

## Guidant Corporation

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### 2002

#### *Director Compensation*

Directors who are employees of Guidant do not receive additional compensation for serving on the Board or its committees. Directors who are not employees of Guidant receive compensation for Board service. The current arrangements are as follows:

*Annual Retainer:* restricted stock worth \$25,000 and a stock option to purchase 7,500 shares for all members except the non-executive Chairman, who receives \$360,000 and a stock option to purchase 15,000 shares

*Attendance Fees:* 3,000 for each Board meeting and for each committee meeting if not held in conjunction with a Board meeting

*Committee Chairman Retainer:* 12,500 annually for the Audit Committee, \$7,500 annually for all others

*Director Educational Matching Funds Program:* maximum of \$5,000 annually provided as a match to a director's contributions to qualified educational institutions

The options granted as part of the annual retainer have an exercise price set at the fair market value on the date of the grant, have a ten-year term and vest at the next annual meeting following the grant. The restrictions on the restricted stock terminate at the next annual meeting of shareholders following the grant. The grants are made on the date of each annual meeting of shareholders pursuant to the terms of the 1996 Non-Employee Director Stock Option Plan.

In addition to the standard arrangements for 2001, each non-employee director received an option to purchase 3,000 shares under a special grant effective July 20, 2001—the same date as a special grant to all eligible Guidant employees. The director grant vests on the date of the 2002 Annual Meeting and is otherwise subject to the standard terms described above.

### 2003

#### *Director Compensation*

Directors who are employees of Guidant do not receive additional compensation for serving on the board or its committees. Directors who are not employees of Guidant receive compensation for board service. The arrangements as of the annual meeting are as follows:

*Annual Retainer:* restricted stock worth \$35,000 and an option to purchase 10,000 shares for all members except the non-executive chairman, who receives \$360,000 and an option to purchase 24,000 shares

*Attendance Fees:* 3,500 for each board meeting and for each committee meeting in person if not held in conjunction with a board meeting, \$1,000 for telephonic committee meetings

*Committee Chair Retainer:* 12,500 annually for audit committee, \$7,500 for all others

*Director Matching Funds Program:* maximum of \$5,000 annually provided as a match to a director's contributions to qualified educational institutions

The options granted as part of the annual retainer have an exercise price set at the fair market value on the date of the grant, have a ten-year term and vest at the next annual meeting following the grant. The restrictions on the restricted stock terminate at the next annual meeting of shareholders following the grant. The grants are made on the date of each annual meeting of shareholders pursuant to the 1996 Non-Employee Director Stock Option Plan.

## **2004**

### ***Director Compensation***

Directors who are employees of Guidant do not receive additional compensation for serving on the board or its committees. Directors who are not employees of Guidant receive compensation for board service. The arrangements as of the annual meeting are as follows:

<i>Annual Retainer:</i>	. cash retainer of \$36,000 and an option to purchase 10,000 shares for all members except the non-executive chairman, who receives \$400,000 and a stock option to purchase 24,000 shares
<i>Attendance Fees:</i>	or any meetings held outside of the six regularly scheduled board meetings, \$3,000 for each in-person board or committee meeting, \$1,000 if telephonic
<i>Committee Chair Retainer:</i>	15,000 annually for the Audit Committee and the Compliance Committee, \$10,000 for all others
<i>Director Matching Funds Program:</i>	maximum of \$5,000 annually provided as a match to a director's contributions to qualified educational institutions

The options granted as part of the annual retainer have an exercise price set at the fair market value on the date of the grant, have a ten-year term and vest at the next annual meeting following the grant. The grants are made on the date of each annual meeting of shareholders pursuant to the 1996 Non-Employee Director Stock Option Plan.