	0.66	-7%	-46%	-48%
		Dec-00	1.32	1.27	-4%	-20%	-22%
		Dec-99	1.65	1.62	-2%		
ILLINOIS TOOL WORKS (58.8)	ITW	Dec-01	2.62	2.52	-4%	-18%	-19%
		Dec-00	3.18	3.12	-2%	16%	19%
		Dec-99	2.74	2.63	-4%		
IMMUNEX CORP (16.99)	IMNX	Dec-01	0.30	0.18	-40%	7%	38%
		Dec-00	0.28	0.13	-54%	250%	1200%
		Dec-99	0.08	0.01	-88%		
IMS HEALTH INC (14.5)	RX	Dec-01	0.46	0.30	-35%	18%	500%
		Dec-00	0.39	0.05	-87%	-50%	-92%
		Dec-99	0.78	0.64	-18%		
INCO LTD (19.4) (j)	N	Dec-01	1.49	1.46	-2%	-21%	-22%
		Dec-00	1.89	1.86	-2%	N/M	N/M
		Dec-99	(0.05)	(0.07)	N/M		
INGERSOLL-RAND CO LTD (35)	IR	Dec-01	1.48	1.30	-12%	-56%	-60%
		Dec-00	3.36	3.26	-3%	-1%	-3%
		Dec-99	3.40	3.35	-1%		
INTEL CORP (18.65)	INTC	Dec-01	0.19	0.04	-79%	-87%	-97%
		Dec-00	1.51	1.40	-7%	44%	41%
		Dec-99	1.05	0.99	-6%		
INTERPUBLIC GROUP OF COS (20.48)	IPG	Dec-01	(1.37)	(1.56)	N/M	-220%	-251%
		Dec-00	1.14	1.03	-10%	15%	16%
		Dec-99	0.99	0.89	-10%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
INTL BUSINESS MACHINES (72)	IBM	Dec-01	4.35	3.69	-15%	-2%	-8%
		Dec-00	4.44	3.99	-10%	8%	6%
		Dec-99	4.12	3.78	-8%		
INTL FLAVORS & FRAGRANCES (28.16)	IFF	Dec-01	1.20	1.05	-13%	-2%	-5%
		Dec-00	1.22	1.10	-10%	-20%	-26%
		Dec-99	1.53	1.48	-3%		
INTL GAME TECHNOLOGY (52.31)	IGT	Sep-01	2.80	2.67	-5%	40%	36%
		Sep-00	2.00	1.96	-2%	208%	221%
		Sep-99	0.65	0.61	-6%		
INTL PAPER CO (37.83)	IP	Dec-01	(2.37)	(2.47)	N/M	-389%	-438%
		Dec-00	0.82	0.73	-11%	71%	78%
		Dec-99	0.48	0.41	-15%		
INTUIT INC (41.37)	INTU	Jul-01	(0.47)	(0.98)	N/M	-132%	-200%
		Jul-00	1.45	0.98	-32%	-25%	-41%
		Jul-99	1.93	1.66	-14%		
ITT INDUSTRIES INC (57.95)	ITT	Dec-01	2.39	2.09	-13%	-19%	-26%
		Dec-00	2.94	2.81	-4%	16%	17%
		Dec-99	2.53	2.41	-5%		
J P MORGAN CHASE & CO (26.1)	JPM	Dec-01	0.83	0.53	-36%	-72%	-81%
		Dec-00	2.99	2.81	-6%	4%	6%
		Dec-99	2.87	2.65	-8%		
JABIL CIRCUIT INC (18.45)	JBL	Aug-01	0.59	0.46	-22%	-24%	-27%
		Aug-00	0.78	0.63	-19%	59%	37%
		Aug-99	0.49	0.46	-6%		
JDS UNIPHASE CORP (3.28)	JDSU	Jun-01	(51.40)	(51.80)	N/M	N/M	N/M
		Jun-00	(1.27)	(1.56)	N/M	N/M	N/M
		Jun-99	(0.54)	(0.72)	N/M		
JEFFERSON-PILOT CORP (40.08)	JP	Dec-01	3.34	3.27	-2%	2%	1%
		Dec-00	3.28	3.23	-2%	11%	11%
		Dec-99	2.95	2.90	-2%		
JOHNSON & JOHNSON (41.85)	JNJ	Dec-01	1.84	1.76	-4%	14%	14%
		Dec-00	1.61	1.55	-4%	16%	16%
		Dec-99	1.39	1.34	-4%		
JOHNSON CONTROLS INC (75.75)	JCI	Sep-01	5.11	5.02	-2%	0%	0%
		Sep-00	5.09	5.03	-1%	14%	14%
		Sep-99	4.48	4.43	-1%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

<b>Company Name</b>	<b>Ticker Symbol</b>	<b>Fiscal Year Ending</b>	<b>Reported Diluted EPS (a)</b>	<b>Pro Forma Diluted EPS (a)</b>	<b>% Difference Reported Vs. Pro Forma Diluted EPS</b>	<b>Growth Rate Reported Diluted EPS</b>	<b>Growth Rate Pro Forma Diluted EPS</b>
JONES APPAREL GROUP INC (31.94)	JNY	Dec-01	1.82	1.63	-10%	-27%	-30%
		Dec-00	2.48	2.33	-6%	55%	56%
		Dec-99	1.60	1.49	-7%		
KB HOME (42.95)	KBH	Nov-01	5.50	5.23	-5%	5%	3%
		Nov-00	5.24	5.10	-3%	70%	71%
		Nov-99	3.08	2.99	-3%		
KELLOGG CO (30.88)	K	Dec-01	1.18	1.12	-5%	-19%	-20%
		Dec-00	1.45	1.40	-3%	75%	82%
		Dec-99	0.83	0.77	-7%		
KERR-MCGEE CORP (44.06)	KMG	Dec-01	4.93	4.85	-2%	-41%	-42%
		Dec-00	8.37	8.30	-1%	395%	412%
		Dec-99	1.69	1.62	-4%		
KEYCORP (22.31)	KEY	Dec-01	0.37	0.31	-16%	-84%	-86%
		Dec-00	2.32	2.26	-3%	-6%	-6%
		Dec-99	2.47	2.41	-2%		
KEYSPAN CORP (31.09)	KSE	Dec-01	1.70	1.64	-3%	-19%	-20%
		Dec-00	2.10	2.05	-2%	30%	32%
		Dec-99	1.61	1.55	-4%		
KIMBERLY-CLARK CORP (52.98)	KMB	Dec-01	3.02	2.88	-5%	-9%	-10%
		Dec-00	3.31	3.21	-3%	7%	7%
		Dec-99	3.09	3.01	-3%		
KINDER MORGAN INC (37.42)	KMI	Dec-01	1.97	1.84	-7%	22%	19%
		Dec-00	1.61	1.55	-4%	-4%	-4%
		Dec-99	1.68	1.62	-4%		
KING PHARMACEUTICALS INC (18.6)	KG	Dec-01	0.99	0.95	-4%	154%	239%
		Dec-00	0.39	0.28	-28%	-17%	-30%
		Dec-99	0.47	0.40	-15%		
KLA-TENCOR CORP (42.81)	KLAC	Jun-01	1.93	1.50	-22%	46%	43%
		Jun-00	1.32	1.05	-20%	529%	3400%
		Jun-99	0.21	0.03	-86%		
KNIGHT-RIDDER INC (53.5)	KRI	Dec-01	2.16	1.98	-8%	-39%	-39%
		Dec-00	3.53	3.24	-8%	1%	-4%
		Dec-99	3.49	3.38	-3%		
KOHLS CORP (59.56)	KSS	Jan-02	1.45	1.38	-5%	32%	33%
		Jan-01	1.10	1.04	-5%	43%	41%
		Jan-00	0.77	0.74	-4%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
KROGER CO (18.92)	KR	Jan-02	1.26	1.22	-3%	21%	23%
		Jan-01	1.04	0.99	-5%	42%	46%
		Jan-00	0.73	0.68	-7%		
LEGGETT & PLATT INC (20.56)	LEG	Dec-01	0.94	0.90	-4%	-29%	-30%
		Dec-00	1.32	1.28	-3%	-9%	-10%
		Dec-99	1.45	1.42	-2%		
LEHMAN BROTHERS HOLDINGS (54.47)	LEH	Nov-01	4.38	4.20	-4%	-31%	-34%
		Nov-00	6.38	6.32	-1%	56%	58%
		Nov-99	4.08	3.99	-2%		
LEXMARK INTL INC -CL A (46.25)	LXK	Dec-01	2.05	1.84	-10%	-4%	-7%
		Dec-00	2.13	1.97	-8%	-8%	-11%
		Dec-99	2.32	2.22	-4%		
LILLY (ELI) & CO (48.15)	LLY	Dec-01	2.58	2.39	-7%	-8%	-11%
		Dec-00	2.79	2.70	-3%	21%	21%
		Dec-99	2.30	2.23	-3%		
LIMITED BRANDS INC (16.5)	LTD	Jan-02	1.19	1.12	-6%	24%	23%
		Jan-01	0.96	0.91	-5%	-4%	-5%
		Jan-00	1.00	0.96	-4%		
LINCOLN NATIONAL CORP (33.95)	LNC	Dec-01	3.05	2.79	-9%	-4%	-8%
		Dec-00	3.19	3.03	-5%	39%	37%
		Dec-99	2.30	2.21	-4%		
LINEAR TECHNOLOGY CORP (29.31)	LLTC	Jun-01	1.29	1.10	-15%	47%	47%
		Jun-00	0.88	0.75	-15%	44%	42%
		Jun-99	0.61	0.53	-13%		
LIZ CLAIBORNE INC (26.41)	LIZ	Dec-01	1.83	1.70	-7%	6%	4%
		Dec-00	1.72	1.63	-5%	10%	8%
		Dec-99	1.56	1.51	-3%		
LOCKHEED MARTIN CORP (56.1)	LMT	Dec-01	0.18	0.07	-61%	N/M	N/M
		Dec-00	(0.95)	(1.03)	N/M	-150%	-157%
		Dec-99	1.90	1.82	-4%		
LOEWS CORP (43.3) (g)	LTR	Dec-01	(2.75)	(2.76)	N/M	-129%	-129%
		Dec-00	9.44	9.44	0%	293%	293%
		Dec-99	2.40	2.40	0%		
LOUISIANA-PACIFIC CORP (8)	LPX	Dec-01	(1.64)	(1.71)	N/M	N/M	N/M
		Dec-00	(0.13)	(0.21)	N/M	-106%	-111%
		Dec-99	2.04	1.97	-3%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
LOWES COS (36.03)	LOW	Jan-02	1.30	1.22	-6%	24%	21%
		Jan-01	1.05	1.01	-4%	19%	19%
		Jan-00	0.88	0.85	-3%		
LSI LOGIC CORP (7.34)	LSI	Dec-01	(2.84)	(3.49)	N/M	-474%	-812%
		Dec-00	0.76	0.49	-36%	41%	40%
		Dec-99	0.54	0.35	-35%		
LUCENT TECHNOLOGIES INC (2)	LU	Sep-01	(4.18)	(4.46)	N/M	-1072%	-2447%
		Sep-00	0.43	0.19	-56%	-42%	-63%
		Sep-99	0.74	0.52	-30%		
MANOR CARE INC (19.48)	HCR	Dec-01	0.66	0.60	-9%	74%	71%
		Dec-00	0.38	0.35	-8%	N/M	N/M
		Dec-99	(0.51)	(0.53)	N/M		
MARATHON OIL CORP (22.8)	MRO	Dec-01	4.26	4.24	0%	216%	216%
		Dec-00	1.35	1.34	-1%	-35%	-36%
		Dec-99	2.09	2.08	0%		
MARRIOTT INTL INC (33.87)	MAR	Dec-01	0.99	0.80	-19%	-48%	-53%
		Dec-00	1.89	1.71	-10%	25%	24%
		Dec-99	1.51	1.38	-9%		
MARSH & MCLENNAN COS (40.14)	MMC	Dec-01	3.39	2.99	-12%	-17%	-22%
		Dec-00	4.10	3.82	-7%	56%	58%
		Dec-99	2.62	2.42	-8%		
MARSHALL & ILSLEY CORP (26.7) (u)	MI	Dec-01	3.09	2.97	-4%	6%	6%
		Dec-00	2.91	2.80	-4%	-7%	-8%
		Dec-99	3.14	3.03	-4%		
MASCO CORP (21.1)	MAS	Dec-01	0.42	0.38	-10%	-68%	-70%
		Dec-00	1.31	1.28	-2%	2%	3%
		Dec-99	1.28	1.24	-3%		
MATTEL INC (18.47)	MAT	Dec-01	0.71	0.68	-4%	78%	113%
		Dec-00	0.40	0.32	-20%	60%	146%
		Dec-99	0.25	0.13	-48%		
MAXIM INTEGRATED PROD (39.88)	MXIM	Jun-01	0.93	0.57	-39%	-11%	-32%
		Jun-00	1.04	0.84	-19%	35%	31%
		Jun-99	0.77	0.64	-17%		
MAY DEPARTMENT STORES CO (27.33)	MAY	Jan-02	2.22	2.15	-3%	-15%	-16%
		Jan-01	2.62	2.55	-3%	1%	0%
		Jan-00	2.60	2.54	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
MAYTAG CORP (31.35)	MYG	Dec-01	2.13	2.02	-5%	-19%	-19%
		Dec-00	2.63	2.49	-5%	-28%	-30%
		Dec-99	3.66	3.58	-2%		
MBIA INC (45.09)	MBI	Dec-01	3.82	3.76	-2%	7%	7%
		Dec-00	3.56	3.50	-2%	67%	67%
		Dec-99	2.13	2.09	-2%		
MBNA CORP (16.4)	KRB	Dec-01	1.92	1.84	-4%	25%	23%
		Dec-00	1.53	1.49	-3%	26%	28%
		Dec-99	1.21	1.16	-4%		
MCDERMOTT INTL INC (5.71)	MDR	Dec-01	(0.34)	(0.38)	N/M	N/M	N/M
		Dec-00	(0.37)	(0.40)	N/M	-3800%	N/M
		Dec-99	0.01	(0.06)	-700%		
MCDONALDS CORP (24.17)	MCD	Dec-01	1.25	1.13	-10%	-14%	-17%
		Dec-00	1.46	1.36	-7%	5%	4%
		Dec-99	1.39	1.31	-6%		
MCGRAW-HILL COMPANIES (51.3)	MHP	Dec-01	1.92	1.73	-10%	-20%	-24%
		Dec-00	2.41	2.29	-5%	13%	11%
		Dec-99	2.14	2.06	-4%		
MCKESSON CORP (28.75)	MCK	Mar-01	(0.15)	(0.63)	N/M	-123%	-317%
		Mar-00	0.66	0.29	-56%	200%	N/M
		Mar-99	0.22	(0.02)	-109%		
MEADWESTVACO CORP (26.68) (r)	MWV	Oct-01	0.65	0.53	-19%	-74%	-79%
		Oct-00	2.53	2.48	-2%	128%	132%
		Oct-99	1.11	1.07	-4%		
MEDIMMUNE INC (25.09)	MEDI	Dec-01	0.70	0.33	-53%	1%	-27%
		Dec-00	0.69	0.45	-35%	41%	18%
		Dec-99	0.49	0.38	-22%		
MEDTRONIC INC (36.2)	MDT	Apr-01	0.85	0.76	-11%	-4%	-7%
		Apr-00	0.89	0.82	-8%	128%	134%
		Apr-99	0.39	0.35	-10%		
MELLON FINANCIAL CORP (24.46)	MEL	Dec-01	0.91	0.82	-10%	-40%	-44%
		Dec-00	1.52	1.46	-4%	7%	10%
		Dec-99	1.42	1.33	-6%		
MERCK & CO (41.5)	MRK	Dec-01	3.14	2.97	-5%	8%	8%
		Dec-00	2.90	2.75	-5%	18%	18%
		Dec-99	2.45	2.33	-5%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
MERCURY INTERACTIVE CORP (24.2)	MERQ	Dec-01	0.20	(1.18)	-690%	-71%	-11900%
		Dec-00	0.70	0.01	-99%	79%	-94%
		Dec-99	0.39	0.16	-59%		
MEREDITH CORP (34.95)	MDP	Jun-01	1.39	1.29	-7%	3%	4%
		Jun-00	1.35	1.24	-8%	-19%	-21%
		Jun-99	1.67	1.57	-6%		
MERRILL LYNCH & CO (37)	MER	Dec-01	0.57	(0.38)	-167%	-86%	-110%
		Dec-00	4.11	3.73	-9%	32%	35%
		Dec-99	3.11	2.77	-11%		
METLIFE INC (24.75) (h)	MET	Dec-01	0.62	0.59	-5%	-58%	-60%
		Dec-00	1.49	1.49	0%	N/M	N/M
		Dec-99	-	-	N/M		
MGIC INVESTMENT CORP/WI (54.48)	MTG	Dec-01	5.93	5.80	-2%	17%	17%
		Dec-00	5.05	4.95	-2%	17%	16%
		Dec-99	4.30	4.25	-1%		
MICRON TECHNOLOGY INC (22.28)	MU	Aug-01	(0.88)	(1.26)	N/M	-133%	-153%
		Aug-00	2.63	2.36	-10%	N/M	N/M
		Aug-99	(0.11)	(0.25)	N/M		
MICROSOFT CORP (49.56) (o)	MSFT	Jun-01	1.38	0.97	-30%	-19%	-34%
		Jun-00	1.70	1.48	-13%	20%	14%
		Jun-99	1.42	1.30	-8%		
MILLIPORE CORP (29.57)	MIL	Dec-01	1.32	1.08	-18%	-6%	-14%
		Dec-00	1.40	1.25	-11%	17%	15%
		Dec-99	1.20	1.09	-9%		
3M CO (108.88)	MMM	Dec-01	3.58	3.20	-11%	-23%	-27%
		Dec-00	4.64	4.36	-6%	7%	7%
		Dec-99	4.34	4.06	-6%		
MIRANT CORP (4.5)	MIR	Dec-01	1.62	1.48	-9%	41%	37%
		Dec-00	1.15	1.08	-6%	-14%	-16%
		Dec-99	1.33	1.28	-4%		
MOLEX INC (27.86)	MOLX	Jun-01	1.03	1.01	-2%	-8%	-9%
		Jun-00	1.12	1.11	-1%	23%	22%
		Jun-99	0.91	0.91	0%		
MOODYS CORP (42.02)	MCO	Dec-01	1.32	1.27	-4%	36%	37%
		Dec-00	0.97	0.93	-4%	2%	0%
		Dec-99	0.95	0.93	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
MORGAN STANLEY DEAN WIT (38.65)	MWD	Nov-01	3.19	2.84	-11%	-33%	-34%
		Nov-00	4.73	4.29	-9%	15%	13%
		Nov-99	4.10	3.80	-7%		
MOTOROLA INC (14.86)	MOT	Dec-01	(1.78)	(1.93)	N/M	-407%	-464%
		Dec-00	0.58	0.53	-9%	41%	29%
		Dec-99	0.41	0.41	0%		
NABORS INDUSTRIES (30.95)	NBR	Dec-01	2.18	2.13	-2%	145%	384%
		Dec-00	0.89	0.44	-51%	287%	N/M
		Dec-99	0.23	(0.01)	-104%		
NATIONAL CITY CORP (28.24)	NCC	Dec-01	2.27	2.20	-3%	7%	6%
		Dec-00	2.13	2.07	-3%	-4%	-5%
		Dec-99	2.22	2.17	-2%		
NATIONAL SEMICONDUCTOR (21.95)	NSM	May-01	1.30	0.71	-45%	-60%	-76%
		May-00	3.27	2.90	-11%	N/M	N/M
		May-99	(6.04)	(6.40)	N/M		
NAVISTAR INTERNATIONAL (25.39)	NAV	Oct-01	(0.39)	(0.53)	N/M	-115%	-121%
		Oct-00	2.58	2.47	-4%	-69%	-70%
		Oct-99	8.20	8.16	0%		
NCR CORP (31.07)	NCR	Dec-01	2.22	1.82	-18%	22%	27%
		Dec-00	1.82	1.43	-21%	-46%	-53%
		Dec-99	3.35	3.07	-8%		
NETWORK APPLIANCE INC (10.33)	NTAP	Apr-01	0.21	(0.52)	-348%	0%	-5300%
		Apr-00	0.21	0.01	-95%	91%	-75%
		Apr-99	0.11	0.04	-64%		
NEW YORK TIMES CO -CL A (42.93)	NYT	Dec-01	1.26	0.96	-24%	-44%	-52%
		Dec-00	2.25	1.99	-12%	35%	33%
		Dec-99	1.67	1.50	-10%		
NEWELL RUBBERMAID INC (27.8)	NWL	Dec-01	0.99	0.93	-6%	-37%	-39%
		Dec-00	1.57	1.53	-3%	362%	394%
		Dec-99	0.34	0.31	-9%		
NEWMONT MINING CORP (26.46)	NEM	Dec-01	(0.16)	(0.16)	N/M	N/M	N/M
		Dec-00	(0.53)	(0.67)	N/M	N/M	N/M
		Dec-99	(0.53)	(0.67)	N/M		
NEXTEL COMMUNICATIONS (6.64)	NXTL	Dec-01	(4.27)	(4.70)	N/M	N/M	N/M
		Dec-00	(1.21)	(1.57)	N/M	N/M	N/M
		Dec-99	(2.29)	(2.45)	N/M		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
NICOR INC (22.75)	GAS	Dec-01	3.17	3.16	0%	217%	N/M
		Dec-00	1.00	N/A	N/M	-62%	N/M
		Dec-99	2.62	N/A	N/M		
NIKE INC -CL B (48.98)	NKE	May-01	2.16	2.05	-5%	4%	4%
		May-00	2.07	1.97	-5%	32%	30%
		May-99	1.57	1.51	-4%		
NISOURCE INC (18.85)	NI	Dec-01	1.01	0.98	-3%	-3%	-4%
		Dec-00	1.04	1.02	-2%	-15%	-16%
		Dec-99	1.22	1.22	0%		
NOBLE DRILLING CORP (32.27)	NE	Dec-01	1.97	1.85	-6%	61%	64%
		Dec-00	1.22	1.13	-7%	69%	79%
		Dec-99	0.72	0.63	-13%		
NORDSTROM INC (17.95)	JWN	Jan-02	0.93	0.80	-14%	19%	19%
		Jan-01	0.78	0.67	-14%	-47%	-52%
		Jan-00	1.46	1.39	-5%		
NORFOLK SOUTHERN CORP (19.83)	NSC	Dec-01	0.94	0.90	-4%	109%	131%
		Dec-00	0.45	0.39	-13%	-29%	-29%
		Dec-99	0.63	0.55	-13%		
NORTEL NETWORKS CORP (1.2) (j)	NT	Dec-01	(7.62)	(8.14)	N/M	N/M	N/M
		Dec-00	(1.01)	(1.49)	N/M	N/M	N/M
		Dec-99	(0.10)	(0.28)	N/M		
NORTHERN TRUST CORP (35.81)	NTRS	Dec-01	2.11	1.92	-9%	1%	-1%
		Dec-00	2.08	1.93	-7%	20%	16%
		Dec-99	1.74	1.66	-5%		
NORTHROP GRUMMAN CORP (99.57)	NOC	Dec-01	4.80	4.65	-3%	-46%	-46%
		Dec-00	8.82	8.65	-2%	30%	30%
		Dec-99	6.80	6.64	-2%		
NOVELL INC (2.38)	NOVL	Oct-01	(0.79)	(1.27)	N/M	-627%	N/M
		Oct-00	0.15	(0.15)	-200%	-73%	-144%
		Oct-99	0.55	0.34	-38%		
NOVELLUS SYSTEMS INC (29.79)	NVLS	Dec-01	0.97	0.51	-47%	-42%	-62%
		Dec-00	1.66	1.33	-20%	207%	269%
		Dec-99	0.54	0.36	-33%		
NUCOR CORP (55.2) (f) (i)	NUE	Dec-01	1.45	1.45	0%	-62%	-62%
		Dec-00	3.80	3.80	0%	36%	36%
		Dec-99	2.80	2.80	0%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
NVIDIA CORP (18.13)	NVDA	Jan-02	1.03	0.29	-72%	66%	-12%
		Jan-01	0.62	0.33	-47%	121%	43%
		Jan-00	0.28	0.23	-18%		
OCCIDENTAL PETROLEUM (24.9)	OXY	Dec-01	3.17	3.13	-1%	-25%	-26%
		Dec-00	4.25	4.21	-1%	169%	170%
		Dec-99	1.58	1.56	-1%		
OFFICE DEPOT INC (12)	ODP	Dec-01	0.66	0.54	-18%	313%	1250%
		Dec-00	0.16	0.04	-75%	-77%	-93%
		Dec-99	0.69	0.61	-12%		
OMNICOM GROUP (49.98)	OMC	Dec-01	2.70	2.47	-9%	13%	8%
		Dec-00	2.40	2.29	-5%	19%	19%
		Dec-99	2.01	1.93	-4%		
ORACLE CORP (9.72)	ORCL	May-01	0.44	0.36	-18%	-58%	-64%
		May-00	1.05	0.99	-6%	377%	395%
		May-99	0.22	0.20	-9%		
PACCAR INC (35.49)	PCAR	Dec-01	2.26	2.18	-4%	-61%	-62%
		Dec-00	5.73	5.67	-1%	-23%	-23%
		Dec-99	7.41	7.36	-1%		
PACTIV CORP (18.67)	PTV	Dec-01	1.03	0.97	-6%	47%	52%
		Dec-00	0.70	0.64	-9%	N/M	N/M
		Dec-99	(0.67)	(0.71)	N/M		
PALL CORP (18.42)	PLL	Jul-01	0.95	0.90	-5%	-19%	-19%
		Jul-00	1.18	1.11	-6%	188%	208%
		Jul-99	0.41	0.36	-12%		
PALM INC (1.56) (g)	PALM	May-01	(0.63)	(0.89)	N/M	-800%	-3067%
		May-00	0.09	0.03	-67%	50%	0%
		May-99	0.06	0.03	-50%		
PARAMETRIC TECHNOLOGY (3.14)	PMTTC	Sep-01	(0.03)	(0.36)	N/M	N/M	N/M
		Sep-00	(0.01)	(0.33)	N/M	-102%	-375%
		Sep-99	0.43	0.12	-72%		
PARKER-HANNIFIN CORP (40.27)	PH	Jun-01	2.99	2.90	-3%	-10%	-11%
		Jun-00	3.31	3.25	-2%	17%	16%
		Jun-99	2.83	2.81	-1%		
PAYCHEX INC (23.28)	PAYX	May-01	0.68	0.65	-4%	33%	35%
		May-00	0.51	0.48	-6%	38%	33%
		May-99	0.37	0.36	-3%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
PENNEY (J C) CO (16) (o)	JCP	Jan-02	0.32	0.29	-9%	N/M	N/M
		Jan-01	(2.29)	(2.37)	N/M	-524%	-693%
		Jan-00	0.54	0.40	-26%		
PEOPLES ENERGY CORP (31.8)	PGL	Sep-01	2.74	2.72	-1%	12%	11%
		Sep-00	2.44	2.44	0%	-7%	-6%
		Sep-99	2.61	2.60	0%		
PEOPLESOFT INC (16.32)	PSFT	Dec-01	0.59	0.21	-64%	23%	11%
		Dec-00	0.48	0.19	-60%	N/M	N/M
		Dec-99	(0.67)	(1.00)	N/M		
PEPSI BOTTLING GROUP INC (24.38)	PBG	Dec-01	1.03	0.91	-12%	34%	32%
		Dec-00	0.77	0.69	-10%	67%	77%
		Dec-99	0.46	0.39	-15%		
PEPSICO INC (36.2)	PEP	Dec-01	1.47	1.30	-12%	4%	-1%
		Dec-00	1.42	1.31	-8%	3%	2%
		Dec-99	1.38	1.29	-7%		
PERKINELMER INC (7.7)	PKI	Dec-01	(0.01)	(0.33)	N/M	-102%	-173%
		Dec-00	0.58	0.45	-22%	729%	N/M
		Dec-99	0.07	(0.03)	-143%		
PFIZER INC (26.82)	PFE	Dec-01	1.22	1.14	-7%	107%	148%
		Dec-00	0.59	0.46	-22%	-25%	-35%
		Dec-99	0.79	0.71	-10%		
PG&E CORP (13.37)	PCG	Dec-01	2.99	2.93	-2%	N/M	N/M
		Dec-00	(9.18)	(9.21)	N/M	-23050%	-30800%
		Dec-99	0.04	0.03	-25%		
PHARMACIA CORP (37.99)	PHA	Dec-01	0.97	0.90	-7%	59%	200%
		Dec-00	0.61	0.30	-51%	-32%	-58%
		Dec-99	0.90	0.71	-21%		
PHELPS DODGE CORP (35.44)	PD	Dec-01	(3.47)	(3.63)	N/M	-1038%	-1829%
		Dec-00	0.37	0.21	-43%	N/M	N/M
		Dec-99	(4.13)	(4.25)	N/M		
PHILIP MORRIS COS INC (41.69)	MO	Dec-01	3.88	3.81	-2%	3%	3%
		Dec-00	3.75	3.69	-2%	18%	17%
		Dec-99	3.19	3.16	-1%		
PHILLIPS PETROLEUM CO (49)	P	Dec-01	5.57	5.51	-1%	-23%	-24%
		Dec-00	7.26	7.21	-1%	204%	207%
		Dec-99	2.39	2.35	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
PINNACLE WEST CAPITAL (30.77)	PNW	Dec-01	3.85	3.83	-1%	8%	8%
		Dec-00	3.56	3.55	0%	12%	12%
		Dec-99	3.17	3.17	0%		
PITNEY BOWES INC (37.6)	PBI	Dec-01	2.08	1.98	-5%	-5%	-5%
		Dec-00	2.18	2.08	-5%	5%	3%
		Dec-99	2.07	2.01	-3%		
PLACER DOME INC (10.7) (j)	PDG	Dec-01	(0.41)	(0.45)	N/M	N/M	N/M
		Dec-00	(0.23)	(0.28)	N/M	-264%	-567%
		Dec-99	0.14	0.06	-57%		
PLUM CREEK TIMBER CO (25.87) (q)	PCL	Dec-01	2.58	2.56	-1%	82%	83%
		Dec-00	1.42	1.40	-1%	-59%	-60%
		Dec-99	3.49	3.48	0%		
PMC-SIERRA INC (10.46)	PMCS	Dec-01	(3.80)	(4.45)	N/M	-1027%	-4550%
		Dec-00	0.41	0.10	-76%	-9%	-69%
		Dec-99	0.45	0.32	-29%		
PNC FINANCIAL SVCS GROUP (37.09)	PNC	Dec-01	1.26	1.14	-10%	-69%	-72%
		Dec-00	4.09	4.02	-2%	4%	3%
		Dec-99	3.94	3.92	-1%		
POWER-ONE INC (4.73)	PWER	Dec-01	(2.36)	(2.54)	N/M	-521%	-664%
		Dec-00	0.56	0.45	-20%	211%	165%
		Dec-99	0.18	0.17	-6%		
PPG INDUSTRIES INC (51.65)	PPG	Dec-01	2.29	2.15	-6%	-36%	-38%
		Dec-00	3.57	3.44	-4%	11%	11%
		Dec-99	3.23	3.09	-4%		
PPL CORP (28.9) (o)	PPL	Dec-01	1.15	1.13	-2%	-66%	-66%
		Dec-00	3.37	3.36	0%	7%	7%
		Dec-99	3.14	3.14	0%		
PRAXAIR INC (48.07)	PX	Dec-01	2.64	2.44	-8%	17%	17%
		Dec-00	2.25	2.08	-8%	-17%	-20%
		Dec-99	2.72	2.59	-5%		
PRICE (T. ROWE) GROUP (25.26)	TROW	Dec-01	1.52	1.30	-14%	-27%	-32%
		Dec-00	2.08	1.92	-8%	12%	13%
		Dec-99	1.85	1.70	-8%		
PROCTER & GAMBLE CO (74.46)	PG	Jun-01	2.07	1.85	-11%	-16%	-21%
		Jun-00	2.47	2.34	-5%	-5%	-8%
		Jun-99	2.59	2.53	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
PROGRESS ENERGY INC (41.6) (h)	PGN	Dec-01	2.64	2.63	0%	-13%	-13%
		Dec-00	3.03	3.03	0%	19%	19%
		Dec-99	2.55	2.55	0%		
PROGRESSIVE CORP-OHIO (48.09)	PGR	Dec-01	5.48	5.29	-3%	784%	1050%
		Dec-00	0.62	0.46	-26%	-84%	-88%
		Dec-99	3.96	3.81	-4%		
PROVIDIAN FINANCIAL CORP (3.4)	PVN	Dec-01	0.49	0.25	-49%	-79%	-88%
		Dec-00	2.34	2.12	-9%	22%	18%
		Dec-99	1.92	1.80	-6%		
PUBLIC SERVICE ENTRP (31.24)	PEG	Dec-01	3.67	3.62	-1%	3%	3%
		Dec-00	3.55	3.53	-1%	8%	8%
		Dec-99	3.29	3.28	0%		
PULTE HOMES INC (42.81)	PHM	Dec-01	6.01	5.73	-5%	16%	13%
		Dec-00	5.18	5.05	-3%	27%	27%
		Dec-99	4.07	3.98	-2%		
QLOGIC CORP (40.69)	QLGC	Mar-01	0.72	0.32	-56%	38%	3%
		Mar-00	0.52	0.31	-40%	189%	520%
		Mar-99	0.18	0.05	-72%		
QUALCOMM INC (29.99)	QCOM	Sep-01	(0.71)	(0.93)	N/M	-184%	-231%
		Sep-00	0.85	0.71	-16%	174%	209%
		Sep-99	0.31	0.23	-26%		
QUINTILES TRANSNATIONAL (8.86)	QTRN	Dec-01	(1.49)	(1.70)	N/M	N/M	N/M
		Dec-00	(0.29)	(0.61)	N/M	-146%	-253%
		Dec-99	0.63	0.40	-37%		
QWEST COMMUNICATION INTL (2.49)	Q	Dec-01	(2.38)	(2.54)	N/M	N/M	N/M
		Dec-00	(0.06)	(0.13)	N/M	-105%	-111%
		Dec-99	1.25	1.20	-4%		
RADIOSHACK CORP (24.8)	RSH	Dec-01	0.85	0.57	-33%	-54%	-66%
		Dec-00	1.84	1.67	-9%	29%	27%
		Dec-99	1.43	1.32	-8%		
RATIONAL SOFTWARE CORP (7.66) (t)	RATL	Mar-01	0.35	(0.78)	-323%	-22%	-809%
		Mar-00	0.45	0.11	-76%	41%	57%
		Mar-99	0.32	0.07	-78%		
RAYTHEON CO (30.78)	RTN	Dec-01	0.01	(0.13)	-1400%	-99%	-111%
		Dec-00	1.46	1.22	-16%	-1%	-2%
		Dec-99	1.47	1.25	-15%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
REEBOK INTERNATIONAL LTD (23.93)	RBK	Dec-01	1.66	1.61	-3%	19%	19%
		Dec-00	1.40	1.35	-4%	600%	1127%
		Dec-99	0.20	0.11	-45%		
REGIONS FINL CORP (31.81)	RGBK	Dec-01	2.24	2.09	-7%	-6%	-10%
		Dec-00	2.38	2.33	-2%	1%	0%
		Dec-99	2.35	2.32	-1%		
RELIANT ENERGY INC (13.88)	REI	Dec-01	3.14	3.05	-3%	105%	103%
		Dec-00	1.53	1.50	-2%	-74%	-74%
		Dec-99	5.82	5.80	0%		
ROBERT HALF INTL INC (19.24)	RHI	Dec-01	0.67	0.51	-24%	-33%	-43%
		Dec-00	1.00	0.89	-11%	30%	27%
		Dec-99	0.77	0.70	-9%		
ROCKWELL COLLINS INC (22.75)	COL	Sep-01	0.72	0.60	-17%	-47%	-56%
		Sep-00	1.35	1.35	0%	-6%	-6%
		Sep-99	1.43	1.43	0%		
ROCKWELL INTL CORP (17.31) (h)	ROK	Sep-01	0.68	0.49	-28%	-62%	-71%
		Sep-00	1.81	1.68	-7%	23%	60%
		Sep-99	1.47	1.05	-29%		
ROHM & HAAS CO (34.37)	ROH	Dec-01	(0.31)	(0.40)	N/M	-123%	-131%
		Dec-00	1.34	1.30	-3%	37%	183%
		Dec-99	0.98	0.46	-53%		
ROWAN COS INC (19.05) (b)	RDC	Dec-01	0.80	0.77	-4%	8%	7%
		Dec-00	0.74	0.72	-3%	N/M	N/M
		Dec-99	(0.12)	(0.10)	N/M		
ROYAL DUTCH PETRO (42) (f) (h) (j)	RD	Dec-01	3.08	3.08	0%	-13%	-13%
		Dec-00	3.56	3.56	0%	48%	48%
		Dec-99	2.41	2.41	0%		
RYDER SYSTEM INC (23.85)	R	Dec-01	0.31	0.18	-42%	-79%	-87%
		Dec-00	1.49	1.37	-8%	41%	41%
		Dec-99	1.06	0.97	-8%		
SABRE HLDGS CORP -CL A (23.85)	TSG	Dec-01	(0.35)	(0.49)	N/M	-147%	-174%
		Dec-00	0.74	0.66	-11%	-67%	-70%
		Dec-99	2.22	2.18	-2%		
SAFECO CORP (26.31)	SAFC	Dec-01	(8.18)	(8.21)	N/M	-1123%	-1166%
		Dec-00	0.80	0.77	-4%	-55%	-56%
		Dec-99	1.79	1.76	-2%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
SAFEWAY INC (27.81)	SWY	Dec-01	2.44	2.36	-3%	15%	14%
		Dec-00	2.13	2.07	-3%	13%	12%
		Dec-99	1.88	1.85	-2%		
SANMINA-SCI CORP (5.3)	SANM	Sep-01	0.12	(0.06)	-150%	-82%	-112%
		Sep-00	0.67	0.50	-25%	91%	72%
		Sep-99	0.35	0.29	-17%		
SAPIENT CORP (0.78) (w)	SAPE	Dec-01	(1.53)	(2.03)	N/M	-537%	N/M
		Dec-00	0.35	(0.09)	-126%	46%	N/M
		Dec-99	0.24	(0.09)	-138%		
SARA LEE CORP (16.98)	SLE	Jun-01	1.87	1.81	-3%	47%	53%
		Jun-00	1.27	1.18	-7%	7%	5%
		Jun-99	1.19	1.12	-6%		
SBC COMMUNICATIONS INC (26.68)	SBC	Dec-01	2.14	2.08	-3%	-8%	-9%
		Dec-00	2.32	2.29	-1%	22%	22%
		Dec-99	1.90	1.87	-2%		
SCHERING-PLOUGH (22.41)	SGP	Dec-01	1.32	1.27	-4%	-20%	-21%
		Dec-00	1.64	1.60	-2%	15%	16%
		Dec-99	1.42	1.38	-3%		
SCHLUMBERGER LTD (42.3)	SLB	Dec-01	0.91	0.67	-26%	-28%	-39%
		Dec-00	1.27	1.09	-14%	119%	166%
		Dec-99	0.58	0.41	-29%		
SCHWAB (CHARLES) CORP (10.29)	SCH	Dec-01	0.06	(0.06)	-200%	-88%	-114%
		Dec-00	0.51	0.43	-16%	4%	-2%
		Dec-99	0.49	0.44	-10%		
SCIENTIFIC-ATLANTA INC (13)	SFA	Jun-01	1.99	1.52	-24%	112%	162%
		Jun-00	0.94	0.58	-38%	45%	0%
		Jun-99	0.65	0.58	-11%		
SEALED AIR CORP (33.16) (f)	SEE	Dec-01	1.22	1.22	0%	-37%	-37%
		Dec-00	1.93	1.93	0%	15%	16%
		Dec-99	1.68	1.67	-1%		
SEARS ROEBUCK & CO (43.55)	S	Dec-01	2.24	2.08	-7%	-42%	-45%
		Dec-00	3.88	3.75	-3%	2%	1%
		Dec-99	3.81	3.71	-3%		
SEMPRA ENERGY (17.6)	SRE	Dec-01	2.52	2.52	0%	22%	22%
		Dec-00	2.06	2.06	0%	24%	30%
		Dec-99	1.66	1.59	-4%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
SHERWIN-WILLIAMS CO (26.43)	SHW	Dec-01	1.68	1.62	-4%	1580%	2600%
		Dec-00	0.10	0.06	-40%	-94%	-97%
		Dec-99	1.80	1.76	-2%		
SIEBEL SYSTEMS INC (9.3)	SEBL	Dec-01	0.49	(1.02)	-308%	104%	N/M
		Dec-00	0.24	(0.29)	-221%	100%	N/M
		Dec-99	0.12	(0.06)	-150%		
SIGMA-ALDRICH (42.66)	SIAL	Dec-01	1.87	1.85	-1%	13%	28%
		Dec-00	1.66	1.45	-13%	13%	4%
		Dec-99	1.47	1.39	-5%		
SNAP-ON INC (25.09)	SNA	Dec-01	0.37	0.26	-30%	-82%	-87%
		Dec-00	2.10	1.98	-6%	-3%	-5%
		Dec-99	2.16	2.09	-3%		
SOLETRON CORP (4.88)	SLR	Aug-01	(0.19)	(0.33)	N/M	-124%	-146%
		Aug-00	0.80	0.71	-11%	31%	29%
		Aug-99	0.61	0.55	-10%		
SOUTHERN CO (23.89)	SO	Dec-01	1.61	(0.79)	-149%	6%	-459%
		Dec-00	1.52	0.22	-86%	14%	-65%
		Dec-99	1.33	0.63	-53%		
SOUTHTRUST CORP (22.94)	SOTR	Dec-01	1.61	1.59	-1%	13%	12%
		Dec-00	1.43	1.42	-1%	9%	10%
		Dec-99	1.31	1.29	-2%		
SOUTHWEST AIRLINES (12.7)	LUV	Dec-01	0.63	0.61	-3%	-20%	-21%
		Dec-00	0.79	0.77	-3%	34%	33%
		Dec-99	0.59	0.58	-2%		
SPRINT FON GROUP (11.95) (k)	FON	Dec-01	(0.16)	(0.32)	N/M	-111%	-129%
		Dec-00	1.45	1.12	-23%	-26%	-38%
		Dec-99	1.97	1.82	-8%		
SPRINT PCS GROUP (4.86) (k)	PCS	Dec-01	(1.27)	(1.48)	N/M	N/M	N/M
		Dec-00	(1.95)	(2.22)	N/M	N/M	N/M
		Dec-99	(2.71)	(2.80)	N/M		
ST JUDE MEDICAL INC (33.69)	STJ	Dec-01	1.93	1.63	-16%	28%	26%
		Dec-00	1.51	1.29	-15%	421%	1743%
		Dec-99	0.29	0.07	-76%		
ST PAUL COS (28.35)	SPC	Dec-01	(4.84)	(5.06)	N/M	-217%	-223%
		Dec-00	4.14	4.13	0%	38%	39%
		Dec-99	3.00	2.97	-1%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
STANLEY WORKS (35.11)	SWK	Dec-01	1.81	1.77	-2%	-18%	-10%
		Dec-00	2.22	1.97	-11%	33%	25%
		Dec-99	1.67	1.57	-6%		
STAPLES INC (14.72)	SPLS	Jan-02	0.57	0.48	-17%	338%	1577%
		Jan-01	0.13	0.03	-78%	-80%	-95%
		Jan-00	0.66	0.58	-12%		
STARBUCKS CORP (20.1)	SBUX	Sep-01	0.46	0.36	-22%	92%	112%
		Sep-00	0.24	0.17	-29%	-11%	-15%
		Sep-99	0.27	0.20	-26%		
STARWOOD HOTELS (26.28)	HOT	Dec-01	0.73	0.41	-44%	-63%	-75%
		Dec-00	1.96	1.66	-15%	N/M	N/M
		Dec-99	(3.41)	(3.67)	N/M		
STATE STREET CORP (39.2)	STT	Dec-01	1.90	1.77	-7%	5%	4%
		Dec-00	1.81	1.71	-6%	-4%	-6%
		Dec-99	1.89	1.82	-4%		
STILWELL FINL INC (14.05) (g)	SV	Dec-01	1.31	1.27	-3%	-55%	-56%
		Dec-00	2.90	2.88	-1%	110%	110%
		Dec-99	1.38	1.37	-1%		
STRYKER CORP (47.61)	SYK	Dec-01	1.34	1.28	-4%	22%	22%
		Dec-00	1.10	1.05	-5%	1000%	1400%
		Dec-99	0.10	0.07	-30%		
SUN MICROSYSTEMS INC (4.25) (o)	SUNW	Jun-01	0.29	0.14	-52%	-47%	-70%
		Jun-00	0.55	0.46	-16%	77%	64%
		Jun-99	0.31	0.28	-10%		
SUNOCO INC (33.81)	SUN	Dec-01	4.85	4.82	-1%	3%	3%
		Dec-00	4.70	4.67	-1%	339%	367%
		Dec-99	1.07	1.00	-7%		
SUNTRUST BANKS INC (60.11)	STI	Dec-01	4.70	4.65	-1%	9%	9%
		Dec-00	4.30	4.26	-1%	23%	23%
		Dec-99	3.50	3.47	-1%		
SUPERVALU INC (20.48)	SVU	Feb-02	0.62	0.56	-10%	-67%	-69%
		Feb-01	1.87	1.82	-3%	19%	20%
		Feb-00	1.57	1.52	-3%		
SYMBOL TECHNOLOGIES (8.58)	SBL	Dec-01	(0.24)	(0.34)	N/M	N/M	N/M
		Dec-00	(0.33)	(0.42)	N/M	-160%	-186%
		Dec-99	0.55	0.49	-11%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
SYNOVUS FINANCIAL CP (21.85)	SNV	Dec-01	1.05	1.00	-5%	14%	15%
		Dec-00	0.92	0.87	-5%	15%	16%
		Dec-99	0.80	0.75	-6%		
SYSCO CORP (22.47)	SYY	Jun-01	0.88	0.86	-2%	29%	30%
		Jun-00	0.68	0.66	-3%	26%	25%
		Jun-99	0.54	0.53	-2%		
TARGET CORP (31.92)	TGT	Jan-02	1.51	1.48	-2%	9%	8%
		Jan-01	1.38	1.37	-1%	11%	12%
		Jan-00	1.24	1.22	-2%		
TECO ENERGY INC (20.28)	TE	Dec-01	2.24	2.21	-2%	14%	13%
		Dec-00	1.97	1.95	-1%	29%	29%
		Dec-99	1.53	1.51	-1%		
TEKTRONIX INC (18.15)	TEK	May-01	1.46	1.32	-10%	1023%	N/M
		May-00	0.13	(0.01)	-108%	N/M	N/M
		May-99	(0.68)	(0.78)	N/M		
TELLABS INC (6.2)	TLAB	Dec-01	(0.44)	(0.74)	N/M	-124%	-145%
		Dec-00	1.82	1.66	-9%	38%	35%
		Dec-99	1.32	1.23	-7%		
TEMPLE-INLAND INC (50.35)	TIN	Dec-01	2.26	2.16	-4%	-41%	-42%
		Dec-00	3.83	3.71	-3%	12%	10%
		Dec-99	3.43	3.38	-1%		
TENET HEALTHCARE CORP (45.7)	THC	May-01	2.08	1.92	-8%	93%	109%
		May-00	1.08	0.92	-15%	37%	44%
		May-99	0.79	0.64	-19%		
TERADYNE INC (17.3)	TER	Dec-01	(1.15)	(1.57)	N/M	-140%	-162%
		Dec-00	2.86	2.53	-12%	167%	194%
		Dec-99	1.07	0.86	-20%		
TEXAS INSTRUMENTS INC (24.85)	TXN	Dec-01	(0.12)	(0.29)	N/M	-107%	-118%
		Dec-00	1.73	1.59	-8%	108%	115%
		Dec-99	0.83	0.74	-11%		
TEXTRON INC (36.43)	TXT	Dec-01	1.16	0.98	-16%	-39%	-43%
		Dec-00	1.90	1.73	-9%	-53%	-57%
		Dec-99	4.05	3.99	-1%		
THERMO ELECTRON CORP (15.2)	TMO	Dec-01	0.27	0.16	-41%	-25%	-38%
		Dec-00	0.36	0.26	-28%	64%	86%
		Dec-99	0.22	0.14	-36%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
THOMAS & BETTS CORP (15.45)	TNB	Dec-01	(2.39)	(2.47)	N/M	N/M	N/M
		Dec-00	(3.08)	(3.15)	N/M	-296%	-309%
		Dec-99	1.57	1.51	-4%		
TIFFANY & CO (23.43)	TIF	Jan-02	1.15	1.08	-6%	-9%	-10%
		Jan-01	1.26	1.20	-5%	30%	28%
		Jan-00	0.97	0.94	-3%		
TJX COMPANIES INC (16.72)	TJX	Jan-02	1.94	1.84	-5%	4%	3%
		Jan-01	1.86	1.79	-4%	12%	10%
		Jan-00	1.66	1.62	-2%		
TMP WORLDWIDE INC (15.49) (m)	TMPW	Dec-01	0.61	0.10	-84%	33%	900%
		Dec-00	0.46	0.01	-98%	475%	N/M
		Dec-99	0.08	(0.27)	-438%		
TORCHMARK CORP (32.88)	TMK	Dec-01	3.11	2.81	-10%	10%	1%
		Dec-00	2.82	2.78	-1%	46%	50%
		Dec-99	1.93	1.85	-4%		
TOYS R US INC (13.9)	TOY	Jan-02	0.33	0.14	-58%	-82%	-92%
		Jan-01	1.88	1.79	-5%	65%	88%
		Jan-00	1.14	0.95	-17%		
TRANSOCEAN SEDCO FOREX (24.7)	RIG	Dec-01	0.86	0.82	-5%	72%	74%
		Dec-00	0.50	0.47	-6%	-6%	-8%
		Dec-99	0.53	0.51	-4%		
TRIBUNE CO (37.92)	TRB	Dec-01	0.28	0.10	-64%	-72%	-88%
		Dec-00	0.99	0.82	-17%	-82%	-85%
		Dec-99	5.49	5.35	-3%		
TRICON GLOBAL REST (24.76)	YUM	Dec-01	3.24	3.04	-6%	17%	19%
		Dec-00	2.77	2.55	-8%	-29%	-32%
		Dec-99	3.92	3.73	-5%		
TRW INC (49.92)	TRW	Dec-01	0.54	0.35	-35%	-85%	-89%
		Dec-00	3.51	3.32	-5%	-8%	-10%
		Dec-99	3.80	3.67	-3%		
TUPPERWARE CORP (17.02)	TUP	Dec-01	1.04	0.93	-11%	-19%	-22%
		Dec-00	1.29	1.19	-8%	-6%	-8%
		Dec-99	1.37	1.29	-6%		
TXU CORP (38.65) (f)	TXU	Dec-01	3.12	3.12	0%	-9%	-9%
		Dec-00	3.43	3.43	0%	-3%	-3%
		Dec-99	3.53	3.53	0%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
TYCO INTERNATIONAL LTD (12.49)	TYC	Sep-01	2.55	2.34	-8%	-3%	-3%
		Sep-00	2.64	2.42	-8%	313%	348%
		Sep-99	0.64	0.54	-16%		
U S BANCORP (18.49)	USB	Dec-01	0.88	0.76	-14%	-41%	-47%
		Dec-00	1.50	1.43	-5%	22%	23%
		Dec-99	1.23	1.16	-6%		
UNILEVER N V -NY SHARES (53.4) (l)	UN	Dec-01	1.49	1.46	-2%	20%	22%
		Dec-00	1.24	1.19	-4%	-47%	-49%
		Dec-99	2.36	2.35	0%		
UNION PACIFIC CORP (58.12)	UNP	Dec-01	3.77	3.69	-2%	13%	14%
		Dec-00	3.34	3.24	-3%	7%	11%
		Dec-99	3.12	2.91	-7%		
UNION PLANTERS CORP (28.07)	UPC	Dec-01	3.20	3.11	-3%	7%	6%
		Dec-00	3.00	2.93	-2%	5%	6%
		Dec-99	2.85	2.76	-3%		
UNISYS CORP (7.9)	UIS	Dec-01	(0.16)	(0.32)	N/M	-121%	-150%
		Dec-00	0.77	0.64	-17%	-53%	-57%
		Dec-99	1.63	1.50	-8%		
UNITED STATES STEEL CORP (16.05)	X	Dec-01	(2.45)	(2.48)	N/M	N/M	N/M
		Dec-00	(0.24)	(0.26)	N/M	-142%	-147%
		Dec-99	0.57	0.55	-4%		
UNITED TECHNOLOGIES CORP (61.64)	UTX	Dec-01	3.83	3.64	-5%	8%	7%
		Dec-00	3.55	3.41	-4%	115%	123%
		Dec-99	1.65	1.53	-7%		
UNITEDHEALTH GROUP INC (88.2)	UNH	Dec-01	2.79	2.54	-9%	27%	30%
		Dec-00	2.19	1.96	-11%	37%	31%
		Dec-99	1.60	1.50	-6%		
UNIVISION COMMUNICATIONS (26.58)	UVN	Dec-01	0.23	0.09	-61%	-53%	-76%
		Dec-00	0.49	0.37	-24%	40%	28%
		Dec-99	0.35	0.29	-17%		
UNOCAL CORP (30.9)	UCL	Dec-01	2.43	2.39	-2%	-17%	-18%
		Dec-00	2.93	2.90	-1%	537%	607%
		Dec-99	0.46	0.41	-11%		
UNUMPROVIDENT CORP (20.4)	UNM	Dec-01	2.39	2.34	-2%	3%	2%
		Dec-00	2.33	2.30	-1%	N/M	N/M
		Dec-99	(0.77)	(0.94)	N/M		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
US AIRWAYS GROUP INC (2.5) (x)	U	Dec-01	(31.59)	(32.12)	N/M	N/M	N/M
		Dec-00	(2.47)	(3.03)	N/M	-192%	-274%
		Dec-99	2.69	1.74	-35%		
USA EDUCATION INC (84.07)	SLM	Dec-01	2.28	1.63	-29%	-17%	-34%
		Dec-00	2.76	2.47	-11%	-10%	-15%
		Dec-99	3.06	2.90	-5%		
UST INC (30.53)	UST	Dec-01	2.97	2.95	-1%	10%	11%
		Dec-00	2.70	2.66	-1%	1%	1%
		Dec-99	2.68	2.64	-1%		
VERITAS SOFTWARE CO (18.3)	VRTS	Dec-01	(1.63)	(2.36)	N/M	N/M	N/M
		Dec-00	(1.55)	(1.93)	N/M	N/M	N/M
		Dec-99	(1.59)	(1.71)	N/M		
VERIZON COMMUNICATIONS (32.5)	VZ	Dec-01	0.22	0.04	-82%	-94%	-99%
		Dec-00	3.95	3.83	-3%	33%	31%
		Dec-99	2.98	2.92	-2%		
VF CORP (35.5)	VFC	Dec-01	1.19	1.05	-12%	-48%	-52%
		Dec-00	2.27	2.18	-4%	-24%	-25%
		Dec-99	2.99	2.89	-3%		
VIACOM INC -CL B (34.85) (n)	VIA.B	Dec-01	(0.13)	(0.21)	N/M	N/M	N/M
		Dec-00	(0.30)	(0.75)	N/M	-159%	-297%
		Dec-99	0.51	0.38	-25%		
VISTEON CORP (10.53) (h)	VC	Dec-01	(0.91)	(0.95)	N/M	-144%	-146%
		Dec-00	2.08	2.08	0%	-63%	-63%
		Dec-99	5.65	5.65	0%		
VITESSE SEMICONDUCTOR (2.56)	VTSS	Sep-01	(0.70)	(0.96)	N/M	-538%	N/M
		Sep-00	0.16	(0.01)	-106%	-57%	-103%
		Sep-99	0.37	0.30	-19%		
VULCAN MATERIALS CO (35.74)	VMC	Dec-01	2.17	2.13	-2%	0%	0%
		Dec-00	2.16	2.14	-1%	-8%	-8%
		Dec-99	2.35	2.33	-1%		
WACHOVIA CORP (31.64)	WB	Dec-01	1.45	1.40	-3%	1108%	N/M
		Dec-00	0.12	(0.01)	-108%	-96%	-100%
		Dec-99	3.33	3.23	-3%		
WALGREEN CO (32)	WAG	Aug-01	0.86	0.81	-6%	13%	9%
		Aug-00	0.76	0.74	-3%	23%	23%
		Aug-99	0.62	0.60	-3%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	% Difference Reported Vs. Pro Forma Diluted EPS	Growth Rate Reported Diluted EPS	Growth Rate Pro Forma Diluted EPS
WAL-MART STORES (46.5)	WMT	Jan-02	1.49	1.47	-1%	6%	6%
		Jan-01	1.40	1.39	-1%	17%	17%
		Jan-00	1.20	1.19	-1%		
WASHINGTON MUTUAL INC (33.79)	WM	Dec-01	3.15	3.12	-1%	33%	33%
		Dec-00	2.36	2.34	-1%	12%	12%
		Dec-99	2.11	2.09	-1%		
WASTE MANAGEMENT INC (23.32)	WMI	Dec-01	0.80	0.67	-16%	N/M	N/M
		Dec-00	(0.16)	(0.28)	N/M	N/M	N/M
		Dec-99	(0.64)	(0.77)	N/M		
WATERS CORP (18.88)	WAT	Dec-01	0.83	0.70	-16%	-27%	-35%
		Dec-00	1.14	1.07	-6%	24%	23%
		Dec-99	0.92	0.87	-5%		
WATSON PHARMACEUTICALS (19.97)	WPI	Dec-01	1.07	0.95	-11%	-35%	-38%
		Dec-00	1.65	1.53	-7%	-9%	-7%
		Dec-99	1.82	1.64	-10%		
WELLPOINT HLTH NETWRK (75.2)	WLP	Dec-01	3.15	2.90	-8%	19%	19%
		Dec-00	2.64	2.44	-8%	21%	21%
		Dec-99	2.19	2.02	-8%		
WELLS FARGO & CO (45.03)	WFC	Dec-01	1.97	1.89	-4%	-15%	-17%
		Dec-00	2.33	2.27	-3%	2%	2%
		Dec-99	2.29	2.23	-3%		
WENDY'S INTERNATIONAL (33.54)	WEN	Dec-01	1.65	1.58	-4%	15%	15%
		Dec-00	1.44	1.37	-5%	9%	9%
		Dec-99	1.32	1.26	-5%		
WEYERHAEUSER CO (53.3)	WY	Dec-01	1.61	1.52	-6%	-57%	-58%
		Dec-00	3.72	3.65	-2%	25%	25%
		Dec-99	2.98	2.91	-2%		
WHIRLPOOL CORP (53.66)	WHR	Dec-01	0.50	0.31	-38%	-90%	-94%
		Dec-00	5.20	5.03	-3%	14%	13%
		Dec-99	4.56	4.44	-3%		
WILLIAMS COS INC (5.16)	WMB	Dec-01	1.67	1.64	-2%	-22%	-10%
		Dec-00	2.15	1.83	-15%	172%	177%
		Dec-99	0.79	0.66	-16%		
WINN-DIXIE STORES INC (14.94) (e)	WIN	Jun-01	0.32	0.32	0%	N/M	N/M
		Jun-00	(1.57)	(1.57)	N/M	-228%	-228%
		Jun-99	1.23	1.23	0%		

**APPENDIX A (continued). Pro Forma Impact of Employee Stock Option Expense on Diluted EPS for the S&P 500**

Company Name	Ticker Symbol	Fiscal Year Ending	Reported Diluted EPS (a)	Pro Forma Diluted EPS (a)	%	Growth Rate	Growth Rate
					Reported Vs. Pro Forma Diluted EPS	Reported Diluted EPS	Pro Forma Diluted EPS
WORLDCOM INC (0.09) (y)	WCOM	Dec-01	0.78	0.61	-22%	-13%	-3%
		Dec-00	0.90	0.63	-30%	88%	215%
		Dec-99	0.48	0.20	-58%		
WORTHINGTON INDUSTRIES (16.42)	WOR	May-01	0.42	0.40	-5%	-60%	-62%
		May-00	1.06	1.05	-1%	18%	18%
		May-99	0.90	0.89	-1%		
WRIGLEY (WM) JR CO (44.52) (i)	WWY	Dec-01	1.61	1.58	-2%	11%	10%
		Dec-00	1.45	1.43	-1%	9%	8%
		Dec-99	1.33	1.32	-1%		
WYETH (30)	WYE	Dec-01	1.72	1.57	-9%	N/M	N/M
		Dec-00	(0.69)	(0.81)	N/M	N/M	N/M
		Dec-99	(0.92)	(0.98)	N/M		
XCEL ENERGY INC (13.32)	XEL	Dec-01	2.28	2.27	0%	43%	44%
		Dec-00	1.60	1.58	-1%	-6%	-7%
		Dec-99	1.70	1.69	-1%		
XEROX CORP (5.79)	XRX	Dec-00	(0.44)	(0.59)	N/M	-124%	-135%
		Dec-99	1.85	1.71	-8%	198%	211%
		Dec-98	0.62	0.55	-11%		
XILINX INC (19.78)	XLNX	Mar-01	0.10	(0.31)	-410%	-95%	-119%
		Mar-00	1.90	1.60	-16%	352%	433%
		Mar-99	0.42	0.30	-29%		
XL CAPITAL LTD (67)	XL	Dec-01	(4.55)	(4.86)	N/M	-213%	-227%
		Dec-00	4.03	3.83	-5%	11%	14%
		Dec-99	3.62	3.36	-7%		
YAHOO INC (13.37)	YHOO	Dec-01	(0.16)	(1.73)	N/M	-233%	N/M
		Dec-00	0.12	(2.30)	-2017%	50%	N/M
		Dec-99	0.08	(0.52)	-750%		
ZIMMER HLDGS INC (30.79) (p)	ZMH	Dec-01	0.77	0.70	-9%	-15%	-20%
		Dec-00	0.91	0.87	-4%	18%	19%
		Dec-99	0.77	0.73	-5%		
ZIONS BANCORPORATION (45.96)	ZION	Dec-01	3.07	2.77	-10%	65%	66%
		Dec-00	1.86	1.67	-10%	-18%	-22%
		Dec-99	2.26	2.14	-5%		

- (a) EPS from continuing operations before extraordinary items.
- (b) This is not a typographical error. The pro forma operating income in 1999 for Computer Associates International Inc. (CA) and Rowan Cos. Inc (RDC) is higher than their reported operating income. This is due to the treatment of performance options and unamortized compensation cost in the pro forma calculation. This treatment is explained in the February 20, 1997, *Accounting Issues*.
- (c) EPS for the \$1-2/3 par value common stock.
- (d) Pro forma numbers in footnote are rounded to the nearest \$100 million.
- (e) Reported figures include FAS No. 123 compensation expense. Winn-Dixie and Boeing have adopted the FASB recommended approach and charged the fair value of employee stock options to compensation expense. Freddie Mac (FRE) also uses FAS No. 123, but only for options granted to directors.
- (f) Pro forma income effect of fair value accounting for stock options immaterial for all periods for Archer-Daniels-Midland (ADM), Ameren (AEE), Nucor (NUE), Royal Dutch Petroleum (RD), Sealed Air Corp. (SEE), and TXU Corp (TXU).
- (g) The company did not issue stock options prior to 2000. Agilent (A), AT&T Wireless (AWE), Constellation Energy Grp (CEG), John Hancock (JHF), Loews (LTR), Palm (PALM), and Stillwell Financial (SV) did not issue options prior to 2000.
- (h) The company did not issue stock options prior to 2001. Royal Dutch Petroleum (RD), Rockwell Collins (COL), Metlife (MET), Visteon (VC), and Progressive Energy (PGN) did not issue options prior to 2001
- (i) The company states the pro forma effect on net income and/or EPS to be immaterial.
- (j) Reported and pro forma amounts are in US GAAP. Alcan (AL), Barrick Gold (ABX), Inco (N), Nortel Networks (NT), and Placer Dome (PDG) report in Canadian GAAP. Royal Dutch Petroleum reports in Netherlands GAAP. Unilever (UN) reports in UK and Netherlands GAAP. Effective July 19, 2002, these foreign companies were removed from the S&P 500 to be consistent with Standard & Poor's current selection criteria which requires members of the S&P 500 to be US companies. The following US companies entered the index as a result of this policy change: eBay (EBAY), Electronic Arts (ERTS), Goldman Sachs Group (GS), Principal Financial Group (PFG), Prudential Financial (PRU), United Parcel Service (UPS), and SunGard Data Systems (SDS).
- (k) The Sprint FON Group and the Sprint PCS Group resulted from a recapitalization of the Sprint Corp that occurred in November 1998.
- (l) Reported and pro forma amounts are in US GAAP. Unilever reports using Netherlands and United Kingdom GAAP.
- (m) Pro forma and reported net income is net income attributable to common shares and Class B common stockholders.
- (n) Separate plans exist for Infinity, Blockbuster (BBI-21), and MTVi - not included in this analysis because these are not in the S&P 500. Plan provides for the issuance of fixed grants of equity-based interests, which include stock options, stock appreciation rights, restricted shares, phantom shares, and other equity-based interests.
- (o) The following companies provided either pretax stock option expense or the pretax change in pretax net income, therefore, we did not apply the standard 40% tax rate assumption to these companies. The companies are Citigroup (C), Compaq Computer (CPQ), Dell Computer (DELL), El Paso (EP), Goodyear (GT), Microsoft (MSFT), J C Penney (JCP), PPL Corp (PPL), and Sun Microsystems (SUNW).
- (p) Zimmer Holdings (ZMH) presents grant information for 2001. Prior to 2001, Zimmer was a business unit of Bristol-Myers Squibb. Bristol-Myers Squibb options were converted into 8.699 million Zimmer Holdings options.
- (q) On January 16, 2002, Plum Creek Timber (PCL) replaced K Mart (KM) in the S&P 500 Index after the close of trading.
- (r) On January 29, 2002, MeadWestvaco (MWV) replaced Mead Corp. (MEA) in the S&P 500 Index after the close of trading.
- (s) On January 29, 2002, ACE Limited (ACE) replaced Westvaco (W) in the S&P 500 Index after the close of trading.
- (t) On January 31, 2002, Rational Software (RATL) replaced Niagara Mohawk Holdings (NMK) in the S&P 500 Index after the close of trading.
- (u) On February 8, 2002, Marchall & Ilsley Corp. (MI) replaced Willamette Industries in the S&P 500 Index after the close of trading.
- (v) On May 3, 2002, First Tennessee National (FTN) replaced Compaq Computer (CPQ) in the S&P 500 Index after the close of trading. This change was a result of Compaq's merger with Hewlett-Packard.
- (w) On May 10, 2002, American Standard (ASD) replaced Sapient Corp (SAPE) in the S&P 500 Index after the close of trading.
- (x) On May 14, 2002, BJ Services (BJS) replaced US Airways Group (U) in the S&P 500 Index after the close of trading.
- (y) On May 14, 2002, Apollo Group (APOL) replaced WorldCom (WCOM) in the S&P 500 Index after the close of trading.
- (z) On June 25, 2002, Simon Property Group (SPG) replaced Conexant Systems (CNXT) in the S&P 500 Index after the close of trading.

N/A Not Available.

N/M Not Meaningful.

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Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**APPENDIX B. Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
ABBOTT LABORATORIES	ABT	Dec-01	3,538	22%	150	251	3,287	20%	-7%
ACE LIMITED	ACE	Dec-01	(3)	0%	21	35	(38)	-1%	N/M
ADC TELECOMMUNICATIONS INC	ADCT	Oct-01	(253)	-11%	106	177	(430)	-18%	N/M
ADOBE SYSTEMS INC	ADBE	Nov-01	391	32%	175	292	98	8%	-75%
ADVANCED MICRO DEVICES	AMD	Dec-01	38	1%	118	197	(159)	-4%	-520%
AES CORP	AES	Dec-01	2,182	23%	44	73	2,109	23%	-3%
AETNA INC	AET	Dec-01	(64)	0%	11	18	(82)	0%	N/M
AFLAC INC	AFL	Dec-01	1,100	11%	33	55	1,045	11%	-5%
AGILENT TECHNOLOGIES INC	A	Oct-01	(550)	-7%	503	838	(1,388)	-17%	N/M
AIR PRODUCTS & CHEMICALS INC	APD	Sep-01	802	14%	30	51	751	13%	-6%
ALBERTO-CULVER CO -CL B	ACV	Sep-01	189	8%	6	10	179	7%	-5%
ALBERTSONS INC	ABS	Jan-02	1,787	5%	29	48	1,739	5%	-3%
ALCAN INC	AL	Dec-01	1,052	8%	5	8	1,044	8%	-1%
ALCOA INC	AA	Dec-01	2,270	10%	178	297	1,973	9%	-13%
ALLEGHENY ENERGY INC	AYE	Dec-01	960	9%	3	6	954	9%	-1%
ALLEGHENY TECHNOLOGIES INC	ATI	Dec-01	67	3%	5	9	58	3%	-13%
ALLERGAN INC	AGN	Dec-01	359	21%	28	46	313	18%	-13%
ALLIED WASTE INDS INC	AW	Dec-01	1,238	22%	16	27	1,211	22%	-2%
ALLSTATE CORP	ALL	Dec-01	1,725	6%	30	50	1,675	6%	-3%
ALLTEL CORP	AT	Dec-01	1,757	23%	27	45	1,712	23%	-3%
ALTERA CORP	ALTR	Dec-01	149	18%	84	140	9	1%	-94%
AMBAC FINANCIAL GP (b)	ABK	Dec-01	610	84%	14	23	587	81%	-4%
AMERADA HESS CORP	AHC	Dec-01	1,479	11%	13	22	1,457	11%	-1%
AMEREN CORP	AEE	Dec-01	965	21%	0	0	965	21%	0%
AMERICAN ELECTRIC POWER	AEP	Dec-01	2,395	4%	12	20	2,375	4%	-1%
AMERICAN EXPRESS (b)	AXP	Dec-01	2,291	9%	237	395	1,896	8%	-17%
AMERICAN GREETINGS -CL A	AM	Feb-01	211	8%	5	8	203	8%	-4%
AMERICAN INTERNATIONAL GROUP	AIG	Dec-01	15,603	25%	144	240	15,363	25%	-2%
AMERICAN PWR CNVRSION	APCC	Dec-01	153	11%	48	80	74	5%	-52%
AMERISOURCEBERGEN CORP	ABC	Sep-01	281	2%	22	36	244	2%	-13%
AMGEN INC	AMGN	Dec-01	1,777	44%	189	315	1,461	36%	-18%
AMR CORP/DE	AMR	Dec-01	(1,860)	-10%	17	28	(1,888)	-10%	N/M
AMSOUTH BANCORPORATION (b)	ASO	Dec-01	771	23%	23	38	733	22%	-5%
ANADARKO PETROLEUM CORP	APC	Dec-01	(318)	-4%	42	70	(388)	-5%	N/M
ANALOG DEVICES	ADI	Oct-01	464	20%	165	275	190	8%	-59%
ANDREW CORP	ANDW	Sep-01	98	9%	6	10	88	8%	-10%
ANHEUSER-BUSCH COS INC	BUD	Dec-01	2,705	21%	69	114	2,591	20%	-4%
AOL TIME WARNER INC	AOL	Dec-01	703	2%	1,431	2,385	(1,682)	-4%	-339%
AON CORP	AOC	Dec-01	812	11%	10	17	795	10%	-2%
APACHE CORP	APA	Dec-01	1,339	48%	22	37	1,302	47%	-3%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
APPLE COMPUTER INC	AAPL	Sep-01	(333)	-6%	371	618	(951)	-18%	N/M
APPLERA APPLIED BIOSYS	ABI	Jun-01	280	17%	97	161	119	7%	-58%
APPLIED MATERIALS INC	AMAT	Oct-01	1,151	16%	217	362	790	11%	-31%
APPLIED MICRO CIRCUITS CORP	AMCC	Mar-01	(590)	-136%	246	409	(1,000)	-230%	N/M
ARCHER-DANIELS-MIDLAND CO	ADM	Jun-01	701	3%	0	0	701	3%	0%
ASHLAND INC	ASH	Sep-01	97	1%	3	5	92	1%	-5%
AT&T CORP	T	Dec-01	6,284	12%	577	962	5,322	10%	-15%
AT&T WIRELESS SERVICES INC	AWE	Dec-01	598	4%	189	315	283	2%	-53%
AUTODESK INC	ADSK	Jan-02	132	14%	63	105	27	3%	-79%
AUTOMATIC DATA PROCESSING	ADP	Jun-01	1,617	17%	107	178	1,439	15%	-11%
AUTOZONE INC	AZO	Aug-01	545	11%	7	12	533	11%	-2%
AVAYA INC	AV	Sep-01	350	5%	77	128	222	3%	-37%
AVERY DENNISON CORP	AVY	Dec-01	410	11%	13	21	389	10%	-5%
AVON PRODUCTS	AVP	Dec-01	845	14%	28	46	799	13%	-5%
BAKER-HUGHES INC	BHI	Dec-01	732	14%	26	43	688	13%	-6%
BALL CORP	BLL	Dec-01	246	7%	4	6	240	7%	-2%
BANK OF AMERICA CORP (b)	BAC	Dec-01	11,817	22%	351	585	11,232	21%	-5%
BANK OF NEW YORK CO INC (b)	BK	Dec-01	2,315	32%	57	95	2,220	31%	-4%
BANK ONE CORP (b)	ONE	Dec-01	4,078	17%	186	310	3,768	15%	-8%
BARD (C.R.) INC	BCR	Dec-01	213	18%	10	16	197	17%	-8%
BARRICK GOLD CORP	ABX	Dec-01	219	11%	31	52	167	8%	-24%
BAUSCH & LOMB INC	BOL	Dec-01	115	7%	13	21	94	5%	-19%
BAXTER INTERNATIONAL INC	BAX	Dec-01	1,493	19%	164	273	1,220	16%	-18%
BB&T CORP (b)	BBT	Dec-01	1,512	25%	25	41	1,471	24%	-3%
BEAR STEARNS COMPANIES (b)	BSC	Nov-01	934	11%	34	56	878	10%	-6%
BECTON DICKINSON & CO	BDX	Sep-01	646	17%	34	56	590	16%	-9%
BED BATH & BEYOND INC	BBBY	Feb-01	273	11%	17	29	244	10%	-11%
BELLSOUTH CORP	BLS	Dec-01	6,914	29%	124	207	6,707	28%	-3%
BEMIS CO	BMS	Dec-01	260	11%	1	2	258	11%	-1%
BEST BUY CO INC	BBY	Feb-01	619	4%	44	73	547	4%	-12%
BIG LOTS INC	BLI	Jan-02	70	2%	7	11	59	2%	-16%
BIOGEN INC	BGEN	Dec-01	360	35%	48	80	280	27%	-22%
BIOMET INC	BMET	May-01	317	31%	4	7	310	30%	-2%
BLACK & DECKER CORP	BDK	Dec-01	348	8%	16	27	321	7%	-8%
BLOCK H & R INC	HRB	Apr-01	724	24%	18	31	694	23%	-4%
BMC SOFTWARE INC	BMC	Mar-01	27	2%	83	138	(112)	-7%	-520%
BOEING CO	BA	Dec-01	4,717	8%	0	378	4,339	7%	-8%
BOISE CASCADE CORP	BCC	Dec-01	219	3%	12	20	199	3%	-9%
BOSTON SCIENTIFIC CORP	BSX	Dec-01	517	19%	40	67	450	17%	-13%
BRISTOL MYERS SQUIBB	BMY	Dec-01	6,253	32%	246	410	5,843	30%	-7%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
BROADCOM CORP -CL A	BRCM	Dec-01	(1,462)	-152%	666	1,110	(2,573)	-267%	N/M
BROWN-FORMAN -CL B	BF.B	Apr-01	374	19%	3	5	369	19%	-1%
BRUNSWICK CORP	BC	Dec-01	191	6%	6	10	182	5%	-5%
BURLINGTON NORTHERN SF	BNI	Dec-01	1,723	19%	11	18	1,705	19%	-1%
BURLINGTON RESOURCES INC	BR	Dec-01	1,279	38%	12	20	1,259	38%	-2%
CALPINE CORP	CPN	Dec-01	1,130	15%	29	48	1,082	14%	-4%
CAMPBELL SOUP CO	CPB	Jul-01	1,266	19%	14	23	1,243	19%	-2%
CAPITAL ONE FINL CORP	COF	Dec-01	1,566	22%	45	74	1,492	21%	-5%
CARDINAL HEALTH INC	CAH	Jun-01	1,612	3%	80	134	1,478	3%	-8%
CARNIVAL CORP	CCL	Nov-01	1,076	24%	22	37	1,039	23%	-3%
CATERPILLAR INC	CAT	Dec-01	1,968	10%	57	95	1,873	9%	-5%
CENDANT CORP	CD	Dec-01	1,703	19%	218	363	1,340	15%	-21%
CENTEX CORP	CTX	Mar-01	656	10%	24	41	615	9%	-6%
CENTURYTEL INC	CTL	Dec-01	560	26%	9	15	545	26%	-3%
CHARTER ONE FINL INC (b)	CF	Dec-01	734	26%	26	43	691	24%	-6%
CHEVRONTEXACO CORP	CVX	Dec-01	8,972	9%	86	143	8,829	9%	-2%
CHIRON CORP	CHIR	Dec-01	116	11%	51	85	31	3%	-73%
CHUBB CORP	CB	Dec-01	(11)	0%	46	76	(87)	-1%	N/M
CIENA CORP	CIEN	Oct-01	41	3%	325	541	(500)	-31%	-1318%
CIGNA CORP	CI	Dec-01	1,550	8%	50	83	1,467	8%	-5%
CINCINNATI FINANCIAL CORP	CINF	Dec-01	260	10%	11	18	242	9%	-7%
CINERGY CORP	CIN	Dec-01	942	7%	4	7	935	7%	-1%
CINTAS CORP	CTAS	May-01	367	17%	4	6	361	17%	-2%
CIRCUIT CITY GP	CC	Feb-01	237	2%	12	20	216	2%	-9%
CISCO SYSTEMS INC	CSCO	Jul-01	21	0%	1,691	2,818	(2,797)	-13%	-13421%
CITIGROUP INC (b)	C	Dec-01	22,355	20%	560	862	21,493	19%	-4%
CITIZENS COMMUNICATIONS	CZN	Dec-01	295	12%	29	48	247	10%	-16%
CITRIX SYSTEMS INC	CTXS	Dec-01	136	23%	146	244	(108)	-18%	-180%
CLEAR CHANNEL COMM	CCU	Dec-01	(664)	-8%	49	82	(746)	-9%	N/M
CLOROX CO/DE	CLX	Jun-01	709	18%	37	62	647	17%	-9%
CMS ENERGY CORP	CMS	Dec-01	301	3%	4	7	294	3%	-2%
COCA-COLA CO	KO	Dec-01	5,650	28%	202	337	5,313	26%	-6%
COCA-COLA ENTERPRISES	CCE	Dec-01	679	4%	46	77	602	4%	-11%
COLGATE-PALMOLIVE CO	CL	Dec-01	1,861	20%	45	75	1,786	19%	-4%
COMCAST CORP -CL A SPL	CMCSK	Dec-01	(746)	-8%	127	211	(957)	-10%	N/M
COMERICA INC (b)	CMA	Dec-01	1,323	32%	45	75	1,249	30%	-6%
COMPAQ COMPUTER CORP	CPQ	Dec-01	479	1%	551	756	(277)	-1%	-158%
COMPUTER ASSOCIATES INTL	CA	Mar-01	(1,099)	-26%	97	162	(1,261)	-30%	N/M
COMPUTER SCIENCES CORP	CSC	Mar-01	653	6%	36	60	593	6%	-9%
COMPUWARE CORP	CPWR	Mar-01	193	10%	57	95	98	5%	-49%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
COMVERSE TECHNOLOGY INC	CMVT	Jan-02	128	10%	182	303	(175)	-14%	-236%
CONAGRA FOODS INC	CAG	May-01	1,527	6%	18	29	1,498	6%	-2%
CONCORD EFS INC	CEFT	Dec-01	413	24%	29	48	365	21%	-12%
CONEXANT SYSTEMS INC	CNXT	Sep-01	(1,083)	-102%	364	607	(1,691)	-159%	N/M
CONOCO INC	COC	Dec-01	2,822	9%	46	77	2,745	9%	-3%
CONSECO INC	CNC	Dec-01	1,404	17%	28	47	1,357	17%	-3%
CONSOLIDATED EDISON INC	ED	Dec-01	1,592	17%	3	5	1,587	16%	0%
CONSTELLATION ENERGY GRP	CEG	Dec-01	358	9%	4	6	352	9%	-2%
CONVERGYS CORP	CVG	Dec-01	366	16%	44	73	294	13%	-20%
COOPER INDUSTRIES INC	CBE	Dec-01	475	11%	5	8	467	11%	-2%
COOPER TIRE & RUBBER	CTB	Dec-01	187	6%	5	8	179	6%	-5%
COORS (ADOLPH) -CL B	RKY	Dec-01	175	7%	17	28	147	6%	-16%
CORNING INC	GLW	Dec-01	(275)	-4%	370	617	(892)	-14%	N/M
COSTCO WHOLESALE CORP	COST	Aug-01	1,011	3%	65	108	903	3%	-11%
COUNTRYWIDE CREDIT IND INC	CCR	Dec-01	2,263	36%	28	47	2,216	36%	-2%
CRANE CO	CR	Dec-01	172	11%	6	10	162	10%	-6%
CSX CORP	CSX	Dec-01	1,017	13%	13	22	995	12%	-2%
CUMMINS INC	CUM	Dec-01	73	1%	12	20	53	1%	-27%
CVS CORP	CVS	Dec-01	1,120	5%	56	93	1,026	5%	-8%
DANA CORP	DCN	Dec-01	133	1%	16	27	106	1%	-20%
DANAHER CORP	DHR	Dec-01	572	15%	20	34	538	14%	-6%
DARDEN RESTAURANTS INC	DRI	May-01	332	8%	12	21	311	8%	-6%
DEERE & CO	DE	Oct-01	907	7%	32	53	854	7%	-6%
DELL COMPUTER CORP	DELL	Jan-02	2,271	7%	694	964	1,307	4%	-42%
DELPHI AUTOMOTIVE SYS CORP	DPH	Dec-01	518	2%	67	112	406	2%	-22%
DELTA AIR LINES INC	DAL	Dec-01	(1,117)	-8%	30	50	(1,167)	-8%	N/M
DELUXE CORP	DLX	Dec-01	308	24%	3	5	303	24%	-2%
DEVON ENERGY CORP	DVN	Dec-01	290	10%	14	23	267	9%	-8%
DILLARDS INC -CL A	DDS	Jan-02	306	4%	6	10	296	4%	-3%
DISNEY (WALT) CO	DIS	Sep-01	2,832	11%	284	473	2,359	9%	-17%
DOLLAR GENERAL CORP	DG	Jan-02	402	8%	11	19	383	7%	-5%
DOMINION RESOURCES INC	D	Dec-01	1,785	17%	24	40	1,745	17%	-2%
DONNELLEY (R R) & SONS CO	DNY	Dec-01	343	6%	14	23	320	6%	-7%
DOVER CORP	DOV	Dec-01	299	7%	14	23	276	6%	-8%
DOW CHEMICAL	DOW	Dec-01	1,138	4%	59	98	1,040	4%	-9%
DOW JONES & CO INC	DJ	Dec-01	183	10%	14	23	161	9%	-12%
DTE ENERGY CO	DTE	Dec-01	696	9%	14	24	672	9%	-3%
DU PONT (E I) DE NEMOURS	DD	Dec-01	2,301	9%	90	150	2,151	9%	-7%
DUKE ENERGY CORP	DUK	Dec-01	4,100	7%	22	37	4,063	7%	-1%
DYNEGY INC	DYN	Dec-01	1,088	3%	58	97	991	2%	-9%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
EASTMAN CHEMICAL CO	EMN	Dec-01	320	6%	8	13	307	6%	-4%
EASTMAN KODAK CO	EK	Dec-01	1,233	9%	79	132	1,101	8%	-11%
EATON CORP	ETN	Dec-01	477	7%	16	27	450	6%	-6%
ECOLAB INC	ECL	Dec-01	318	14%	11	18	301	13%	-6%
EDISON INTERNATIONAL	EIX	Dec-01	5,456	48%	4	7	5,449	48%	0%
EL PASO CORP	EP	Dec-01	833	1%	155	360	473	1%	-43%
ELECTRONIC DATA SYSTEMS	EDS	Dec-01	2,225	10%	121	202	2,023	9%	-9%
EMC CORP/MA	EMC	Dec-01	21	0%	336	560	(539)	-8%	-2699%
EMERSON ELECTRIC CO	EMR	Sep-01	2,419	16%	20	33	2,386	15%	-1%
ENGELHARD CORP	EC	Dec-01	327	6%	6	10	317	6%	-3%
ENTERGY CORP	ETR	Dec-01	1,573	16%	43	72	1,502	16%	-5%
EOG RESOURCES INC	EOG	Dec-01	693	42%	12	20	673	41%	-3%
EQUIFAX INC	EFX	Dec-01	314	28%	20	33	281	25%	-11%
EQUITY OFFICE PROPERTIES TR	EOP	Dec-01	1,511	47%	7	12	1,499	47%	-1%
EQUITY RESIDENTIAL PPTYS TR	EQR	Dec-01	793	36%	6	10	783	36%	-1%
EXELON CORP	EXC	Dec-01	3,362	22%	7	12	3,350	22%	0%
EXXON MOBIL CORP	XOM	Dec-01	21,658	12%	285	475	21,183	11%	-2%
FAMILY DOLLAR STORES	FDO	Aug-01	298	8%	3	6	293	8%	-2%
FANNIE MAE (b)	FNM	Dec-01	8,291	16%	241	402	7,889	16%	-5%
FEDERAL HOME LOAN MORT (b)	FRE	Dec-01	6,300	17%	26	43	6,257	17%	-1%
FEDERATED DEPT STORES	FD	Jan-02	1,319	8%	47	78	1,241	8%	-6%
FEDEX CORP	FDX	May-01	1,195	6%	31	52	1,143	6%	-4%
FIFTH THIRD BANCORP (b)	FITB	Dec-01	1,994	31%	100	166	1,828	28%	-8%
FIRST DATA CORP	FDC	Dec-01	1,516	23%	71	118	1,398	22%	-8%
FIRSTENERGY CORP	FE	Dec-01	1,685	21%	4	6	1,679	21%	0%
FISERV INC	FISV	Dec-01	366	19%	13	22	344	18%	-6%
FLEETBOSTON FINANCIAL CORP	FBF	Dec-01	3,409	18%	94	157	3,252	17%	-5%
FLUOR CORP	FLR	Dec-01	186	2%	11	18	169	2%	-9%
FORD MOTOR CO	F	Dec-01	3,354	2%	153	255	3,099	2%	-8%
FOREST LABORATORIES -CL A	FRX	Mar-01	282	24%	45	75	207	18%	-27%
FORTUNE BRANDS INC	FO	Dec-01	704	13%	14	24	680	13%	-3%
FPL GROUP INC	FPL	Dec-01	1,397	16%	6	10	1,387	16%	-1%
FRANKLIN RESOURCES INC (b)	BEN	Sep-01	645	26%	39	66	580	24%	-10%
FREEPRT MCMOR COP&GLD	FCX	Dec-01	545	30%	6	10	535	29%	-2%
GANNETT CO	GCI	Dec-01	1,590	25%	35	58	1,532	24%	-4%
GAP INC	GPS	Jan-02	426	3%	81	136	290	2%	-32%
GATEWAY INC	GTW	Dec-01	(208)	-3%	72	121	(329)	-5%	N/M
GENERAL DYNAMICS CORP	GD	Dec-01	1,485	12%	22	37	1,448	12%	-2%
GENERAL ELECTRIC CO	GE	Dec-01	20,632	16%	296	493	20,139	16%	-2%
GENERAL MILLS INC	GIS	May-01	1,169	17%	44	74	1,095	15%	-6%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
GENERAL MOTORS CORP	GM	Dec-01	8,201	5%	215	358	7,843	4%	-4%
GENUINE PARTS CO	GPC	Dec-01	666	8%	1	1	665	8%	0%
GENZYME CORP	GENZ	Dec-01	215	22%	66	110	105	11%	-51%
GEORGIA-PACIFIC CORP	GP	Dec-01	1,782	7%	32	53	1,729	7%	-3%
GILLETTE CO	G	Dec-01	1,670	19%	118	197	1,473	16%	-12%
GOLDEN WEST FINANCIAL (b)	GDW	Dec-01	1,332	30%	5	8	1,324	30%	-1%
GOODRICH CORP	GR	Dec-01	586	14%	15	24	562	13%	-4%
GOODYEAR TIRE & RUBBER CO	GT	Dec-01	309	2%	31	43	266	2%	-14%
GRAINGER (W W) INC	GWW	Dec-01	378	8%	12	20	357	8%	-5%
GREAT LAKES CHEMICAL CORP	GLK	Dec-01	44	3%	3	5	39	2%	-11%
GUIDANT CORP	GDT	Dec-01	785	29%	118	196	589	22%	-25%
HALLIBURTON CO	HAL	Dec-01	977	8%	42	70	907	7%	-7%
HANCOCK JOHN FINL SVCS INC	JHF	Dec-01	913	10%	35	59	854	9%	-6%
HARLEY-DAVIDSON INC	HDI	Dec-01	687	19%	12	20	668	19%	-3%
HARRAHS ENTERTAINMENT INC	HET	Dec-01	606	16%	8	13	593	16%	-2%
HARTFORD FINL SVCS GRP	HIG	Dec-01	665	4%	53	88	577	4%	-13%
HASBRO INC	HAS	Dec-01	210	7%	10	17	192	7%	-8%
HCA INC	HCA	Dec-01	2,168	12%	49	82	2,086	12%	-4%
HEALTH MANAGEMENT ASSOC	HMA	Sep-01	358	19%	10	17	341	18%	-5%
HEALTHSOUTH CORP	HRC	Dec-01	844	19%	24	40	803	18%	-5%
HEINZ (H J) CO	HNZ	Apr-01	1,570	17%	37	62	1,507	16%	-4%
HERCULES INC	HPC	Dec-01	270	10%	20	33	237	9%	-12%
HERSHEY FOODS CORP	HSY	Dec-01	672	15%	7	12	659	14%	-2%
HEWLETT-PACKARD CO	HWP	Oct-01	2,030	4%	689	1,148	882	2%	-57%
HILTON HOTELS CORP	HLT	Dec-01	632	21%	16	27	605	20%	-4%
HOME DEPOT INC	HD	Jan-02	4,932	9%	244	407	4,525	8%	-8%
HONEYWELL INTERNATIONAL	HON	Dec-01	2,748	12%	85	142	2,606	11%	-5%
HOUSEHOLD INTERNATIONAL	HI	Dec-01	7,112	51%	28	47	7,066	51%	-1%
HUMANA INC	HUM	Dec-01	208	2%	4	6	202	2%	-3%
HUNTINGTON BANCSHARES (b)	HBAN	Dec-01	400	16%	12	20	380	16%	-5%
ILLINOIS TOOL WORKS	ITW	Dec-01	1,306	14%	31	51	1,255	14%	-4%
IMMUNEX CORP	IMNX	Dec-01	103	10%	65	109	(6)	-1%	-106%
IMS HEALTH INC	RX	Dec-01	425	32%	49	81	344	26%	-19%
INCO LTD	N	Dec-01	235	11%	4	7	228	11%	-3%
INGERSOLL-RAND CO LTD	IR	Dec-01	740	8%	31	51	689	7%	-7%
INTEL CORP	INTC	Dec-01	2,578	10%	1,037	1,728	850	3%	-67%
INTERPUBLIC GROUP OF COS	IPG	Dec-01	776	12%	69	114	662	10%	-15%
INTL BUSINESS MACHINES	IBM	Dec-01	9,295	11%	1,239	2,065	7,230	8%	-22%
INTL FLAVORS & FRAGRANCES	IFF	Dec-01	286	15%	14	24	262	14%	-8%
INTL GAME TECHNOLOGY	IGT	Sep-01	252	21%	10	17	235	20%	-7%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
INTL PAPER CO	IP	Dec-01	1,435	5%	53	88	1,347	5%	-6%
INTUIT INC	INTU	Jul-01	40	3%	106	176	(136)	-11%	-436%
ITT INDUSTRIES INC	ITT	Dec-01	495	11%	27	45	449	10%	-9%
J P MORGAN CHASE & CO (b)	JPM	Dec-01	5,089	10%	622	1,037	4,052	8%	-20%
JABIL CIRCUIT INC	JBL	Aug-01	198	5%	26	44	154	4%	-22%
JDS UNIPHASE CORP	JDSU	Jun-01	(4,711)	-146%	436	727	(5,437)	-168%	N/M
JEFFERSON-PILOT CORP	JP	Dec-01	844	25%	11	18	826	25%	-2%
JOHNSON & JOHNSON	JNJ	Dec-01	7,885	24%	263	438	7,447	23%	-6%
JOHNSON CONTROLS INC	JCI	Sep-01	961	5%	9	14	947	5%	-1%
JONES APPAREL GROUP INC	JNY	Dec-01	584	14%	27	44	540	13%	-8%
KB HOME	KBH	Nov-01	405	9%	7	12	393	9%	-3%
KELLOGG CO	K	Dec-01	1,201	14%	24	40	1,162	13%	-3%
KERR-MCGEE CORP	KMG	Dec-01	841	23%	8	13	828	23%	-2%
KEYCORP (b)	KEY	Dec-01	431	6%	25	42	389	5%	-10%
KEYSPAN CORP	KSE	Dec-01	801	12%	8	13	788	12%	-2%
KIMBERLY-CLARK CORP	KMB	Dec-01	2,518	17%	76	127	2,391	16%	-5%
KINDER MORGAN INC	KMI	Dec-01	384	36%	15	25	359	34%	-7%
KING PHARMACEUTICALS INC	KG	Dec-01	378	43%	11	19	360	41%	-5%
KLA-TENCOR CORP	KLAC	Jun-01	456	22%	94	156	300	14%	-34%
KNIGHT-RIDDER INC	KRI	Dec-01	540	19%	15	25	515	18%	-5%
KOHL'S CORP	KSS	Jan-02	850	11%	24	41	809	11%	-5%
KROGER CO	KR	Jan-02	2,643	5%	39	65	2,578	5%	-2%
LEGGETT & PLATT INC	LEG	Dec-01	362	9%	8	13	348	8%	-4%
LEHMAN BROTHERS (b)	LEH	Nov-01	1,875	8%	72	120	1,755	8%	-6%
LEXMARK INTL INC -CL A	LXK	Dec-01	399	10%	28	46	353	9%	-12%
LILLY (ELI) & CO LIMITED INC	LLY	Dec-01	3,730	32%	210	351	3,379	29%	-9%
LTD	LTD	Jan-02	748	8%	28	47	701	7%	-6%
LINCOLN NATIONAL CORP	LNC	Dec-01	905	14%	50	83	822	13%	-9%
LINEAR TECHNOLOGY CORP	LLTC	Jun-01	546	56%	61	102	444	46%	-19%
LIZ CLAIBORNE INC	LIZ	Dec-01	347	10%	13	22	325	9%	-6%
LOCKHEED MARTIN CORP	LMT	Dec-01	1,543	6%	49	82	1,461	6%	-5%
LOEWS CORP	LTR	Dec-01	(230)	-1%	2	4	(234)	-1%	N/M
LOUISIANA-PACIFIC CORP	LPX	Dec-01	(122)	-5%	7	12	(134)	-6%	N/M
LOWES COS	LOW	Jan-02	1,798	8%	55	92	1,706	8%	-5%
LSI LOGIC CORP	LSI	Dec-01	(479)	-27%	229	381	(860)	-48%	N/M
LUCENT TECHNOLOGIES INC	LU	Sep-01	(7,613)	-36%	974	1,623	(9,236)	-43%	N/M
MANOR CARE INC	HCR	Dec-01	179	7%	7	11	168	6%	-6%
MARATHON OIL CORP	MRO	Dec-01	2,907	10%	6	10	2,897	10%	0%
MARRIOTT INTL INC	MAR	Dec-01	591	6%	49	82	509	5%	-14%
MARSH & MCLENNAN COS	MMC	Dec-01	2,159	22%	114	190	1,969	20%	-9%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
MARSHALL & ILSLEY CORP (b)	MI	Dec-01	615	23%	15	25	590	22%	-4%
MASCO CORP	MAS	Dec-01	1,040	12%	19	32	1,008	12%	-3%
MATTEL INC	MAT	Dec-01	648	13%	15	25	623	13%	-4%
MAXIM INTEGRATED PRODUCTS	MXIM	Jun-01	673	43%	130	216	457	29%	-32%
MAY DEPARTMENT STORES CO	MAY	Jan-02	1,493	11%	26	43	1,450	10%	-3%
MAYTAG CORP	MYG	Dec-01	299	7%	9	14	285	7%	-5%
MBIA INC	MBI	Dec-01	851	74%	9	15	836	73%	-2%
MBNA CORP	KRB	Dec-01	4,989	49%	75	126	4,863	48%	-3%
MCDERMOTT INTL INC	MDR	Dec-01	50	3%	3	4	45	2%	-9%
MCDONALDS CORP	MCD	Dec-01	2,954	20%	155	258	2,696	18%	-9%
MCGRAW-HILL COMPANIES	MHP	Dec-01	783	17%	37	61	722	16%	-8%
MCKESSON CORP	MCK	Mar-01	208	0%	137	228	(20)	0%	-110%
MEADWESTVACO CORP	MWV	Oct-01	330	8%	12	21	309	8%	-6%
MEDIMMUNE INC	MEDI	Dec-01	206	33%	80	133	73	12%	-65%
MEDTRONIC INC	MDT	Apr-01	1,878	34%	120	199	1,679	30%	-11%
MELLON FINANCIAL CORP (b)	MEL	Dec-01	1,156	26%	43	72	1,084	25%	-6%
MERCK & CO	MRK	Dec-01	9,728	20%	401	669	9,060	19%	-7%
MERCURY INTERACTIVE CORP	MERQ	Dec-01	26	7%	124	207	(181)	-50%	-807%
MEREDITH CORP	MDP	Jun-01	152	14%	5	8	144	14%	-5%
MERRILL LYNCH & CO (b)	MER	Dec-01	3,701	10%	854	1,423	2,278	6%	-38%
METLIFE INC	MET	Dec-01	1,820	6%	19	32	1,788	6%	-2%
MGIC INVESTMENT CORP/WI	MTG	Dec-01	963	71%	13	22	940	69%	-2%
MICRON TECHNOLOGY INC	MU	Aug-01	(92)	-2%	226	376	(468)	-12%	N/M
MICROSOFT CORP	MSFT	Jun-01	11,720	46%	2,262	3,377	8,343	33%	-29%
MILLIPORE CORP	MIL	Dec-01	119	18%	12	19	100	15%	-16%
MINNESOTA MINING & MFG CO	MMM	Dec-01	2,777	17%	152	253	2,524	16%	-9%
MIRANT CORP	MIR	Dec-01	1,019	3%	49	82	937	3%	-8%
MOLEX INC	MOLX	Jun-01	323	14%	4	7	316	13%	-2%
MOODYS CORP	MCO	Dec-01	399	50%	9	16	383	48%	-4%
MORGAN STANLEY DEAN WIT (b)	MWD	Nov-01	5,674	13%	375	625	5,049	12%	-11%
MOTOROLA INC	MOT	Dec-01	(613)	-2%	290	483	(1,096)	-4%	N/M
NABORS INDUSTRIES	NBR	Dec-01	499	24%	8	14	485	23%	-3%
NATIONAL CITY CORP (b)	NCC	Dec-01	2,167	24%	40	67	2,100	23%	-3%
NATIONAL SEMICONDUCTOR	NSM	May-01	273	13%	113	188	85	4%	-69%
NAVISTAR INTERNATIONAL	NAV	Oct-01	108	2%	9	15	93	1%	-14%
NCR CORP	NCR	Dec-01	234	4%	40	67	167	3%	-28%
NETWORK APPLIANCE INC	NTAP	Apr-01	136	14%	241	402	(266)	-26%	-295%
NEW YORK TIMES CO -CL A	NYT	Dec-01	465	15%	47	79	386	13%	-17%
NEWELL RUBBERMAID INC	NWL	Dec-01	657	10%	16	26	631	9%	-4%
NEWMONT MINING CORP	NEM	Dec-01	105	6%	1	2	103	6%	-2%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
NEXTEL COMMUNICATIONS	NXTL	Dec-01	54	1%	329	548	(494)	-6%	-1015%
NICOR INC	GAS	Dec-01	244	10%	0	0	243	10%	0%
NIKE INC -CL B	NKE	May-01	999	11%	31	51	947	10%	-5%
NISOURCE INC	NI	Dec-01	1,009	11%	6	9	1,000	11%	-1%
NOBLE DRILLING CORP	NE	Dec-01	386	38%	16	27	359	36%	-7%
NORDSTROM INC	JWN	Jan-02	281	5%	17	29	253	4%	-10%
NORFOLK SOUTHERN CORP	NSC	Dec-01	1,007	16%	17	28	979	16%	-3%
NORTEL NETWORKS CORP	NT	Dec-01	(10,537)	-60%	1,646	2,743	(13,280)	-76%	N/M
NORTHERN TRUST CORP (b)	NTRS	Dec-01	732	23%	43	72	660	20%	-10%
NORTHROP GRUMMAN CORP	NOC	Dec-01	1,004	7%	13	22	982	7%	-2%
NOVELL INC	NOVL	Oct-01	(32)	-3%	122	203	(235)	-23%	N/M
NOVELLUS SYSTEMS INC	NVLS	Dec-01	228	17%	68	114	114	8%	-50%
NUCOR CORP	NUE	Dec-01	160	4%	0	0	160	4%	0%
NVIDIA CORP	NVDA	Jan-02	255	35%	128	213	43	6%	-83%
OCCIDENTAL PETROLEUM CORP	OXY	Dec-01	2,558	18%	13	21	2,537	18%	-1%
OFFICE DEPOT INC	ODP	Dec-01	394	4%	36	60	334	3%	-15%
OMNICOM GROUP	OMC	Dec-01	968	14%	47	79	889	13%	-8%
ORACLE CORP	ORCL	May-01	3,777	35%	453	755	3,022	28%	-20%
PACCAR INC	PCAR	Dec-01	492	8%	6	9	482	8%	-2%
PACTIV CORP	PTV	Dec-01	397	14%	9	15	382	14%	-4%
PALL CORP	PLL	Jul-01	184	15%	7	11	173	14%	-6%
PALM INC	PALM	May-01	(392)	-25%	146	243	(635)	-41%	N/M
PARAMETRIC TECHNOLOGY	PMTC	Sep-01	40	4%	87	144	(105)	-11%	-364%
PARKER-HANNIFIN CORP	PH	Jun-01	590	10%	11	18	572	10%	-3%
PAYCHEX INC	PAYX	May-01	337	19%	10	17	319	18%	-5%
PENNEY (J C) CO	JCP	Jan-02	635	2%	8	14	621	2%	-2%
PEOPLES ENERGY CORP	PGL	Sep-01	162	7%	1	1	161	7%	-1%
PEOPLESOFT INC	PSFT	Dec-01	252	12%	125	208	44	2%	-82%
PEPSI BOTTLING GROUP INC	PBG	Dec-01	676	8%	36	60	616	7%	-9%
PEPSICO INC	PEP	Dec-01	4,408	16%	306	510	3,898	14%	-12%
PERKINELMER INC	PKI	Dec-01	151	11%	34	56	95	7%	-37%
PFIZER INC	PFE	Dec-01	10,801	34%	560	933	9,868	31%	-9%
PG&E CORP	PCG	Dec-01	2,736	12%	23	38	2,698	12%	-1%
PHARMACIA CORP	PHA	Dec-01	2,701	20%	90	150	2,551	18%	-6%
PHELPS DODGE CORP	PD	Dec-01	(77)	-2%	12	20	(97)	-2%	N/M
PHILIP MORRIS COS INC	MO	Dec-01	16,295	22%	168	280	16,015	22%	-2%
PHILLIPS PETROLEUM CO	P	Dec-01	3,579	15%	17	28	3,551	15%	-1%
PINNACLE WEST CAPITAL	PNW	Dec-01	675	15%	2	4	671	15%	-1%
PITNEY BOWES INC	PBI	Dec-01	997	24%	26	43	954	23%	-4%
PLACER DOME INC	PDG	Dec-01	(101)	-8%	14	23	(124)	-10%	N/M

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
PLUM CREEK TIMBER CO INC	PCL	Dec-01	256	43%	3	5	251	42%	-2%
PMC-SIERRA INC	PMCS	Dec-01	(170)	-53%	108	181	(351)	-109%	N/M
PNC FINANCIAL SVCS GRP (b)	PNC	Dec-01	1,841	26%	33	55	1,786	26%	-3%
POWER-ONE INC	PWER	Dec-01	(10)	-3%	14	24	(33)	-9%	N/M
PPG INDUSTRIES INC	PPG	Dec-01	924	11%	24	40	884	11%	-4%
PPL CORP	PPL	Dec-01	855	15%	3	5	850	15%	-1%
PRAXAIR INC	PX	Dec-01	846	16%	32	53	793	15%	-6%
PRICE (T. ROWE) GROUP (b)	TROW	Dec-01	331	32%	29	49	282	27%	-15%
PROCTER & GAMBLE CO	PG	Jun-01	6,459	16%	310	517	5,942	15%	-8%
PROGRESS ENERGY INC	PGN	Dec-01	1,244	15%	2	3	1,241	15%	0%
PROGRESSIVE CORP-OHIO	PGR	Dec-01	642	9%	15	26	616	8%	-4%
PROVIDIAN FINANCIAL CORP	PVN	Dec-01	1,621	29%	71	119	1,502	27%	-7%
PUBLIC SERVICE ENTRP	PEG	Dec-01	1,892	19%	10	16	1,876	19%	-1%
PULTE HOMES INC	PHM	Dec-01	568	11%	14	24	544	10%	-4%
QLOGIC CORP	QLGC	Mar-01	121	34%	38	64	57	16%	-53%
QUALCOMM INC	QCOM	Sep-01	611	23%	167	279	333	12%	-46%
QUINTILES TRANSNATIONAL	QTRN	Dec-01	46	3%	26	43	4	0%	-92%
QWEST COMMUNICATION INTL	Q	Dec-01	2,240	11%	259	432	1,808	9%	-19%
RADIOSHACK CORP	RSH	Dec-01	508	11%	55	92	417	9%	-18%
RATIONAL SOFTWARE CORP	RATL	Mar-01	94	12%	220	366	(272)	-33%	-388%
RAYTHEON CO	RTN	Dec-01	802	5%	49	82	720	4%	-10%
REEBOK INTERNATIONAL LTD	RBK	Dec-01	184	6%	6	10	174	6%	-6%
REGIONS FINL CORP	RGBK	Dec-01	741	18%	34	56	685	17%	-8%
RELIANT ENERGY INC	REI	Dec-01	1,993	4%	26	43	1,950	4%	-2%
ROBERT HALF INTL INC	RHI	Dec-01	188	8%	30	50	138	6%	-27%
ROCKWELL COLLINS INC	COL	Sep-01	395	14%	22	37	358	13%	-9%
ROCKWELL INTL CORP	ROK	Sep-01	298	7%	34	57	241	6%	-19%
ROHM & HAAS CO	ROH	Dec-01	456	8%	20	33	423	7%	-7%
ROWAN COS INC	RDC	Dec-01	125	17%	3	6	119	16%	-5%
ROYAL DUTCH PETROLEUM	RD	Dec-01	10,177	13%	0	0	10,177	13%	0%
RYDER SYSTEM INC	R	Dec-01	253	5%	8	13	240	5%	-5%
SABRE HLDGS CORP -CL A	TSG	Dec-01	(9)	0%	18	29	(38)	-2%	N/M
SAFECO CORP	SAFC	Dec-01	(89)	-1%	4	4	(94)	-1%	N/M
SAFEWAY INC	SWY	Dec-01	2,632	8%	45	75	2,557	7%	-3%
SANMINA-SCI CORP	SANM	Sep-01	275	7%	59	99	177	4%	-36%
SAPIENT CORP	SAPE	Dec-01	(98)	-30%	62	104	(202)	-61%	N/M
SARA LEE CORP	SLE	Jun-01	1,618	9%	61	102	1,516	9%	-6%
SBC COMMUNICATIONS INC	SBC	Dec-01	10,923	24%	234	390	10,533	23%	-4%
SCHERING-PLOUGH	SGP	Dec-01	2,928	30%	81	135	2,793	28%	-5%
SCHLUMBERGER LTD	SLB	Dec-01	1,413	10%	136	227	1,186	9%	-16%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
SCHWAB (CHARLES) CORP (b)	SCH	Dec-01	554	11%	167	278	276	5%	-50%
SCIENTIFIC-ATLANTA INC	SFA	Jun-01	417	17%	79	131	286	11%	-31%
SEALED AIR CORP	SEE	Dec-01	420	14%	0	0	420	14%	0%
SEARS ROEBUCK & CO	S	Dec-01	3,657	9%	51	85	3,572	9%	-2%
SEMPRA ENERGY	SRE	Dec-01	993	12%	1	2	991	12%	0%
SHERWIN-WILLIAMS CO	SHW	Dec-01	490	10%	9	15	474	9%	-3%
SIEBEL SYSTEMS INC	SEBL	Dec-01	358	17%	722	1,203	(845)	-41%	-336%
SIGMA-ALDRICH	SIAL	Dec-01	219	19%	1	2	217	18%	-1%
SNAP-ON INC	SNA	Dec-01	207	10%	6	10	197	9%	-5%
SOLETRON CORP	SLR	Aug-01	448	2%	86	144	304	2%	-32%
SOUTHERN CO	SO	Dec-01	2,391	24%	17	28	2,363	23%	-1%
SOUTHTRUST CORP (b)	SOTR	Dec-01	827	22%	5	8	819	22%	-1%
SOUTHWEST AIRLINES	LUV	Dec-01	631	11%	25	42	589	11%	-7%
SPRINT FON GROUP	FON	Dec-01	1,813	11%	144	240	1,573	9%	-13%
SPRINT PCS GROUP	PCS	Dec-01	(637)	-7%	206	343	(980)	-10%	N/M
ST JUDE MEDICAL INC	STJ	Dec-01	279	21%	27	44	234	17%	-16%
ST PAUL COS	SPC	Dec-01	(1,186)	-13%	35	58	(1,244)	-14%	N/M
STANLEY WORKS	SWK	Dec-01	350	13%	4	6	344	13%	-2%
STAPLES INC	SPLS	Jan-02	526	5%	44	74	453	4%	-14%
STARBUCKS CORP	SBUX	Sep-01	252	10%	41	68	185	7%	-27%
STARWOOD HOTELS	HOT	Dec-01	651	16%	67	112	539	14%	-17%
STATE STREET CORP (b)	STT	Dec-01	980	17%	43	72	908	16%	-7%
STILWELL FINL INC (b)	SV	Dec-01	578	37%	6	9	569	37%	-2%
STRYKER CORP	SYK	Dec-01	473	18%	12	20	453	17%	-4%
SUN MICROSYSTEMS INC	SUNW	Jun-01	1,845	10%	533	796	1,049	6%	-43%
SUNOCO INC	SUN	Dec-01	633	5%	3	5	628	5%	-1%
SUNTRUST BANKS INC (b)	STI	Dec-01	2,042	24%	15	24	2,017	24%	-1%
SUPERVALU INC	SVU	Feb-02	575	3%	8	13	562	3%	-2%
SYMBOL TECHNOLOGIES	SBL	Dec-01	107	7%	24	39	68	5%	-37%
SYNOVUS FINANCIAL CP (b)	SNV	Dec-01	510	25%	17	28	482	23%	-5%
SYSCO CORP	SY	Jun-01	1,039	5%	11	19	1,020	5%	-2%
TARGET CORP	TGT	Jan-02	2,747	7%	28	47	2,700	7%	-2%
TECO ENERGY INC	TE	Dec-01	423	16%	5	8	414	16%	-2%
TEKTRONIX INC	TEK	May-01	175	14%	13	22	153	12%	-13%
TELLABS INC	TLAB	Dec-01	169	8%	121	202	(33)	-2%	-120%
TEMPLE-INLAND INC	TIN	Dec-01	456	11%	4	7	449	11%	-1%
TENET HEALTHCARE CORP	THC	May-01	1,690	14%	53	88	1,602	13%	-5%
TERADYNE INC	TER	Dec-01	(107)	-7%	73	122	(229)	-16%	N/M
TEXAS INSTRUMENTS INC	TXN	Dec-01	(224)	-3%	309	515	(739)	-9%	N/M
TEXTRON INC	TXT	Dec-01	947	8%	26	43	904	7%	-5%

**APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)**

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
THERMO ELECTRON CORP	TMO	Dec-01	167	8%	19	32	135	6%	-19%
THOMAS & BETTS CORP	TNB	Dec-01	(8)	-1%	5	8	(16)	-1%	N/M
TIFFANY & CO	TIF	Jan-02	310	19%	11	18	292	18%	-6%
TJX COMPANIES INC	TJX	Jan-02	900	8%	28	46	853	8%	-5%
TMP WORLDWIDE INC	TMPW	Dec-01	186	13%	58	96	90	6%	-52%
TORCHMARK CORP	TMK	Dec-01	646	24%	38	63	583	22%	-10%
TOYS R US INC	TOY	Jan-02	384	3%	39	65	319	3%	-17%
TRANSOCEAN SEDCO FOREX	RIG	Dec-01	523	19%	13	21	502	18%	-4%
TRIBUNE CO	TRB	Dec-01	802	15%	54	90	712	14%	-11%
TRICON GLOBAL RESTAURANTS	YUM	Dec-01	866	12%	30	50	816	12%	-6%
TRW INC	TRW	Dec-01	922	6%	24	40	882	5%	-4%
TUPPERWARE CORP	TUP	Dec-01	134	12%	7	11	123	11%	-8%
TXU CORP	TXU	Dec-01	2,285	8%	0	0	2,285	8%	0%
TYCO INTERNATIONAL LTD	TYC	Sep-01	7,958	22%	383	638	7,320	20%	-8%
U S BANCORP (b)	USB	Dec-01	3,901	24%	228	379	3,521	21%	-10%
UNILEVER N V -NY SHARES	UN	Dec-01	2,615	8%	60	100	2,515	8%	-4%
UNION PACIFIC CORP	UNP	Dec-01	2,072	17%	22	37	2,035	17%	-2%
UNION PLANTERS CORP (b)	UPC	Dec-01	666	21%	11	18	648	21%	-3%
UNISYS CORP	UIS	Dec-01	270	4%	52	86	184	3%	-32%
UNITED STATES STEEL CORP	X	Dec-01	(285)	-5%	3	5	(290)	-5%	N/M
UNITED TECHNOLOGIES CORP	UTX	Dec-01	3,581	13%	102	170	3,411	12%	-5%
UNITEDHEALTH GROUP INC	UNH	Dec-01	1,572	7%	82	137	1,435	6%	-9%
UNIVISION COMMUNICATIONS	UVN	Dec-01	228	26%	34	57	171	19%	-25%
UNOCAL CORP	UCL	Dec-01	1,085	16%	12	20	1,065	16%	-2%
UNUMPROVIDENT CORP	UNM	Dec-01	1,000	11%	12	21	980	10%	-2%
US AIRWAYS GROUP INC	U	Dec-01	(1,045)	-13%	35	58	(1,103)	-13%	N/M
USA EDUCATION INC (b)	SLM	Dec-01	1,123	28%	117	196	927	23%	-17%
UST INC	UST	Dec-01	833	51%	5	8	825	51%	-1%
VERITAS SOFTWARE CO	VRTS	Dec-01	(567)	-38%	290	484	(1,051)	-70%	N/M
VERIZON COMMUNICATIONS	VZ	Dec-01	15,408	23%	498	830	14,578	22%	-5%
VF CORP	VFC	Dec-01	559	10%	15	26	534	10%	-5%
VIACOM INC -CL B	VIA.B	Dec-01	1,580	7%	136	226	1,354	6%	-14%
VISTEON CORP	VC	Dec-01	75	0%	5	-4	79	0%	5%
VITESSE SEMICONDUCTOR	VTSS	Sep-01	(97)	-25%	48	80	(177)	-46%	N/M
VULCAN MATERIALS CO	VMC	Dec-01	370	12%	4	7	363	12%	-2%
WACHOVIA CORP (b)	WB	Dec-01	3,420	15%	58	97	3,323	15%	-3%
WALGREEN CO	WAG	Aug-01	1,398	6%	52	87	1,311	5%	-6%
WAL-MART STORES	WMT	Jan-02	10,064	5%	79	132	9,932	5%	-1%
WASHINGTON MUTUAL INC (b)	WM	Dec-01	4,311	22%	28	47	4,264	22%	-1%
WASTE MANAGEMENT INC	WMI	Dec-01	1,663	15%	83	138	1,525	13%	-8%

APPENDIX B (continued). Pro Forma Impact of Employee Stock Option Expense on Operating Income for the S&P 500 (\$ in millions)

Company Name	Ticker Symbol	Fiscal Year End	Reported Operating Income	Reported Operating Margin	After-Tax FAS 123 Comp. Expense	Pretax FAS 123 Comp. Expense (a)	Pro Forma Operating Income	Pro Forma Operating Margin	% Change in Operating Income
WATERS CORP	WAT	Dec-01	225	26%	19	32	193	22%	-14%
WATSON PHARMACEUTICALS	WPI	Dec-01	303	26%	13	22	281	24%	-7%
WELLPOINT HLTH NETWRK	WLP	Dec-01	823	7%	33	55	768	6%	-7%
WELLS FARGO & CO (b)	WFC	Dec-01	5,639	20%	146	243	5,396	19%	-4%
WENDY'S INTERNATIONAL INC	WEN	Dec-01	330	14%	9	15	314	13%	-5%
WEYERHAEUSER CO	WY	Dec-01	906	6%	18	30	876	6%	-3%
WHIRLPOOL CORP	WHR	Dec-01	813	8%	13	22	791	8%	-3%
WILLIAMS COS INC	WMB	Dec-01	2,591	23%	11	19	2,572	23%	-1%
WINN-DIXIE STORES INC	WIN	Jun-01	274	2%	0	-8	282	2%	3%
WORLDCOM INC	WCOM	Dec-01	3,962	19%	499	832	3,130	15%	-21%
WORTHINGTON INDUSTRIES	WOR	May-01	72	4%	1	2	69	4%	-3%
WRIGLEY (WM) JR CO	WWY	Dec-01	513	21%	8	13	500	21%	-3%
WYETH	WYE	Dec-01	3,691	26%	201	334	3,356	24%	-9%
XCEL ENERGY INC	XEL	Dec-01	1,726	12%	3	6	1,720	12%	0%
XEROX CORP	XRX	Dec-00	998	5%	102	170	828	4%	-17%
XILINX INC	XLNX	Mar-01	475	29%	135	226	249	15%	-48%
XL CAPITAL LTD	XL	Dec-01	(760)	-19%	40	66	(826)	-21%	N/M
YAHOO INC	YHOO	Dec-01	(96)	-13%	890	1,484	(1,580)	-220%	N/M
ZIMMER HLDGS INC	ZMH	Dec-01	318	27%	13	22	297	25%	-7%
ZIONS BANCORPORATION (b)	ZION	Dec-01	452	22%	28	47	405	20%	-10%

(a) Calculated using an estimated tax rate of 40%.

(b) As a result of inconsistent disclosure, the operating income figure reported by FactSet can be incorrect. We made adjustments to 44 companies where we believe it was obvious that operating income was misstated. Ticker symbols are as follows: ABK, AXP, ASO, BAC, BK, ONE, BBT, BSC, CF, C, CMA, FNM, FRE, FITB, FBF, BEN, GDW, HBAN, JPM, KEY, LEH, MI, MEL, MER, MCO, MWD, NCC, NTRS, PNC, TROW, RGBK, SCH, SOTR, STT, SV, STI, SNV, USB, UPC, SLM, WB, WM, WFC, ZION.

N/M = Not Meaningful.

N/A = Not Available.

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**Appendix C. Decline of 10% or More from Reported to Pro Forma Earnings for All Three Years**

Company Name	Ticker Symbol	Company Name	Ticker Symbol
ADOBE SYSTEMS INC	ADBE	MEDIMMUNE INC	MEDI
ALCOA INC	AA	MERCURY INTERACTIVE CORP	MERQ
AMERICAN PWR CNVRSION	APCC	MILLIPORE CORP	MIL
ANALOG DEVICES	ADI	NETWORK APPLIANCE INC	NTAP
APPLERA CORP APPLIED BIOSYS	ABI	NEW YORK TIMES CO -CL A	NYT
AUTODESK INC	ADSK	NOVELLUS SYSTEMS INC	NVLS
BAUSCH & LOMB INC	BOL	NVIDIA CORP	NVDA
BIOGEN INC	BGEN	OFFICE DEPOT INC	ODP
CHIRON CORP	CHIR	PEPSI BOTTLING GROUP INC	PBG
CITRIX SYSTEMS INC	CTXS	QLOGIC CORP	QLGC
COMPUWARE CORP	CPWR	RATIONAL SOFTWARE CORP	RATL
COMVERSE TECHNOLOGY INC	CMVT	RAYTHEON CO	RTN
CONCORD EFS INC	CEFT	ROBERT HALF INTL INC	RHI
CONVERGYS CORP	CVG	SANMINA-SCI CORP	SANM
COORS (ADOLPH) -CL B	RKY	SCHLUMBERGER LTD	SLB
DELL COMPUTER CORP	DELL	SCIENTIFIC-ATLANTA INC	SFA
DISNEY (WALT) CO	DIS	SIEBEL SYSTEMS INC	SEBL
EQUIFAX INC	EFX	ST JUDE MEDICAL INC	STJ
FOREST LABORATORIES -CL A	FRX	STAPLES INC	SPLS
GILLETTE CO	G	STARBUCKS CORP	SBUX
GUIDANT CORP	GDT	SUN MICROSYSTEMS INC	SUNW
IMMUNEX CORP	IMNX	THERMO ELECTRON CORP	TMO
IMS HEALTH INC	RX	TMP WORLDWIDE INC	TMPW
KLA-TENCOR CORP	KLAC	UNIVISION COMMUNICATIONS	UVN
LINEAR TECHNOLOGY CORP	LLTC	WORLDCOM INC	WCOM
MAXIM INTEGRATED PRODUCTS	MXIM	XILINX INC	XLNX

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**Appendix D. Decline in Year-over-Year EPS Growth of 1,000 or More Basis Points**

Company Name	Ticker Symbol	Company Name	Ticker Symbol
ADC TELECOMMUNICATIONS INC	ADCT	LUCENT TECHNOLOGIES INC	LU
ADOBE SYSTEMS INC	ADBE	MAXIM INTEGRATED PRODUCTS	MXIM
ADVANCED MICRO DEVICES	AMD	MCKESSON CORP	MCK
AGILENT TECHNOLOGIES INC	A	MEDIMMUNE INC	MEDI
ALLIED WASTE INDS INC	AW	MERCURY INTERACTIVE CORP	MERO
ALTERA CORP	ALTR	MERRILL LYNCH & CO	MER
AMERICAN GREETINGS -CL A	AM	MICRON TECHNOLOGY INC	MU
AMERICAN PWR CNVRSION	APCC	MICROSOFT CORP	MSFT
AMERISOURCEBERGEN CORP	ABC	MOTOROLA INC	MOT
ANALOG DEVICES	ADI	NATIONAL SEMICONDUCTOR CORP	NSM
AOL TIME WARNER INC	AOL	NETWORK APPLIANCE INC	NTAP
APPLE COMPUTER INC	AAPL	NOVELLUS SYSTEMS INC	NVLS
APPLERA CORP APPLIED BIOSYS	ABI	NVIDIA CORP	NVDA
APPLIED MICRO CIRCUITS CORP	AMCC	PALM INC	PALM
AT&T CORP	T	PEOPLESOFT INC	PSFT
AT&T WIRELESS SERVICES INC	AWE	PERKINELMER INC	PKI
AUTODESK INC	ADSK	PHELPS DODGE CORP	PD
BALL CORP	BLL	PMC-SIERRA INC	PMCS
BAXTER INTERNATIONAL INC	BAX	POWER-ONE INC	PWER
BMC SOFTWARE INC	BMC	QLOGIC CORP	QLGC
BOSTON SCIENTIFIC CORP	BSX	QUALCOMM INC	QCOM
CENDANT CORP	CD	RADIOSHACK CORP	RSH
CISCO SYSTEMS INC	CSCO	RATIONAL SOFTWARE CORP	RATL
CLEAR CHANNEL COMMUNICATIONS	CCU	RAYTHEON CO	RTN
CMS ENERGY CORP	CMS	SABRE HLDGS CORP -CL A	TSG
COCA-COLA ENTERPRISES	CCE	SAFECO CORP	SAFC
COMPAQ COMPUTER CORP	CPQ	SANMINA-SCI CORP	SANM
COMPUTER ASSOCIATES INTL INC	CA	SCHLUMBERGER LTD	SLB
COMPUWARE CORP	CPWR	SCHWAB (CHARLES) CORP	SCH
COMVERSE TECHNOLOGY INC	CMVT	SOLETRON CORP	SLR
CONVERGYS CORP	CVG	SOUTHERN CO	SO
CORNING INC	GLW	SPRINT FON GROUP	FON
DELL COMPUTER CORP	DELL	STARWOOD HOTELS&RESORTS WRLD	HOT
DISNEY (WALT) CO	DIS	SUN MICROSYSTEMS INC	SUNW
EL PASO CORP	EP	TELLABS INC	TLAB
EMC CORP/MA	EMC	TERADYNE INC	TER
GAP INC	GPS	TEXAS INSTRUMENTS INC	TXN
GENZYME CORP	GENZ	THERMO ELECTRON CORP	TMO
GEORGIA-PACIFIC CORP	GP	TRIBUNE CO	TRB
GOODYEAR TIRE & RUBBER CO	GT	UNISYS CORP	UIS
HERCULES INC	HPC	UNIVISION COMMUNICATIONS INC	UVN
HEWLETT-PACKARD CO	HWP	USA EDUCATION INC	SLM
INTERPUBLIC GROUP OF COS	IPG	XEROX CORP	XRX
INTL PAPER CO	IP	XILINX INC	XLNX
INTUIT INC	INTU	XL CAPITAL LTD	XL
LSI LOGIC CORP	LSI		

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**Appendix E. Increase in Year-over-Year EPS Growth of 100 or More Basis Points**

<b>Company Name</b>	<b>Ticker Symbol</b>	<b>Company Name</b>	<b>Ticker Symbol</b>
AIR PRODUCTS & CHEMICALS INC	APD	MEREDITH CORP	MDP
BAKER-HUGHES INC	BHI	NABORS INDUSTRIES	NBR
BARD (C.R.) INC	BCR	NCR CORP	NCR
BED BATH & BEYOND INC	BBBY	NOBLE DRILLING CORP	NE
BEMIS CO	BMS	NORFOLK SOUTHERN CORP	NSC
BURLINGTON NORTHERN SANTA FE	BNI	OFFICE DEPOT INC	ODP
CALPINE CORP	CPN	PACTIV CORP	PTV
CAPITAL ONE FINL CORP	COF	PAYCHEX INC	PAYX
CENTEX CORP	CTX	PFIZER INC	PFE
CINCINNATI FINANCIAL CORP	CINF	PHARMACIA CORP	PHA
COCA-COLA CO	KO	PLUM CREEK TIMBER CO INC	PCL
COLGATE-PALMOLIVE CO	CL	PROGRESSIVE CORP-OHIO	PGR
CONAGRA FOODS INC	CAG	SARA LEE CORP	SLE
CSX CORP	CSX	SCIENTIFIC-ATLANTA INC	SFA
DOLLAR GENERAL CORP	DG	SHERWIN-WILLIAMS CO	SHW
DU PONT (E I) DE NEMOURS	DD	SIGMA-ALDRICH	SIAL
ENGELHARD CORP	EC	STANLEY WORKS	SWK
EXELON CORP	EXC	STARBUCKS CORP	SBUX
FANNIE MAE	FNM	TENET HEALTHCARE CORP	THC
FREERT MCMOR COP&GLD -CL B	FCX	TMP WORLDWIDE INC	TMPW
GUIDANT CORP	GDT	TRANSOCEAN SEDCO FOREX INC	RIG
HALLIBURTON CO	HAL	TRICON GLOBAL RESTAURANTS	YUM
HCA INC	HCA	UNILEVER N V -NY SHARES	UN
HUMANA INC	HUM	UNION PACIFIC CORP	UNP
IMMUNEX CORP	IMNX	UNITEDHEALTH GROUP INC	UNH
IMS HEALTH INC	RX	WILLIAMS COS INC	WMB
KING PHARMACEUTICALS INC	KG	WORLDCOM INC	WCOM
KROGER CO	KR	XCEL ENERGY INC	XEL
MATTEL INC	MAT		

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**Appendix F. Decline of 10% or More from Reported to Pro Forma Operating Income for 2001**

Industry	Company Name	Ticker Symbol
Automobiles & Components	DANA CORP	DCN
Automobiles & Components	DELPHI AUTOMOTIVE SYS CORP	DPH
Automobiles & Components	GOODYEAR TIRE & RUBBER CO	GT
Banks	KEYCORP	KEY
Banks	NORTHERN TRUST CORP	NTRS
Banks	U S BANCORP	USB
Banks	ZIONS BANCORPORATION	ZION
Capital Goods	AMERICAN PWR CNVRSION	APCC
Capital Goods	CUMMINS INC	CUM
Capital Goods	NAVISTAR INTERNATIONAL	NAV
Capital Goods	RAYTHEON CO	RTN
Capital Goods	ROCKWELL INTL CORP	ROK
Commercial Services & Supplies	AUTOMATIC DATA PROCESSING	ADP
Commercial Services & Supplies	CENDANT CORP	CD
Commercial Services & Supplies	CONCORD EFS INC	CEFT
Commercial Services & Supplies	CONVERGYS CORP	CVG
Commercial Services & Supplies	EQUIFAX INC	EFX
Commercial Services & Supplies	IMS HEALTH INC	RX
Commercial Services & Supplies	ROBERT HALF INTL INC	RHI
Consumer Durables & Apparel	EASTMAN KODAK CO	EK
Diversified Financials	AMERICAN EXPRESS	AXP
Diversified Financials	FRANKLIN RESOURCES INC	BEN
Diversified Financials	J P MORGAN CHASE & CO	JPM
Diversified Financials	MERRILL LYNCH & CO	MER
Diversified Financials	MORGAN STANLEY DEAN WITTER	MWD
Diversified Financials	PRICE (T. ROWE) GROUP	TROW
Diversified Financials	SCHWAB (CHARLES) CORP	SCH
Diversified Financials	USA EDUCATION INC	SLM
Energy	SCHLUMBERGER LTD	SLB
Food Beverage & Tobacco	COCA-COLA ENTERPRISES	CCE
Food Beverage & Tobacco	COORS (ADOLPH) -CL B	RKY
Food Beverage & Tobacco	PEPSICO INC	PEP
Health Care Equipment & Services	AMERISOURCEBERGEN CORP	ABC
Health Care Equipment & Services	APPLERA CORP APPLIED BIOSYS	ABI
Health Care Equipment & Services	BAUSCH & LOMB INC	BOL
Health Care Equipment & Services	BAXTER INTERNATIONAL INC	BAX
Health Care Equipment & Services	BOSTON SCIENTIFIC CORP	BSX
Health Care Equipment & Services	GUIDANT CORP	GDT
Health Care Equipment & Services	MCKESSON CORP	MCK
Health Care Equipment & Services	MEDTRONIC INC	MDT
Health Care Equipment & Services	QUINTILES TRANSNATIONAL CORP	QTRN
Health Care Equipment & Services	ST JUDE MEDICAL INC	STJ
Hotels Restaurants & Leisure	MARRIOTT INTL INC	MAR
Hotels Restaurants & Leisure	STARBUCKS CORP	SBUX
Hotels Restaurants & Leisure	STARWOOD HOTELS&RESORTS WRLD	HOT
Household & Personal Products	GILLETTE CO	G
Insurance	TORCHMARK CORP	TMK
Materials	ALCOA INC	AA
Materials	ALLEGHENY TECHNOLOGIES INC	ATI
Materials	BARRICK GOLD CORP	ABX
Materials	GREAT LAKES CHEMICAL CORP	GLK

**Appendix F (continued). Decline of 10% or More from Reported to Pro Forma Operating Income for 2001**

Industry	Company Name	Ticker Symbol
Materials	HERCULES INC	HPC
Media	AOL TIME WARNER INC	AOL
Media	DISNEY (WALT) CO	DIS
Media	DOW JONES & CO INC	DJ
Media	INTERPUBLIC GROUP OF COS	IPG
Media	NEW YORK TIMES CO -CL A	NYT
Media	TMP WORLDWIDE INC	TMPW
Media	TRIBUNE CO	TRB
Media	UNIVISION COMMUNICATIONS INC	UVN
Media	VIACOM INC -CL B	VIA.B
Pharmaceuticals & Biotechnology	ALLERGAN INC	AGN
Pharmaceuticals & Biotechnology	AMGEN INC	AMGN
Pharmaceuticals & Biotechnology	BIOGEN INC	BGEN
Pharmaceuticals & Biotechnology	CHIRON CORP	CHIR
Pharmaceuticals & Biotechnology	FOREST LABORATORIES -CL A	FRX
Pharmaceuticals & Biotechnology	GENZYME CORP	GENZ
Pharmaceuticals & Biotechnology	IMMUNEX CORP	IMNX
Pharmaceuticals & Biotechnology	MEDIMMUNE INC	MEDI
Retailing	BED BATH & BEYOND INC	BBBY
Retailing	BEST BUY CO INC	BBY
Retailing	BIG LOTS INC	BLI
Retailing	COSTCO WHOLESALE CORP	COST
Retailing	GAP INC	GPS
Retailing	NORDSTROM INC	JWN
Retailing	OFFICE DEPOT INC	ODP
Retailing	RADIOSHACK CORP	RSH
Retailing	STAPLES INC	SPLS
Retailing	TOYS R US INC	TOY
Software & Services	ADOBE SYSTEMS INC	ADBE
Software & Services	AUTODESK INC	ADSK
Software & Services	BMC SOFTWARE INC	BMC
Software & Services	CITRIX SYSTEMS INC	CTXS
Software & Services	COMPUWARE CORP	CPWR
Software & Services	INTUIT INC	INTU
Software & Services	MERCURY INTERACTIVE CORP	MERQ
Software & Services	MICROSOFT CORP	MSFT
Software & Services	ORACLE CORP	ORCL
Software & Services	PARAMETRIC TECHNOLOGY CORP	PMTC
Software & Services	PEOPLESOFT INC	PSFT
Software & Services	RATIONAL SOFTWARE CORP	RATL
Software & Services	SIEBEL SYSTEMS INC	SEBL
Software & Services	UNISYS CORP	UIS
Technology Hardware & Equipment	ADVANCED MICRO DEVICES	AMD
Technology Hardware & Equipment	ALTERA CORP	ALTR
Technology Hardware & Equipment	ANALOG DEVICES	ADI
Technology Hardware & Equipment	ANDREW CORP	ANDW
Technology Hardware & Equipment	APPLIED MATERIALS INC	AMAT
Technology Hardware & Equipment	AVAYA INC	AV
Technology Hardware & Equipment	CIENA CORP	CIEN
Technology Hardware & Equipment	CISCO SYSTEMS INC	CSCO
Technology Hardware & Equipment	COMPAQ COMPUTER CORP	CPO

**Appendix F (continued). Decline of 10% or More from Reported to Pro Forma Operating Income for 2001**

Industry	Company Name	Ticker Symbol
Technology Hardware & Equipment	COMVERSE TECHNOLOGY INC	CMVT
Technology Hardware & Equipment	DELL COMPUTER CORP	DELL
Technology Hardware & Equipment	EMC CORP/MA	EMC
Technology Hardware & Equipment	HEWLETT-PACKARD CO	HWP
Technology Hardware & Equipment	INTEL CORP	INTC
Technology Hardware & Equipment	INTL BUSINESS MACHINES CORP	IBM
Technology Hardware & Equipment	JABIL CIRCUIT INC	JBL
Technology Hardware & Equipment	KLA-TENCOR CORP	KLAC
Technology Hardware & Equipment	LEXMARK INTL INC -CL A	LXK
Technology Hardware & Equipment	LINEAR TECHNOLOGY CORP	LLTC
Technology Hardware & Equipment	MAXIM INTEGRATED PRODUCTS	MXIM
Technology Hardware & Equipment	MILLIPORE CORP	MIL
Technology Hardware & Equipment	NATIONAL SEMICONDUCTOR CORP	NSM
Technology Hardware & Equipment	NCR CORP	NCR
Technology Hardware & Equipment	NETWORK APPLIANCE INC	NTAP
Technology Hardware & Equipment	NOVELLUS SYSTEMS INC	NVLS
Technology Hardware & Equipment	NVIDIA CORP	NVDA
Technology Hardware & Equipment	PERKINELMER INC	PKI
Technology Hardware & Equipment	QLOGIC CORP	QLGC
Technology Hardware & Equipment	QUALCOMM INC	QCOM
Technology Hardware & Equipment	SANMINA-SCI CORP	SANM
Technology Hardware & Equipment	SCIENTIFIC-ATLANTA INC	SFA
Technology Hardware & Equipment	SOLECTRON CORP	SLR
Technology Hardware & Equipment	SUN MICROSYSTEMS INC	SUNW
Technology Hardware & Equipment	SYMBOL TECHNOLOGIES	SBL
Technology Hardware & Equipment	TEKTRONIX INC	TEK
Technology Hardware & Equipment	TELLABS INC	TLAB
Technology Hardware & Equipment	THERMO ELECTRON CORP	TMO
Technology Hardware & Equipment	WATERS CORP	WAT
Technology Hardware & Equipment	XEROX CORP	XRX
Technology Hardware & Equipment	XILINX INC	XLNX
Telecommunication Services	AT&T CORP	T
Telecommunication Services	AT&T WIRELESS SERVICES INC	AWE
Telecommunication Services	CITIZENS COMMUNICATIONS CO	CZN
Telecommunication Services	NEXTEL COMMUNICATIONS	NXTL
Telecommunication Services	QWEST COMMUNICATION INTL INC	Q
Telecommunication Services	SPRINT FON GROUP	FON
Telecommunication Services	WORLDCOM INC-WORLDCOM GROUP	WCOM
Utilities	EL PASO CORP	EP

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**Appendix G. Decline of 10% or More from Reported to Pro Forma Operating Income for All Three Years**

Company Name	Ticker	2001	2000	1999
		Percentage Decline	Percentage Decline	Percentage Decline
ADOBE SYSTEMS INC	ADBE	-75%	-37%	-23%
ALCOA INC	AA	-13%	-11%	-12%
ALLERGAN INC	AGN	-13%	-11%	-10%
ALTERA CORP	ALTR	-94%	-18%	-13%
AMERICAN PWR CNVRSION	APCC	-52%	-21%	-15%
ANALOG DEVICES	ADI	-59%	-17%	-23%
AOL TIME WARNER INC	AOL	-339%	-77%	-137%
APPLERA CORP APPLIED BIOSYS	ABI	-58%	-29%	-16%
APPLIED MATERIALS INC	AMAT	-31%	-10%	-21%
AUTODESK INC	ADSK	-79%	-65%	-256%
AVAYA INC	AV	-37%	-50%	-23%
BARRICK GOLD CORP	ABX	-24%	-14%	-11%
BIOGEN INC	BGEN	-22%	-20%	-12%
BMC SOFTWARE INC	BMC	-520%	-17%	-11%
CENDANT CORP	CD	-21%	-12%	-17%
CHIRON CORP	CHIR	-73%	-43%	-1086%
CISCO SYSTEMS INC	CSCO	-13421%	-40%	-26%
CITIZENS COMMUNICATIONS CO	CZN	-16%	-24%	-26%
CITRIX SYSTEMS INC	CTXS	-180%	-182%	-51%
COMPAQ COMPUTER CORP	CPQ	-158%	-24%	-43%
COMPUWARE CORP	CPWR	-49%	-19%	-17%
COMVERSE TECHNOLOGY INC	CMVT	-236%	-58%	-44%
CONCORD EFS INC	CEFT	-12%	-16%	-14%
CONVERGYS CORP	CVG	-20%	-13%	-11%
COORS (ADOLPH) -CL B	RKY	-16%	-14%	-11%
DELL COMPUTER CORP	DELL	-42%	-22%	-13%
FOREST LABORATORIES -CL A	FRX	-27%	-18%	-66%
GENZYME CORP	GENZ	-51%	-22%	-18%
GUIDANT CORP	GDT	-25%	-19%	-17%
IMMUNEX CORP	IMNX	-106%	-130%	-159%
IMS HEALTH INC	RX	-19%	-47%	-21%
INTL BUSINESS MACHINES CORP	IBM	-22%	-13%	-11%
KLA-TENCOR CORP	KLAC	-34%	-31%	-175%
LINEAR TECHNOLOGY CORP	LLTC	-19%	-18%	-18%
MAXIM INTEGRATED PRODUCTS	MXIM	-32%	-35%	-26%
MCKESSON CORP	MCK	-110%	-125%	-38%
MEDIMMUNE INC	MEDI	-65%	-48%	-41%
MERCURY INTERACTIVE CORP	MERQ	-807%	-167%	-84%
MERRILL LYNCH & CO	MER	-38%	-10%	-12%
MICROSOFT CORP	MSFT	-29%	-17%	-10%
NCR CORP	NCR	-28%	-23%	-23%
NETWORK APPLIANCE INC	NTAP	-295%	-112%	-71%
NOVELLUS SYSTEMS INC	NVLS	-50%	-27%	-37%
NVIDIA CORP	NVDA	-83%	-58%	-24%
OFFICE DEPOT INC	ODP	-15%	-18%	-10%
ORACLE CORP	ORCL	-20%	-20%	-11%
PARAMETRIC TECHNOLOGY CORP	PMTC	-364%	-1072%	-62%
PEOPLESOFT INC	PSFT	-82%	-141%	-1309%
PERKINELMER INC	PKI	-37%	-13%	-13%
QLOGIC CORP	QLGC	-53%	-40%	-50%

**Appendix G (continued). Decline of 10% or More from Reported to Pro Forma Operating Income for All Three Years**

Company Name	Ticker	2001	2000	1999
		Percentage Decline	Percentage Decline	Percentage Decline
QUALCOMM INC	QCOM	-46%	-19%	-14%
QUINTILES TRANSNATIONAL CORP	QTRN	-92%	-811%	-32%
RATIONAL SOFTWARE CORP	RATL	-388%	-97%	-107%
ROBERT HALF INTL INC	RHI	-27%	-13%	-10%
SANMINA-SCI CORP	SANM	-36%	-20%	-17%
SCHLUMBERGER LTD	SLB	-16%	-19%	-31%
SCIENTIFIC-ATLANTA INC	SFA	-31%	-50%	-25%
SIEBEL SYSTEMS INC	SEBL	-336%	-114%	-71%
SOLECTRON CORP	SLR	-32%	-12%	-14%
ST JUDE MEDICAL INC	STJ	-16%	-13%	-14%
STAPLES INC	SPLS	-14%	-16%	-12%
STARBUCKS CORP	SBUX	-27%	-25%	-28%
STARWOOD HOTELS&RESORTS WRLD	HOT	-17%	-10%	-10%
SUN MICROSYSTEMS INC	SUNW	-43%	-20%	-12%
SYMBOL TECHNOLOGIES	SBL	-37%	-14%	-12%
TEKTRONIX INC	TEK	-13%	-26%	-27%
THERMO ELECTRON CORP	TMO	-19%	-13%	-18%
TMP WORLDWIDE INC	TMPW	-52%	-52%	-75%
UNIVISION COMMUNICATIONS INC	UVN	-25%	-49%	-12%
WORLDCOM INC-WORLDCOM GROUP	WCOM	-21%	-23%	-17%
XILINX INC	XLNX	-48%	-47%	-34%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

## Appendix H. Pro Forma Shows Different Trend in Operating Margin

Company Name	Ticker Symbol	Reported Operating Margin 2001	Reported Operating Margin 2000	Reported Operating Margin 1999	Pro Forma Operating Margin 2001	Pro Forma Operating Margin 2000	Pro Forma Operating Margin 1999
AMERICAN INTERNATIONAL GROUP	AIG	25%	25%	24%	25%	24%	24%
ANHEUSER-BUSCH COS INC	BUD	21%	20%	20%	20%	20%	19%
BARD (C.R.) INC	BCR	18%	18%	18%	17%	16%	17%
BROWN-FORMAN -CL B	BF.B	19%	19%	18%	19%	18%	18%
CENTEX CORP	CTX	10%	10%	11%	9%	10%	10%
ECOLAB INC	ECL	14%	14%	14%	13%	14%	13%
FEDEX CORP	FDX	6%	7%	7%	6%	6%	7%
FORTUNE BRANDS INC	FO	13%	14%	13%	13%	13%	13%
GENERAL MILLS INC	GIS	17%	16%	16%	15%	15%	16%
GENUINE PARTS CO	GPC	8%	9%	8%	8%	8%	8%
IMMUNEX CORP	IMNX	10%	12%	7%	-1%	-4%	-4%
LIZ CLAIBORNE INC	LIZ	10%	10%	11%	9%	10%	10%
NCR CORP	NCR	4%	5%	3%	3%	3%	3%
NVIDIA CORP	NVDA	35%	35%	34%	6%	15%	26%
SIGMA-ALDRICH	SIAL	19%	20%	20%	18%	17%	18%
SUPERVALU INC	SVU	3%	3%	3%	3%	2%	3%
TRICON GLOBAL RESTAURANTS	YUM	12%	12%	11%	12%	11%	11%
UNIVISION COMMUNICATIONS INC	UVN	26%	30%	30%	19%	16%	26%
VF CORP	VFC	10%	11%	11%	10%	10%	11%
WRIGLEY (WM) JR CO	WWY	21%	22%	21%	21%	21%	21%

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

**Appendix I. Option Grants Greater than 5% of Shares Outstanding During 2001**

<b>Company Name</b>	<b>Ticker Symbol</b>	<b>2001 Grants as a % of Shares Outstanding</b>	<b>2000 Grants as a % of Shares Outstanding</b>	<b>1999 Grants as a % of Shares Outstanding</b>
BROADCOM CORP -CL A	BRCM	23%	14%	11%
SIEBEL SYSTEMS INC	SEBL	21%	9%	12%
AVAYA INC	AV	14%	7%	N/A
CONEXANT SYSTEMS INC	CNXT	12%	17%	9%
GATEWAY INC	GTW	11%	6%	6%
NOVELL INC	NOVL	11%	11%	6%
AMERISOURCEBERGEN CORP	ABC	11%	2%	3%
YAHOO INC	YHOO	11%	4%	6%
LUCENT TECHNOLOGIES INC	LU	10%	9%	2%
APPLE COMPUTER INC	AAPL	10%	13%	3%
RATIONAL SOFTWARE CORP	RATL	10%	9%	7%
CAPITAL ONE FINL CORP	COF	10%	2%	5%
NVIDIA CORP	NVDA	10%	15%	12%
APPLIED MICRO CIRCUITS CORP	AMCC	9%	12%	6%
PERKINELMER INC	PKI	9%	5%	6%
PMC-SIERRA INC	PMCS	9%	2%	7%
AOL TIME WARNER INC	AOL	9%	3%	4%
LSI LOGIC CORP	LSI	8%	6%	6%
JDS UNIPHASE CORP	JDSU	8%	13%	16%
CENDANT CORP	CD	8%	5%	4%
LEHMAN BROTHERS HOLDINGS INC	LEH	8%	10%	8%
J P MORGAN CHASE & CO	JPM	8%	3%	4%
AUTODESK INC	ADSK	8%	8%	10%
ADOBE SYSTEMS INC	ADBE	8%	8%	7%
CIENA CORP	CIEN	8%	4%	6%
QUINTILES TRANSNATIONAL CORP	QTRN	7%	13%	8%
GUIDANT CORP	GDT	7%	3%	3%
US AIRWAYS GROUP INC	U	7%	3%	3%
INTUIT INC	INTU	7%	5%	8%
POWER-ONE INC	PWER	6%	5%	2%
BMC SOFTWARE INC	BMC	6%	4%	2%
MAXIM INTEGRATED PRODUCTS	MXIM	6%	5%	6%
MERCURY INTERACTIVE CORP	MERQ	6%	9%	6%
SAPIENT CORP	SAPE	6%	8%	7%
NATIONAL SEMICONDUCTOR CORP	NSM	6%	5%	16%
VITESSE SEMICONDUCTOR CORP	VTSS	6%	4%	4%
TERADYNE INC	TER	6%	4%	3%
PARAMETRIC TECHNOLOGY CORP	PMTC	6%	8%	6%
ZIMMER HLDGS INC	ZMH	6%	0%	N/A
WATSON PHARMACEUTICALS INC	WPI	6%	3%	2%
KB HOME	KBH	5%	4%	5%
EL PASO CORP	EP	5%	0%	4%
WACHOVIA CORP	WB	5%	1%	5%
WELLPOINT HLTH NETWRK -CL A	WLP	5%	3%	3%
CUMMINS INC	CUM	5%	2%	2%
USA EDUCATION INC	SLM	5%	6%	2%
PEOPLESOFT INC	PSFT	5%	12%	11%

**Appendix I (continued). Option Grants Greater than 5% of Shares Outstanding During 2001**

<b>Company Name</b>	<b>Ticker Symbol</b>	<b>2001 Grants as a % of Shares Outstanding</b>	<b>2000 Grants as a % of Shares Outstanding</b>	<b>1999 Grants as a % of Shares Outstanding</b>
COMVERSE TECHNOLOGY INC	CMVT	5%	5%	5%
VERITAS SOFTWARE CO	VRTS	5%	5%	5%
KLA-TENCOR CORP	KLAC	5%	4%	8%
MARRIOTT INTL INC	MAR	5%	0%	3%
GENZYME CORP	GENZ	5%	6%	5%
NOVELLUS SYSTEMS INC	NVLS	5%	4%	6%
NETWORK APPLIANCE INC	NTAP	5%	7%	8%
REEBOK INTERNATIONAL LTD	RBK	5%	7%	3%
SPRINT FON GROUP	FON	5%	3%	2%
TMP WORLDWIDE INC	TMPW	5%	4%	13%
RADIOSHACK CORP	RSH	5%	3%	3%
OMNICOM GROUP	OMC	5%	1%	2%
SCHWAB (CHARLES) CORP	SCH	5%	2%	2%
DOMINION RESOURCES INC	D	5%	2%	4%
DELL COMPUTER CORP	DELL	5%	6%	2%
SEARS ROEBUCK & CO	S	5%	2%	1%
AGILENT TECHNOLOGIES INC	A	5%	7%	0%

N/A = Not Available

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

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1. Buy — Expected to outperform the local market by 20% in the next 12 months. Strong conviction and typically accompanied by an identifiable catalyst. Sectors with less volatility would anticipate lower total returns.
2. Attractive — Expected to outperform the local market by 10% or more in the next 12 months, it is usually more difficult to identify the catalyst.
3. Neutral — Expected to perform in line with the local market in the next 12 months.
4. Unattractive — Expected to underperform the local market in the next 12 months.
5. Sell — Avoid the stock.

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