

DREAMWORKS ANIMATION CORPORATE GOVERNANCE

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BENEFITS OF SHAREHOLDER

- Compensation
 - Mixed salary and bonus plan
 - Payment in equity or cash
- Majority of management's compensation came from bonus, but, the current structure does not promote this.

Salary

- Ensures revenue for management

Bonus

- 100% depend on achievement of operating income
- \uparrow earnings = \uparrow company revenue

COMPOSITION OF BOARD MEMBERS

- Great mix of expertise and leadership
- Majority have successful experience in this industry
- Bring outsider industry
 - Investment
 - Hi tech
 - Finance
 - International Business
 - Marketing
- Senior management of public companies



COMPOSITION OF BOARD MEMBERS

Jeffrey Katzenberg	Paramount, Walt Disney Animation and Film	> 30 years of creating some of the most successful and iconic movies
Roger Enrico	CEO Pepsico, Marketing and International	Significant expertise in the areas of consumer products and marketing
Harry Brittenham	Legal Affairs	Senior partner at major Hollywood firm. > 30 years of experience representing many of the entertainment industry's leading talent.

COMPOSITION OF BOARD MEMBERS

Thomas E. Freston	Viacom MTV	Operational management of large diversified media.
Judson C. Green	CFO Walt Disney Finance	Extensive knowledge of theme parks.
Mellody Hobson	Investments	Significant operational and financial expertise as the president of a large investment company.

COMPOSITION OF BOARD MEMBERS

Michael J. Montgomery	Walt Disney Internet & New Media	Significant operational and financial expertise as the president of a large investment company.
Nathan Myhrvold	Genius IP & Technology	Broad knowledge of intellectual property & lengthy experience in all facets of technology.
Richard Sherman	Accounting & Finance USC Professor	He brings a wealth of financial expertise to the Board.

COMPENSATION PERFORMANCE

Objectives

- To incentivize executives to increase long term stockholder value
- Link executive compensation to Company's long term objectives
- Align executives' with stockholder interest by promoting equity ownership

Time Vested Awards

- Restricted Stock
- Restricted Stock Units

Performance Vested

- Dependent on Company's stock performance
- SARs
- Performance Compensation awards

POTENTIAL WEAKNESSES

- Director Independence Standards and Independence Standards by NASDAQ
- Gray areas concerning a board member's independence
- Current board's leadership structure and situation
- Profit are tied to a number of releases each year

GOVERNANCE RECOMMENDATIONS

- Require independent directors to decide executive compensation and new director nominations

- Jeffrey Katzenberg and David Geffen combined control 68% of the voting power and as a result that could be perceived as a conflict of interest/weakness although it is legal.

Another weakness concerns "gray areas" regarding board members' independence. The board determines whether independence is material or not. For example, former board member Judson Green had associations with companies (Hewitt Associates, Nokia) that were engaged in business with DreamWorks and the board deemed this connections immaterial.

- Create an executive committee to implement true board member independence and "controlled company exemption" on member voting