

BC Directors Club

Director Compensation – Issues & Trends for Small Cap Companies

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Presented by Roger Gurr

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Corporate Governance

● Trends

- Increasing need to have more unrelated directors & independent Chair
- Increasing emphasis upon competencies & independence of directors
- Increasing liability of Board members
- Heavier time commitment & relatively low pay (still!)
- More accountability – increased shareholder expectations
- Expected to have more *“skin in the game”* – own real shares (more risk)

Corporate Governance

- **Result**

- Professional directors want to be on fewer Boards
- Increased competition for qualified directors
- Shortage of supply

Current Pay – Unrelated Directors

- **Large Companies** (Annual revenues \$100 million to 1 billion)
 - Annual Retainer \$15,000 – 20,000
 - Meeting Fee \$ 1,000 – 2,000
 - Annual provision of stock options
- **Small Cap Technology Companies** (Market cap \$5 -250 million)
 - 150 Canadian Companies
 - Current proxy data analysis (year 2002) of retainer, meeting fees & equity
- **Private Companies & Start Ups**
 - Projections, how much equity to “give up”

Small Cap Tech Companies – Method of Compensation

	Cash & Equity	Cash Only	Equity Only	No Comp.
All Companies	62%	13%	22%	3%
By Location				
BC	58%	13%	29%	0%
By Industry				
Computer & Software	58%	15%	22%	5%
Biotech & Pharma	82%	6%	12%	0%
Telecommunications	27%	20%	46%	7%
Electrical & Electronics	52%	20%	28%	0%

Small Cap Tech Companies – Cash Compensation

- **113 out of 150 companies (75%) pay some form of cash**
- **Cash is paid in form of**
 - Retainer & meeting fees 64%
 - Retainer only 15%
 - Meeting fees only 21%
- **Some companies pay retainers (or higher levels) for unrelated Chairs & Committee Chairs**

Small Cap Tech Companies – Cash Compensation

Board Members:	Annual Retainer	Board Meeting Fee
All Companies		
P75	\$10,000	\$ 1,000
P50 (median)	5,000	750
P25	0	
Range	\$ 0 – 30,000	\$0 – 2,000

- **BC-based companies tended to pay a lower retainer (median of \$2,500) but higher meeting fee (median of \$1,000)**
- **Companies paid Committee fees at (or slightly) less than full Board meeting fees**
- **Fees for telephone meetings tended to be at 50% full attendance rate**

Small Cap Tech Companies – Cash Compensation

Specific Responsibilities

- **Unrelated Chair** tend to receive significantly higher compensation, usually in form of retainer as follows:

	<u>Annual Retainer</u>
All Companies	
P75	\$27,000
P50 (median)	12,000
P25	0

- **Some Chairs** receive no meeting fees, while others receive higher meeting fees than other directors (in addition to higher retainer)

Small Cap Tech Companies – Estimated Annual Total Cash

- **Based upon market practices for 150 companies, annual total cash compensation calculated for typical unrelated director**
- **Typical director :**
 - **Attends 7 Board meetings**
 - **Has membership in 2 Committees (one as Chair)**
 - **Attends 3 meetings per Committee**
- **Annual cash compensation is:**

	<u>Canada</u>	<u>BC</u>
P75	\$22,300	\$23,500
P50 (median)	14,000	12,400
P25	4,100	0

Small Cap Tech Companies – Analysis of Stock Options

● Value of Stock Options

- 84% of companies provide some form of equity based compensation to directors
- Majority still provide stock options
- Number of options tend to be:
 - One-time issuance 40,000 – 50,000 options
 - Annual issuance 10,000 – 15,000 options
(median 12,500)

Small Cap Tech Companies – Analysis of Stock Options

- **Value of Stock Options** (con't)

- Most small cap companies' prices tend to be in the range of \$ 1 – 5 (midrange of \$3)
- Using midrange and a Black Scholes valuation of 0.4, the typical option issuance to unrelated directors would be:

	One-Time Issuance	Annual Issuance
Face Value	\$120,000 – 150,000	\$30,000 – 45,000
Value – Black Scholes	\$50,000 – 60,000	\$12,000 – 18,000

Small Cap Tech Companies – Summary of Current Market Practices for Unrelated Directors

- Assume best case of receiving both equity and cash
- Consider market median practices – all 150 companies
- Calculate annual issuances of options
- Annual value of compensation would be:

Cash	\$14,000	
Options	<u>15,000</u>	(Black Scholes – midrange)
	\$29,000	

- Note that options are “*at risk*” compensation

Private Companies

- **Overall private companies (relative to publicly traded) pay more conservatively – up to 20% below market**
- **More reluctant to remunerate directors and advisors with cash**
- **Trend towards providing equity (real stock or options) but some family-owned still reluctant**
- **Question is how much dilution do owners forego and how is the issuance of equity managed (vesting, held in trust, etc.)**

Private Companies – Intending to go Public

- **Studies have indicated that median ownership at various stages of development are as follows:**

	Early/Seed	Mid/Late	Pre IPO
Investors	44%	60%	65%
Founders	44%	20%	13%
Employees	12%	20%	22%

- **Unrelated directors (not investors or founders) included in employee category**
- **Professional director (not investor) could reasonably expect 2% ownership**
- **Limit total unrelated director ownership to 5 – 10%**

Concept of Value of Unrelated Director

- How much is the position of unrelated director worth
- Based on contribution:
 - Comparison with some senior executives (not CEO)
 - Broader business experience
 - Less direct accountability
 - Equivalent value to CFO
 - Adjusted for time available (one fifth or one day per week)

Concept of Value of Unrelated Director

- Based on contribution: (con't)
 - CFO compensation for small cap technology companies
 - \$150,000
 - 50,000 options (1 times base salary with assumed stock price of \$3)
 - Unrelated director (one-fifth) translates into the following:

● Cash Compensation	\$30,000
● Options	10,000

Concept of Value of Unrelated Director

- Based on time
 - Assuming value of time (\$200/hour X 7 hour day)
Investment of 3 days per month on average
 - Estimated value is \$50,000 per year
 - Using a Black Scholes value of 0.40, then 10,000 options (at \$3) has a value of \$12,000
 - This method provides the following
 - Cash compensation \$38,000
 - Options 10,000

Summary

- Both methods indicate that the value of an unrelated director is in the range of \$40,000 – 50,000 per year
- This is higher than the current median value of compensation of \$29,000
- Compensation levels of \$40,000 – 50,000 (that include 10,000 options) for each Board seems more reasonable

Summary

- A professional director on 5 Boards could receive a total annual compensation of:

Cash Compensation \$150,000 – 200,000

- Additional upside remuneration would also be available in the form of
 - Stock options - high initial issuances
 - annual issuances
 - Potential additional remuneration for Committee Chair, etc.

Director – Stock Ownership

- Shareholders want all directors to have some *“skin in the game”* (real shares)
- Stock ownership guidelines can be useful
- Large companies often have share value targets as follows:

CEO	3 – 5 times salary
Senior Executives	1 times salary

Director – Stock Ownership

- Small cap companies typically state targets as % ownership (but highly dependent upon stage of development)

CEO

5 – 10% fully diluted

Senior Executives

2% fully diluted

- Reasonable level of ownership of directors (excluding founders) would be 1.0% of the company on a fully diluted basis. Board Chair would be expected to own 1 – 2% minimum.

The Future

- Compensation for directors will increase
- Pressure will be upon companies to provide some cash compensation – directors relative to executives
- Tendency to formalize director pay – establish policies
- Directors expected to have 1 – 2 % ownership – at high end for private companies
- Performance criteria will be developed and assessed for Board and Committees
- Individual director performance will follow much later – but specific tasks of directors will be rewarded, based on results

Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

	Biotech & Pharma	Computer & Software	Electrical & Electronic	Telecommunications
Alberta	AltaRex Corp Biomira Inc BioMS Medical Corp CV Technologies Inc Cytovax Biotechnologies Inc Isotechnika Inc Oncolytics Biotech Inc Orbus Pharma Inc	Axia NetMedia Corp Chartwell Technology Inc. Computer Modelling Group Ltd Cybersurf Corp Matrikon Inc Producers Oilfield Services Inc. Zi Corporation	Circa Enterprises Inc QSound Labs Inc	Cell-Loc Inc TransAKT Corp Wi-LAN Inc
BC	AnorMED Inc Cardiome Pharma Corp Chromos Molecular Systems Inc Forbes Medi_Tech Inc Inex Pharmaceuticals Corp Infiazyme Pharmaceuticals Ltd Micrologix Biotech Inc Response Biomedical Corp Stressgen Biotechnologies Corp VSM MedTech Ltd	Absolute Software ACD Systems International Inc. Bridges.com Inc Capitol Alliance group Inc. Datawest Solutions Inc. Epic Data International Inc Infowave Software Inc. International Zimtu Technologies Inc Intrinsys Software International Inc. Maximizer Software Inc. MDSI Mobile Data Solutions Inc. Offshore Systems International Ltd PhotoChannel Networks Inc. Pivotal Corp Triant Technologies Inc	Extreme CCTV Inc Glentel Inc Norsat International Inc Spectrum Signal Processing Inc	eXI Wireless Inc Ignition Point Technologies Corp
Ontario	Adherex Technologies Inc Bioniche Life Sciences Inc ChondroGene Ltd Dimethaid Resarch Draxis Health Inc Helix BioPharma Corp Hemosol Inc Lorus Therapeutics Inc	O1 Communique Laboratory Inc. 724 Solutions AirIQ Inc. ANGOSS Software Corp AVL Ventures Inc. Basis100 Inc Belzberg Technologies Inc Burntsand Inc.	Certicom Corp Circuit World Corp Coretec Inc Diversinet Corp Electrohme Ltd Hammond Manufacturing Company Ltd Hammond Power Solutions Inc International Datacasting Corp	C-Com Satellite Systems Inc. COM DEV International Ltd OceanLake Commerce Inc SAMSys Technologies Inc. Sangoma Technologies Corp

Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

	Biotech & Pharma	Computer & Software	Electrical & Electronic	Telecommunications
Ontario	Medmira Inc PanGeo Pharma Inc Spectral Diagnostics Inc SynX Pharma Inc Tm Bioscience Corp Transition Therapeutics Inc Viventia Biotech Inc YM BioSciences Inc	Cedara Software Corp CryptoLogic Inc. DataMirror Corp Descartes System Group Inc. DXStorm.Com Inc. Enghouse Systems Ltd Financial Models Company Inc Homebank Technologies Inc. Linmor Inc. MedcomSoft Inc. MKS Inc. Nuvo Network Management Inc. OnX Enterprise Solutions Inc. Rand A Technology Corp RDM Corp Softchoice Corp Systems Xcellence Inc TrekLogic Technologies Inc Xenos Group Inc.	Kasten Chase Applied Research Ltd Leitch Technology Corp Luxcell Technologies Inc MIST Inc MOSAID Technologies Inc Plaintiff Systems Inc Tri-Vision International Ltd Tundra Semiconductor Corp Unique Broadband Systems Inc	
Quebec	Andromed Inc. Bioxel Pharma Inc ConjuChem Inc DiagnoCure Inc Ecopia BioSciences Inc Haeacure Corp IBEX Technologies Inc LAB International Inc Labopharm Inc Neptune Technologies & Bioresources Inc Nexia Biotechnologies Inc Paladin Labs Inc Procyon BioPharma Inc ProMetic Life Sciences Inc SignalGene Inc Theratechnologies Inc Warex Inc	AD OPT Technologies Inc Boomerang Tracking Inc Electromed Inc. Honeybee Technology Inc Medigrif Interactive Technologies Inc. Mindready Solutions Inc. nStein Technologies Inc. Nurun Inc. Speedware Corporation Inc SureFire Commerce Inc	NHC Communications Inc Optimal Robotics Corp	Bell Canada International Inc Intasys Corp Lyrtech inc Mitec Telecom Inc
Saskatchewan				Westrange Corp

Method of Payment of Board Member's Compensation
Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

	Companies	Cash & Equity		Cash Only		Equity Only		No Compensation		
		#	%	#	%	#	%	#	%	
All Companies	150	93	62.0%	20	13.3%	33	22.0%	4	2.7%	
By Location										
BC	31	18	58.1%	4	12.9%	9	29.0%	0	0.0%	
Alberta	20	9	45.0%	4	20.0%	6	30.0%	1	5.0%	
Ontario	65	43	66.2%	8	12.3%	13	20.0%	1	1.5%	
Quebec	33	23	69.7%	4	12.1%	5	15.2%	1	3.0%	
By Industry										
Computer & Software	59	34	57.6%	9	15.3%	13	22.0%	3	5.1%	
Biotechnology & Pharmaceutical	51	42	82.4%	3	5.9%	6	11.8%	0	0.0%	
Telecommunications	15	4	26.7%	3	20.0%	7	46.7%	1	6.7%	
Electrical & Electronics	25	13	52.0%	5	20.0%	7	28.0%	0	0.0%	

NOTES:

- ¹ Equity generally refers to stock options but may also include such vehicles as actual stock, Deferred Stock Units etc.
- ² Provisions in proxy circular for the issuance of stock options (equity) may not necessarily mean options granted during last fiscal period.
- ³ Excludes analysis of unrelated Chairman compensation.
- ⁴ Above analysis does not include reimbursement of reasonable out of pocket expenses or special consulting.

Components of Board Member's Cash Compensation

Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

	Companies	Director Retainer		Unrelated Chairman Retainer		Committee Chair Retainer		Committee Member Retainer	
		#	%	#	%	#	%	#	%
All Companies	150	89	59.3%	52	34.7%	22	14.7%	6	4.0%
By Location									
BC	31	18	58.1%	14	45.2%	4	12.9%	2	6.5%
Alberta	20	9	45.0%	5	25.0%	1	5.0%	0	0.0%
Ontario	65	45	69.2%	21	32.3%	13	20.0%	3	4.6%
Quebec	33	17	51.5%	12	36.4%	4	12.1%	1	3.0%
By Industry									
Computer & Software	59	38	64.4%	21	35.6%	9	15.3%	1	1.7%
Biotechnology & Pharmaceutical	51	28	54.9%	24	47.1%	7	13.7%	3	5.9%
Telecommunications	15	5	33.3%	2	13.3%	1	6.7%	0	0.0%
Electrical & Electronics	25	18	72.0%	5	20.0%	5	20.0%	2	8.0%

NOTES:

* Of companies reporting cash compensation the number of companies paying ONLY meeting fees (not retainers etc)

Analysis Board Member's Compensation by Location

Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

	# Companies	Mkt Cap.	Annual Revenues	Size (\$Cdn millions)		Board Meeting		Committee Meeting		Total Cash Comp. For "Typical" Director ¹		
				Board Member Retainer	Board Chairman Retainer	Committee Chair Retainer	Committee Member Retainer	Attend	Phone		Attend	Phone
75th Percentile												
All Companies	150	67	30.2	\$10,000	\$27,000	\$0	\$0	\$1,000	\$500	\$1,000	\$450	\$22,313
BC	31	60	18.1	\$10,000	\$25,938	\$0	\$0	\$1,000	\$500	\$1,000	\$313	\$23,500
Alberta	20	85	15.1	\$10,000	\$25,250	\$0	\$0	\$1,000	\$375	\$875	\$375	\$16,575
Ontario	65	58	49.1	\$10,000	\$45,000	\$0	\$0	\$1,000	\$500	\$875	\$250	\$23,000
Quebec	33	68	21.3	\$8,000	\$20,000	\$0	\$0	\$1,200	\$500	\$1,000	\$450	\$19,500
Median												
All Companies	150	25	9.8	\$5,000	\$12,000	\$0	\$0	\$750	\$0	\$500	\$0	\$14,000
BC	31	24	11.0	\$2,500	\$19,750	\$0	\$0	\$1,000	\$0	\$300	\$0	\$12,400
Alberta	20	19	6.5	\$0	\$7,500	\$0	\$0	\$250	\$0	\$0	\$0	\$13,500
Ontario	65	25	14.6	\$7,500	\$12,500	\$0	\$0	\$750	\$0	\$500	\$0	\$15,000
Quebec	33	28	4.7	\$5,000	\$8,000	\$0	\$0	\$1,000	\$250	\$500	\$250	\$13,000
25th Percentile												
All Companies	150	13	1.5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,138
BC	31	14	4.2	\$0	\$4,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Alberta	20	11	1.0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ontario	65	12	1.5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,400
Quebec	33	17	1.5	\$0	\$0	\$0	\$0	\$250	\$0	\$250	\$0	\$8,000
Average												
All Companies	150	50	29.3	\$6,107	\$22,566	\$319	\$63	\$656	\$236	\$510	\$188	\$14,007
BC	31	48	16.3	\$5,226	\$27,598	\$306	\$97	\$770	\$310	\$513	\$175	\$13,826
Alberta	20	55	13.7	\$4,050	\$14,560	\$100	\$0	\$543	\$179	\$426	\$179	\$10,378
Ontario	65	48	43.0	\$7,346	\$24,975	\$446	\$77	\$606	\$203	\$489	\$182	\$14,909
Quebec	33	51	24.9	\$5,924	\$18,211	\$224	\$45	\$739	\$273	\$609	\$232	\$15,024

* Assumptions for "Typical" Director

7 # Board Meetings

2 # Committee Memberships (1 Chair of Committee & 1 Membership only)

3 # Committee Meetings per Committee

1 # Committee Chairs

Analysis Board Member's Compensation by Industry
Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

	Size (\$Cdn millions)	# Companies	Mkt. Cap.	Annual Revenues	Board Member Retainer	Board Chairman Retainer	Board Meeting		Committee Meeting		Total Cash Comp. For "Typical" Director ¹	
							Chair Retainer	Member Retainer	Attend	Phone		Attend
75th Percentile												
All Companies	150	67	30.2	\$10,000	\$27,000	\$0	\$0	\$1,000	\$500	\$1,000	\$450	\$22,313
Computer & Software	59	54	45.6	\$10,000	\$20,000	\$0	\$0	\$1,000	\$250	\$738	\$63	\$21,000
Biotechnology & Pharmaceutical	51	97	8.7	\$10,000	\$50,000	\$0	\$0	\$1,000	\$500	\$1,000	\$500	\$19,750
Telecommunications	15	31	21.2	\$7,500	\$19,688	\$0	\$0	\$750	\$0	\$850	\$0	\$23,750
Electrical & Electronics	25	35	56.0	\$10,000	\$18,750	\$0	\$0	\$1,000	\$0	\$900	\$0	\$22,400
Median												
All Companies	150	25	9.8	\$5,000	\$12,000	\$0	\$0	\$750	\$0	\$500	\$0	\$14,000
Computer & Software	59	22	16.8	\$5,000	\$10,000	\$0	\$0	\$500	\$0	\$325	\$0	\$13,000
Biotechnology & Pharmaceutical	51	40	2.0	\$5,000	\$24,500	\$0	\$0	\$1,000	\$500	\$600	\$250	\$15,000
Telecommunications	15	19	4.1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electrical & Electronics	25	24	22.4	\$7,500	\$3,000	\$0	\$0	\$750	\$0	\$500	\$0	\$17,250
25th Percentile												
All Companies	150	13	1.5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,138
Computer & Software	59	13	6.3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,175
Biotechnology & Pharmaceutical	51	18	0.5	\$0	\$5,750	\$0	\$0	\$500	\$0	\$500	\$0	\$10,000
Telecommunications	15	8	1.1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electrical & Electronics	25	11	12.6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Average												
All Companies	150	50	29.3	\$6,107	\$22,566	\$319	\$63	\$656	\$236	\$510	\$188	\$14,007
Computer & Software	59	22	16.8	\$5,000	\$10,000	\$0	\$0	\$500	\$0	\$325	\$0	\$13,478
Biotechnology & Pharmaceutical	51	68	9.7	\$5,039	\$33,087	\$294	\$88	\$857	\$374	\$673	\$330	\$15,185
Telecommunications	15	33	35.4	\$5,800	\$25,208	\$93	\$0	\$370	\$53	\$407	\$35	\$10,923
Electrical & Electronics	25	40	35.7	\$7,400	\$16,574	\$320	\$120	\$598	\$115	\$485	\$115	\$14,702

* Assumptions for "Typical" Director

7 # Board Meetings

2 # Committee Memberships(1 Chair of Committee & 1 Membership only)

3 # Committee Meetings per Committee

1 # Committee Chairs

Board Member's Compensation Options & LTIPs

Selected Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

Company	Options, Long-Term Incentives & Comments	Equity Based Comp Only	*Estimated Price	Last Year Typical Grant	
				Number	Face-Value
² Tundra Semiconductor Corp	For last fiscal year each unrelated director was granted 10,000 options with an aggregate of 70,000 options granted.		\$9.180	10,000	\$91,800
VSM MedTech Ltd	Members of Executive Committee do not receive meeting fees but instead receive a flat fee of \$2,000 per month. For last fiscal year all directors other than CEO were granted 10,000 options. Members of Executive Committee each received additional 10,000 op		\$4.150	10,000	\$41,500
³ Inex Pharmaceuticals Corp	Meeting fees in range of US\$750 - US\$1,000 (\$US1,000 - US\$1,500 for Chairman). Unrelated directors receive annual grant of 15,000 options.		\$5.210	15,000	\$78,150
Labopharm Inc	Meeting fees of \$1,500 (\$750 for conference call) for Chairman of Board and Chairperson of Committee. Usual formula to grant options is annual grant of 10,000 options to unrelated directors with additional 5,000 to Chairman of the Board and 5,000 for ea		\$3.920	10,000	\$39,200
Theratechnologies Inc	Unrelated directors granted 5,000 stock options per annum.		\$5.140	5,000	\$25,700
^{1,3} Mediagrif Interactive Technologies Inc.	As of July 1, 2003 directors became eligible to participate in Share Purchase Plan up to \$3,000/year. Lead Director paid additional \$31,510 as result of additional responsibilities & meeting held with senior management during last fiscal year. Each unrela		\$6.625	20,000	\$132,500
¹ BioMS Medical Corp	Unrelated director eachwere granted between 95,000 & 100,000 options with an aggregate grant of 295,000 options for last fiscal year.		\$3.745	95,000	\$355,775
³ Cardiome Pharma Corp	Upon initial election to the Board unrelated directors granted 50,000 options, thereafter annual grant of 12,500 options. During last fiscal year Chairman granted 125,000 options.		\$3.810	12,500	\$47,625
¹ Descartes System Group Inc.	During last fiscal year unrelated directors were each granted 43,500 stock options.		\$4.390	43,500	\$190,965
¹ Helix BioPharma Corp	Directors receive no cash compensation. During last fiscal year each of 2 directors granted 25,000 stock options.	<input checked="" type="checkbox"/>	\$3.905	25,000	\$97,625
¹ Optimal Robotics Corp	Each of 4 non-executive directors were granted 45,000 options during last fiscal year.		\$7.245	45,000	\$326,025
Stressgen Biotechnologies Corp	Chair of Audit Committee receives \$5,000 retainer. Annual grant 15,000 options to unrelated directors (25,000 Chairman) During last fiscal year an aggregate of 145,000 options granted to unrelated directors.		\$2.125	15,000	\$31,875
ConjuChem Inc	Additional \$3,000 for participation on Audit Committee and an additional quarterly fee of \$5,000 for participation in Executive Committee. Annual grants of 10,000 options for unrelated directors and an additional 5,000 options for each committee (except Ex		\$2.310	10,000	\$23,100
MOSAID Technologies Inc	Less than full day Board meetings \$600. Out of town directors recive additional \$350 per meeting. 2 directors each received 2,000 stock options.		\$7.125	2,000	\$14,250
AnorMED Inc	Maximum daily meeting fees \$1,500 ; Chairman of Board receivesretainer & options but no meeting fees. Director may elect to receive 5,000 stock options in lieu of retainer. Unrelated directors may be granted up to 10,000 options per year. Last fiscal year		\$2.805	10,000	\$28,050
Draxis Health Inc	Chairman does not receive meeting fees. During last fiscal year unrelated directors were each granted 15,000 options. Chairman awarded 5,000 additional options.		\$2.505	15,000	\$37,575
¹ MKS Inc.	Upon election to Board unrelated directors granted 50,000 options with further annual grants of 25,000 options.		\$1.480	25,000	\$37,000

Board Member's Compensation Options & LTIPs

Selected Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

Company	Options, Long-Term Incentives & Comments	Equity Based Comp Only	*Estimated Price	Last Year Typical Grant	
				Number	Face-Value
¹ Oncolytics Biotech Inc	\$1,500 meeting fee paid for Audit Committee. During last fiscal year 4 unrelated directors each granted 17,500 options and 50,000 to 2 directors.		\$3.175	17,500	\$55,563
Financial Models Company Inc	Upon initial election to the Board unrelated directors granted 30,000 options. Upon re-election to Board unrelated directors receive a further 10,000 options.		\$7.350	10,000	\$73,500
Paladin Labs Inc	Unrelated directors receive annual grant 5,000 options.		\$5.225	5,000	\$26,125
¹ Forbes Medi_Tech Inc	Committee Chair receives \$750 meeting fee. Telephonic meetings charged at \$200/hr to max of \$500. Non-management directors receive annual grant of 15,000 options.		\$1.745	15,000	\$26,175
³ Matrikon Inc	Last fiscal year each unrelated director granted 10,000 options.		\$1.900	10,000	\$19,000
^{1,3} MDSI Mobile Data Solutions Inc.	Special Committee members received US\$312.50/hr to daily maximum of US\$2,500 per day except where committee work is concurrent with Board meeting. Last fiscal year each unrelated director granted 3,000 stock options.		\$5.885	3,000	\$17,655
¹ TrekLogic Technologies Inc	During last fiscal year directors each granted 100,000 stock options.		\$1.300	100,000	\$130,000
Certicom Corp	Annual grant of 25,000 options to unrelated directors with additional grant of 25,000 options to non executive Chairman. Directors also granted annually 5,000 options for each committee served and in case of Committee Chair 10,000 options.		\$1.025	25,000	\$25,625
Hemosol Inc	Historically options are granted upon initial election to Board and from time to time. During last fiscal year 8,000 options granted to each of 5 directors. Future option grants to directors will be reviewed in the context of overall corporate performance		\$1.830	8,000	\$14,640
Ecopia BioSciences Inc	Chairman does not receive meeting fees. Unrelated directors are granted 7,500 options annually. Last fiscal year Chairman granted 42,500 options.		\$0.640	7,500	\$4,800
LAB International Inc	Unrelated directors may receive compensation to the extent that they provide services to the Corporation at rates that would be charged to arm's length parties. Chairman retainer is \$1,000 per day spent in preparation for Board meetings to max of \$15,000/		\$1.425	10,000	\$14,250
¹ Procyon BioPharma Inc	During last fiscal year each unrelated director granted 15,000 options.		\$0.453	15,000	\$6,788
¹ Xenos Group Inc.	Maximum meeting fees of \$1,000 per day. Upon initial election to Board non management directors granted 5,000 stock options with subsequent annual grants of 2,000 options.		\$2.720	2,000	\$5,440
Micrologix Biotech Inc	Committee Chairs receive additional \$250 (\$125 rteleconference) meeting fee. Unrelated directors are granted 40,000 options upon initial election to Board and thereafter receive annual grant of 7,500 options. Unexercised options held by unrelated directo		\$1.875	7,500	\$14,063
Spectrum Signal processing Inc	Non management directors are compensated via allocation of stock options. Current policy: Initial election to Board 20,000 (10,000 at election, 10,000 1 year later); Annual retainers: General director 6,900 options (Black Scholes \$15,000), Board Chair 13,8	<input checked="" type="checkbox"/>	\$1.685	6,900	\$11,627
^{1,3} Unique Broadband Systems Inc	Maximum daily meeting fee is US\$2000. During last fiscal year each current director was granted 150,000 stock options.		\$0.315	150,000	\$47,250
¹ PanGeo Pharma Inc	No standard arrangement for compensating directors other than stock options. During last fiscal year 6,000 options granted to each unrelated director.	<input checked="" type="checkbox"/>	\$1.565	6,000	\$9,390
724 Solutions	Unrelated directors granted 50,000 options upon joining Board & receive subsequent annual option grants. Last fiscal year aggregate 300,000 options granted.		\$8.610	n/a	n/a

Board Member's Compensation Options & LTIPs

Selected Canadian Small Cap Companies with Market Capitalization between \$5 and \$250 million

Company	Options, Long-Term Incentives & Comments	Equity Based Comp Only	*Estimated Price	Last Year Typical Grant	
				Number	Face-Value
Transition Therapeutics Inc	Out of town directors paid additional \$750 per meeting attended in person. Unrelated directors were each granted 10,000 options, plus 5,000 options for each committee appointed to plus unrelated directors who served on the Independent or Special Committee		\$0.350	10,000	\$3,500
^{1,2} Basis 100 Inc	Unrelated directors will be granted 25,000 options which will vest rateably each quarter over 3 years.		\$0.660	25,000	\$16,500
Warnex Inc	Each outside director granted 45,000 stock options upon initial election to Board and beginning on 3rd anniversary of appointment is granted 5,000 options annually. Outside directors are granted 2,000 options for each committee appointed to.		\$1.200	2,000	\$2,400
Chartwell Technology Inc.	No cash compensation paid. During last fiscal year 50,000 options granted to each unrelated director.	☑	\$1.050	50,000	\$52,500
SignalGene Inc	Each external non related director is granted Class 2 options to purchase 40,000 common shares.		\$0.088	40,000	\$3,500
Andromed Inc.	Committee meetings that precede or follow Board meetings paid at \$500. 10,000 stock options were granted to unrelated directors last fiscal year.		\$1.655	10,000	\$16,550
RDM Corp	Other than Chair non-executive directors are granted 20,000 options annually; Chairman granted 25,000 options annually. Chairman paid \$750 per Board meeting Chair and Chairs of Audit & HR Comp Committees paid \$750 for each meeting chaired.		\$1.015	20,000	\$20,300
DiagnoCure Inc	Annual grant of 12,000 options except for Chairman who is granted 20,000 options.		\$0.475	12,000	\$5,700
¹ Rand A Technology Corp	New non-management directors granted 10,000 options; non-management directors each granted 2,000 options. Audit Committee Chair receives \$3,000 Committee Chair retainer.		\$1.500	2,000	\$3,000
² Bridges.com Inc	Directors paid retainer fees for only 1 Committee Chair or Membership. One time option grants: Non-executive Chair 60,000, Committee Chair 50,000, Committee Member 40,000, Director 30,000. Director who sits on more than 1 committee receives additional 1 ti		\$1.060	30,000	\$31,800
ANGOSS Software Corp	Directors may elect to take retainers in cash or shares. During last fiscal year unrelated directors granted 25,000 options - the Chairman 37,500 options.		\$0.220	25,000	\$5,500
Maximizer Software Inc.	2 unrelated directors each granted 100,000 stock options, Chairman of Board granted 350,000 stock options.		\$0.185	100,000	\$18,500
^{3,4} Cytovax Biotechnologies Inc	All directors granted 5,000 options annually.		\$0.850	5,000	\$4,250
01 Communique Laboratory Inc.	No cash compensation. During last fiscal year unrelated directors each received 85,000 options for total aggregate granted of 510,000.	☑	\$0.163	85,000	\$13,813
Linmor Inc.	Last fiscal year each unrelated director received a grant of 37,500 options.		\$0.070	37,500	\$2,625
Cybersurf Corp	During last fiscal year unrelated directors were each granted 50,000 stock options.		\$0.150	50,000	\$7,500
¹ Electrohome Ltd	During last fiscal year 2 external directors each granted 5,000 options.		\$1.850	5,000	\$9,250
75th Percentile			\$3.909	25,000	\$44,375
Median			\$1.788	12,500	\$20,300
25th Percentile			\$0.974	7,750	\$9,320
Average			\$2.633	24,998	\$45,447

Footnotes:

* Average of 52 week high & low as of 12/09/03