ITEM 11. EXECUTIVE COMPENSATION

PACIFICORP BOARD OF DIRECTORS REPORT ON EXECUTIVE COMPENSATION

Introduction

The PacifiCorp Board of Directors submits this report on executive compensation, which outlines the compensation provided to PacifiCorp's executive officers. The Remuneration Committee of the ScottishPower Board of Directors, assisted by its outside advisors, has the responsibility to approve compensation levels and executive compensation plans for the PacifiCorp Chief Executive Officer and the ScottishPower Human Resources Director, who also serves as a PacifiCorp executive officer, and to review compensation for other executive officers and senior management of PacifiCorp. The Remuneration Committee is composed entirely of independent, non-executive directors. With the exception of any compensation requiring review by the Remuneration Committee, the Compensation Committee of the PacifiCorp Board of Directors, consisting of the ScottishPower Chief Executive Officer, the PacifiCorp Chief Executive Officer and the ScottishPower Human Resources Director, has responsibility for approving compensation levels and executive compensation plans for executive officers of PacifiCorp. The Remuneration Committee must approve any stock-based compensation to PacifiCorp executive officers, all of which is in the form of ScottishPower equity. The following describes the components of PacifiCorp's executive compensation program and the basis upon which recommendations and determinations were made for the year ended March 31, 2005.

Compensation Philosophy

PacifiCorp's philosophy is that executive compensation, including that of its Chief Executive Officer, should be linked closely to corporate and operational performance, customer service and increases in shareholder value. PacifiCorp's executive compensation program has the following objectives:

(i) provide competitive total compensation that enables PacifiCorp to attract and retain key executives;
(ii) provide variable compensation opportunities that are linked to PacifiCorp, operational area, and individual performance; and
(iii) establish an appropriate balance between incentives focused on short-term objectives and those encouraging sustained performance improvements and increases in shareholder value.

Qualifying compensation for deductibility under Internal Revenue Code Section 162(m) is one of the factors the PacifiCorp Compensation Committee considers in designing PacifiCorp's incentive compensation arrangements for executive officers. Internal Revenue Code Section 162(m) limits to $1.0 million the annual deduction by a publicly held corporation of compensation paid to any executive officer, except with respect to certain forms of incentive compensation that qualify for exclusion. Although it is the intent to design and administer compensation programs that maximize deductibility, the Remuneration Committee and the Compensation Committee view the objectives outlined above as more important than compliance with the technical requirements necessary to exclude compensation from the deductibility limit of Internal Revenue Code Section 162(m). Nevertheless, the Remuneration Committee and the Compensation Committee believe that nearly all compensation paid to the executive officers for services rendered in the year ended March 31, 2005, is fully deductible.

Compensation Program Components

During the year ended March 31, 2005, the compensation programs were focused on market-based comparisons on the relevant industry for each executive officer. The electric utility industry was utilized as the exclusive basis for market comparison for positions with a principal focus on electric operations. For positions with a corporate-wide focus, the general industry and electric utility industry were used for market comparison. In all cases, compensation is targeted at market median levels, with an assumption that total compensation greater than market median, in any specific time period, anticipates that PacifiCorp and industry performance exceeds the median performance of peer companies.

PacifiCorp's executive compensation programs have three principal elements: base salaries, annual incentive compensation and long-term incentive compensation, as described below.

Base Salaries

Base salaries and target incentive amounts are reviewed for adjustment at least annually based upon competitive pay levels, individual performance and potential, and changes in duties and responsibilities. Base salary and the incentive target are set at a level such that total annual compensation for satisfactory performance would approximate the midpoint of pay levels in the comparison group used to develop competitive data. In the year ended March 31, 2005, the base salary of each executive officer was increased, based on market analysis, to reflect competitive market changes, individual performance and changes in the responsibilities of some officers.

Annual Incentive Compensation

All PacifiCorp executive officers, including those listed in the Summary Compensation Table, participated in PacifiCorp's Annual Incentive Plan (the "AIP"). Performance goals were based on PacifiCorp performance, operational performance and individual performance, and may include ScottishPower performance based on the level, influence and impact of the officer.

Long-Term Incentive Compensation

Historically, the PacifiCorp Board of Directors annually reviewed and approved grants of restricted stock and stock options under the PSIP until the PSIP was assumed by ScottishPower in connection with its acquisition of PacifiCorp in 1999. On November 29, 2001, the PSIP expired. Restricted stock and stock option awards made under the PSIP on or before April 24, 2001, relate to ScottishPower American Depository Shares or Ordinary Shares ("Ordinary Shares") and will continue to remain outstanding until such time as they vest, are exercised or expire.

Restricted stock awards under the PSIP are subject to terms, conditions and restrictions consistent with the PSIP and the best interests of the shareholders. In general, restricted stock awards vest over a four-year period from the date of grant, subject to compliance with the stock ownership and other terms of the grant. The restrictions include stock transfer restrictions and forfeiture provisions designed to facilitate the participants' achievement of specified stock ownership goals. Participants are also required to invest their own personal resources in ScottishPower American Depository Shares or Ordinary Shares in order to meet the vesting requirements associated with these grants.

In April 2004, the Remuneration Committee approved grants of stock options and performance share awards under ScottishPower's Executive Share Option Plan 2001 (the "ExSOP") and the Long-Term Incentive Plan (the "LTIP"), respectively, for a select group of executive officers and other senior managers. ExSOP and performance share grants were awarded to PacifiCorp senior managers in May 2004. See below for the LTIP awards. The May 2004 grants were the last stock options awarded under the ExSOP. Stock options granted under the ExSOP on or before May 27, 2004, will continue to remain outstanding until such time as they are exercised or expire.

All stock options awarded to executive officers and senior management of PacifiCorp in the years ended March 31, 2005, 2004 and 2003 are non-statutory, non-discounted options with a three-year vesting requirement and a 10-year term from the date of the grant. The stock options awarded during the year ended March 31, 2003, included two separate grants. The first was a standard grant of options, each of which has a three-year vesting schedule starting on the first anniversary of the grant date, and the second was a onetime enhanced grant of options, each of which vests three years after the grant date based on performance.

In May 2004, the Remuneration Committee approved a new program to replace the ExSOP, called the Deferred Share Program, which is part of the AIP for executive officers and senior management. Eligible employees will receive an increase to their AIP maximum target incentive payment, with the increase paid in ScottishPower American Depository Shares. The Deferred Share Program is effective beginning with the year ended March 31, 2006.

The LTIP provides for awards of performance shares that link the rewards closely between management and shareholders and focus on long-term corporate performance. The awards will vest only if the Remuneration Committee is satisfied that certain threshold customer service and financial performance measures are achieved. The number of shares that actually vest depends upon ScottishPower's comparative Total Shareholder Return performance over a three-year performance period. Vested shares are released to participants only after the conclusion of the performance period.

The PacifiCorp Board of Directors report on executive compensation detailed above has been submitted by all the members of the PacifiCorp Board of Directors, as listed below:

- Ian M. Russell, Chairman
- Judith A. Johansen
- Barry G. Cunningham
- Nolan E. Karras
- Andrew N. MacRitchie
- Michael J. Pittman
- A. Richard Walje
- Matthew R. Wright
- Richard D. Peach
- Andrew P. Haller

Executive Compensation

The following table sets forth information concerning compensation for services in all capacities to PacifiCorp for the years ended March 31, 2005, 2004, and 2003 of the Chief Executive Officer of PacifiCorp and the next four other most highly compensated executive officers of PacifiCorp who were serving as executive officers at the end of the last completed fiscal year.

Summary Compensation Table

					Long-Term Compensation			
		Annual Compensation (a)		All Other Compensation	Restricted Stock	Securities Underlying	LTIP Payout	ScottishPower Performance
Name and Principal Position	Year	Salary	Bonus (c)	(d)	Awards (e)	Options	(f)	Shares (g)
Judith A. Johansen	2005	$ 743,750	$ 437,500	$ 23,311	$ -	52,228	$ -	19,916
President and Chief	2004	589,394	337,500	22,883	-	61,475	-	12,458
Executive Officer	2003	492,444	149,767	21,170	-	61,825	-	9,199
Michael J. Pittman	2005	323,750	189,000	20,329	-	33,948	-	6,904
Senior Vice President	2004	313,125	187,500	20,097	-	38,729	-	7,849
	2003	300,000	47,057	18,860	-	50,954	-	7,581
Andrew P. Haller	2005	334,480	167,137	20,515	-	11,667	-	4,746
Senior Vice President,	2004	327,996	190,109	20,165	-	13,530	-	5,484
General Counsel and	2003	310,930	132,020	21,037	-	19,165	23,069	5,069
Corporate Secretary								
A. Richard Walje	2005	317,307	158,108	20,270	-	16,613	-	6,757
Executive Vice President	2004	299,544	127,557	83,173	-	17,751	-	7,195
	2003	277,604	95,550	19,278	-	24,840	-	6,570
Matthew R. Wright (b)	2005	292,481	141,945	151,425	-	15,331	-	6,236
Executive Vice President	2004	253,612	127,527	62,766	-	10,502	-	6,301
	2003	249,997	56,048	67,456	-	11,704	-	4,681

(a) May include amounts deferred pursuant to the Compensation Reduction Plan, under which key executives and directors may defer receipt of cash compensation until retirement or a preset future date. Amounts deferred are invested in ScottishPower American Depository Shares or a cash account on which interest is paid at a rate equal to the Moody's Intermediate Corporate Bond Yield for AA-rated Public Utility Bonds.

(b) Salary includes foreign housing benefits paid to Mr. Wright. These amounts were $39,380 for the year ended March 31, 2004, and $53,961 for the year ended March 31, 2003.

(c) Amounts in this column for the year ended March 31, 2003, include a promotion bonus in the amount of $41,556 for Ms. Johansen.

(d) Amounts shown for the year ended March 31, 2005, include:

(i) Company contributions to the PacifiCorp Employee Savings and Stock Ownership Plan (the "Savings Plan") of $12,073 for Ms. Johansen, $10,354 for Mr. Pittman, $10,508 for Mr. Haller, $10,315 for Mr. Walje and $12,197 for Mr. Wright.

(ii) Portions of premiums on term life insurance policies that PacifiCorp paid in the amounts of $2,238 for Ms. Johansen, $975 for Mr. Pittman, $1,007 for Mr. Haller, $955 for Mr. Walje and $880 for Mr. Wright. These benefits are available to all employees.

(iii) Annual vehicle allowances paid to Ms. Johansen and Messrs. Pittman, Haller, Walje and Wright in the amounts of $9,000 each. The amount of annual vehicle allowance for Mr. Wright was $10,350 for the year ended March 31, 2004, and $10,800 for the year ended March 31, 2003.

(iv) Relocation benefits paid to Mr. Walje of $62,849 for the year ended March 31, 2004.

(v) Additional international assignment payments to Mr. Wright of $27,739 for the year ended March 31, 2005, $45,299 for the year ended March 31, 2004, and $56,656 for the year ended March 31, 2003, for cost of living and foreign service premium. Also includes international assignee localization payments to Mr. Wright of $101,609 for the year ended March 31, 2005.

(e) On March 31, 2005, the aggregate value of all restricted stock holdings, based on the market value of ScottishPower American Depository Shares at March 31, 2005, without giving effect to the diminution of value attributed to the restrictions on such stock, was $38,220 for Ms. Johansen, $14,352 for Mr. Pittman, $30,420 for Mr. Haller and $14,352 for Mr. Walje. The aggregate number of restricted share holdings was 1,225 for Ms. Johansen, 460 for Mr. Pittman, 975 for Mr. Haller and 460 for Mr. Walje. Regular quarterly dividends are paid on the restricted stock. Participants may defer receipt of restricted stock awards to their stock accounts under the Compensation Reduction Plan.

(f) Represents the dollar value of restricted stock shares awarded under the PSIP prior to PacifiCorp's acquisition by ScottishPower that vested and were distributed to the named officer in the form of ScottishPower American Depository Shares.

(g) Represents the number of ScottishPower American Depository Shares contingently granted in 2005, 2004 and 2003 that can be earned under the terms of the LTIP.

Option Grants in Last Fiscal Year

The following table sets forth information regarding options to purchase ScottishPower American Depository Shares granted during the year ended March 31, 2005, to each named executive officer under the ExSOP. All options become exercisable for one-third of the shares covered by the option on each of the first three anniversaries of the grant date.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5%	10%
Judith A. Johansen	52,228	6.84 %	$ 28.72	5/26/2014	$ 943,334	$ 2,390,595
Michael J. Pittman	33,948	4.44	28.72	5/26/2014	613,164	1,553,877
Andrew P. Haller	11,667	1.53	28.72	5/26/2014	210,728	534,025
A. Richard Walje	16,613	2.17	28.72	5/26/2014	300,062	760,415
Matthew R. Wright	15,331	2.01	28.72	5/26/2014	276,906	701,735

Aggregated Option Exercises at March 31, 2005, and Year-End Option Values

The following table sets forth information regarding the aggregate options exercised during the past fiscal year and the option values at the end of the fiscal year ended March 31, 2005, for each of the named executive officers. All options are for ScottishPower American Depository Shares and include options granted under the PSIP and the ExSOP.

			Number of Securities Underlying Unexercised Options at March 31, 2005		Value of Unexercised In-the-Money Options at March 31, 2005	
Name	Shares Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Judith A. Johansen	152,603	$711,077	-	124,125	$ -	$ 644,701
Michael J. Pittman	65,385	286,932	158,088	85,245	8	454,666
Andrew P. Haller	27,703	95,713	-	31,334	-	171,720
A. Richard Walje	44,957	207,618	126,069	42,247	-	227,241
Matthew R. Wright (a)	-	-	3,329	37,536	-	65,636

(a) Certain of Mr. Wright's options are for ScottishPower Ordinary Shares, but are presented as American Depository Shares.

Long-Term Incentive Plan Awards in the Last Fiscal Year

The following table sets forth information regarding awards made in the year ended March 31, 2005, to each named executive officer under the LTIP. Each LTIP award entitles the executive officer to acquire, at no cost, the number of ScottishPower American Depository Shares listed in the table, less any withholding for applicable taxes. An award will only vest if the Remuneration Committee is satisfied that certain performance measures related to the sustained underlying financial performance of the ScottishPower group and improvements in customer service standards are achieved over a period of three years commencing with the fiscal year preceding the date an award is made. The number of shares that vest depend upon ScottishPower's comparative Total Shareholder Return performance over the three-year performance period. Total Shareholder Return performance is measured against a peer group of major international energy companies. No shares vest unless ScottishPower's Total Shareholder Return performance is at least equal to the median performance of the peer group, at which point 40% of the initial award vests. If ScottishPower's performance is equal to or exceeds the top quartile, 100% of the shares vest. The number of shares that vest for performance between these two points is determined on a straightline basis. Participants may acquire the vested shares at any time after the third anniversary of grant.

Name	Number of Shares, Units or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Exercise or Threshold Shares	Target Shares (a)	Maximum Shares
Judith A. Johansen	19,916	3 years	-	7,966	19,916
Michael J. Pittman	6,904	3 years	-	2,762	6,904
Andrew P. Haller	4,746	3 years	-	1,898	4,746
A. Richard Walje	6,757	3 years	-	2,703	6,757
Matthew R. Wright	6,236	3 years	-	2,494	6,236

(a) Amount to vest if threshold measures and median Total Shareholder Return performance are achieved.

Employment Agreements

On September 29, 2003, Ms. Johansen and PacifiCorp executed an employment agreement providing for a base salary of $700,000 and a maximum annual incentive award of 75.0% of base salary. Under the agreement, she is eligible for participation in the LTIP, the ExSOP and the Retirement Plan referred to below, in addition to other benefit plans available for senior-level executives of PacifiCorp. The employment agreement continues until March 31, 2021, unless terminated by either party. Ms. Johansen or PacifiCorp may terminate the employment agreement at any time for any reason. However, if Ms. Johansen resigns from PacifiCorp due to a material alteration in compensation or assignment or following a company-initiated relocation, or if PacifiCorp terminates Ms. Johansen without cause, then Ms. Johansen will be entitled to one year's base salary, car allowance and bonus (as modified pursuant to the terms of the employment agreement). Additionally, Ms. Johansen agreed to standard confidentiality, non-competition and non-solicitation terms.

On December 9, 2004, Mr. Pittman and PacifiCorp executed an employment agreement providing for a base salary of $325,000 and a maximum annual incentive award of 100.0% of base salary (unless otherwise modified by the Remuneration Committee). Under the agreement, he is eligible for participation in the LTIP, the ExSOP and the Retirement Plan, in addition to other benefit plans available for senior level executives of PacifiCorp. The employment agreement continues until Mr. Pittman reaches the age of 65, unless terminated by either party. Mr. Pittman or PacifiCorp may terminate the employment agreement at any time for any reason. However, if Mr. Pittman resigns from PacifiCorp due to a material alteration in compensation or assignment or following a company-initiated relocation, or if PacifiCorp terminates Mr. Pittman without cause, then Mr. Pittman will be entitled to one year's base salary, car allowance and bonus (as modified pursuant to the terms of the employment agreement). Additionally, Mr. Pittman agreed to standard confidentiality, non-competition and non-solicitation terms.

Severance Arrangements

PacifiCorp's Executive Severance Plan provides severance benefits to certain executive-level employees who are designated by the PacifiCorp Board of Directors, including the executive officers named in the Summary Compensation Table (other than Ms. Johansen).

Severance benefits are payable by PacifiCorp for voluntary terminations as a result of a certain material alterations in position or compensation that have a detrimental impact on the executive's employment or involuntary terminations (including a PacifiCorp-initiated resignation) for reasons other than cause. Severance payments generally equal one or two times the executive's annual cash compensation, three months of health insurance benefits and outplacement services.

The Executive Severance Plan also provides enhanced severance benefits in the event of certain terminations during the 24-month period following a qualifying change-in-control transaction. Executives designated by the PacifiCorp Board of Directors are eligible for change-in-control benefits resulting from either a PacifiCorp-initiated termination without cause or a resignation generally within two months after certain material alterations in position or compensation. If qualified for the enhanced severance benefits, an executive would receive severance pay in an amount equal to either two, two and one-half or three times the annual cash compensation of the executive, depending on the level set by the PacifiCorp Board of Directors. PacifiCorp is required to make an additional payment to compensate the executive for the effect of any excise tax. The executive would also receive continuation of subsidized health insurance from six to 24 months, depending on length of service, and outplacement services.

Retirement Plans

PacifiCorp has adopted non-contributory defined benefit retirement plans for its employees, other than employees subject to collective bargaining agreements that do not provide for coverage. Certain executive officers, including the executive officers named in the Summary Compensation Table, are also eligible to participate in PacifiCorp's non-qualified Supplemental Executive Retirement Plan (the "SERP"). The following description assumes participation in both the Retirement Plan and the SERP. Participants receive benefits at retirement payable for life based on length of service with PacifiCorp and average pay in the 60 consecutive months of highest pay out of the last 120 months, and pay for this purpose would include salary and AIP payments reflected in the Summary Compensation Table above. Benefits are based on 50.0% of final average pay plus 1.0% of final average pay for each year that PacifiCorp meets certain performance goals set for each fiscal year by the PacifiCorp Board of Directors. The maximum benefit is 65.0% of final average pay. Participants may also elect actuarially equivalent alternative forms of benefits. Retirement benefits are reduced to reflect social security benefits as well as certain prior employer retirement benefits. Participants are entitled to receive full benefits upon retirement after age 60 with at least 15 years of service. Participants are also entitled to receive reduced benefits upon early retirement after age 55 or after age 50 with at least 15 years of service and five years of participation in the SERP.

The following table shows the estimated annual retirement benefit payable upon retirement at age 60 as of March 31, 2005. Amounts in the table reflect payments from the Retirement Plan and the SERP combined, prior to any offset of projected social security benefits and benefits paid from any prior employer plan.

Estimated Annual Pension at Retirement (a)

	Years of Service (b)			
Final Average Pay at Retirement Date	5	15	25	30
$ 200,000	$ 43,333	$ 130,000	$ 130,000	$ 130,000
400,000	86,667	260,000	260,000	260,000
600,000	130,000	390,000	390,000	390,000
800,000	173,333	520,000	520,000	520,000
1,000,000	216,667	650,000	650,000	650,000

(a) The benefits shown in this table assume that the individual will remain in the employ of PacifiCorp until retirement at age 60, that the Retirement Plan and the SERP will continue in their present form and that PacifiCorp achieves its performance goals under the SERP in all years.

(b) The number of credited years of service used to compute aggregate benefits under the Retirement Plan and the SERP are four for Ms. Johansen, four for Mr. Haller, 25 for Mr. Pittman, 19 for Mr. Walje and 17 for Mr. Wright.

Retention Agreements

To retain executives who would otherwise have had the right to resign for any reason between 12 and 14 months following the merger with ScottishPower and qualify for the enhanced change-in-control supplemental retirement benefits, PacifiCorp entered into retention agreements with qualifying executives (Messrs. Pittman and Walje). Those retention agreements provided for the same enhanced supplemental retirement benefits if the qualifying executives satisfied the retention criteria. Qualifying executives were required to waive their rights to unilaterally resign and receive the enhanced supplemental retirement benefits, but they are now eligible to receive these same enhancements since they have continued employment through the established retention date of December 1, 2002.

These retention agreements also required qualifying executives to waive any rights to executive severance benefits, which they may have otherwise claimed due to material alterations in their positions as of the date of the retention agreement. Unless there was a subsequent "involuntarily termination" or "material alteration" in position as defined in the Severance Plan, this waiver of severance benefits applied to these executives through November 28, 2004. The executives' waiver of severance benefits was in exchange for the enhanced supplemental retirement benefits described above, retention bonuses determined individually in PacifiCorp's discretion for each executive and special stock option awards that vested over a three-year retention period at 25.0% for each of the first two years and 50.0% in the third year.

As noted above, the retention agreements for Messrs. Pittman and Walje expired on November 28, 2004. The executives have satisfied the requirements of, and have received the remuneration and benefits payable under, those agreements.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

All common shares of PacifiCorp are indirectly owned by Scottish Power plc, 1 Atlantic Quay, Glasgow, G2 8SP, Scotland. PacifiCorp has no compensation plans under which equity securities of PacifiCorp are authorized to be issued.

The following table sets forth certain information as of March 31, 2005, regarding the beneficial ownership of Ordinary Shares by (1) each of the executive officers named in the Summary Compensation Table under Item 11. Executive Compensation above, (2) each director of PacifiCorp as detailed under "Item 10. Directors and Executive Officers of the Registrant," and (3) all executive officers and directors of PacifiCorp as a group. As of March 31, 2005, each of the directors and executive officers identified above and all directors and executive officers of PacifiCorp as a group owned less than 1% of the outstanding Ordinary Shares.

	Amount and Nature of Beneficial Ownership		
Beneficial Owner	Direct and Indirect (a)	Options (b)	Total
Ian M. Russell	133,570	498,678	632,248
Judith A. Johansen	103,332	480,868	584,200
Michael J. Pittman	115,238	984,704	1,099,942
Andrew P. Haller	64,887	128,296	193,183
A. Richard Walje	102,719	673,120	775,839
Barry G. Cunningham	45,020	472,036	517,056
Nolan E. Karras	42,446	-	42,446
Andrew N. MacRitchie	14,949	99,468	114,417
Richard D. Peach	14,582	75,237	89,819
Matthew R. Wright	7,445	80,574	88,019
All executive officers and directors as a group (14 persons)	748,656	4,444,765	5,193,421

(a) Includes beneficial ownership of (i) shares held by family members even though beneficial ownership of such shares may be disclaimed and (ii) shares held for the account of such persons pursuant to PacifiCorp's Compensation Reduction Plan and the Savings Plan.

(b) Includes Ordinary Shares that each person has the right to acquire through options that become exercisable within 60 days after March 31, 2005. Options granted in ScottishPower American Depository Shares under the PSIP and ExSOP have been converted into options in Ordinary Shares. One American Depository Share equates to four Ordinary Shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED TRANSACTIONS

According to the terms of Andrew Haller's offer letter, PacifiCorp made a $200,000 loan to Mr. Haller on May 21, 2001, for the repayment of obligations to his former employer. Mr. Haller has repaid $121,253.09 of the loan amount. As of March 31, 2005, the outstanding loan balance was $81,548.92, including accrued interest, payable in two additional annual payments of $32,988.56 each and one of $19,741.67, including interest at the annual rate of 4.74%, on June 30 in each year from 2005 to 2007.

See "Item 8. Financial Statements and Supplementary Data - Note 4" for other information on related-party transactions.