



THE BDO 600

2012 Survey of Board Compensation Practices of
600 Mid-Market Public Companies



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► INTRODUCTION

BDO's Compensation and Benefits practice offers an experienced and dedicated team of professionals who operate nationwide to provide a comprehensive array of services to address client needs.

The BDO 600 survey details director compensation practices of publicly traded companies in the energy, financial services banking and non-banking, healthcare, manufacturing, real estate, retail and technology industries.

About BDO's Compensation and Benefits Practice

Our team provides tax, accounting and consulting services for all types of compensation arrangements, including cash and equity incentives, merger- and acquisition-related issues, employee stock purchase plans, qualified and nonqualified plan arrangements and other related services.

We serve a broad base of clients from mid-sized domestic companies to Fortune 500 multinationals.

About the BDO 600 Survey

The BDO 600 survey details director compensation practices of publicly traded companies in the energy, financial services banking and non-banking, healthcare, manufacturing, real estate, retail and technology industries. Companies in the six non-financial service industries have annual revenues between \$25 million and \$1 billion. Companies in the two financial services industries have assets between \$50 million and \$2 billion. All data in our survey was extracted from proxy statements that were filed between May 15, 2011 and July 15, 2012.

The BDO 600 survey is the sixth iteration of our annual publication.

Our survey focuses on mid-market companies; most board compensation surveys focus on much larger companies.

10%

In fiscal year 2011, director compensation increased by an average of 10%

46%

Overall, companies pay 46% of director compensation in cash and 54% in equity (same as last year)

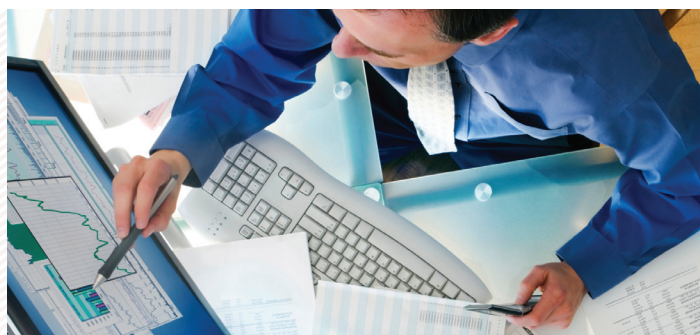
► HOW TO USE THIS SURVEY

The data we collected from the 600 companies surveyed represents the policy in effect at each company as of their fiscal year-end, as disclosed in the director compensation narrative in public filings. We analyzed the data in aggregate by the standard four components of compensation: board retainers and fees, committee retainers and fees, stock options and full-value stock awards.

Types of Compensation

- **"Board Retainers and Fees"** are comprised of the annual board retainer and total board meeting fees earned during the year. Total meeting fees are calculated by multiplying the in-person per-meeting fee by the total number of board meetings held during the year.
- **"Committee Retainers and Fees"** are comprised of the annual committee retainer and total committee meeting fees earned during the year. Total meeting fees are calculated by multiplying the in-person per-meeting fee by the total number of committee meetings held during the year. The data shown reflects the assumption that the director serves as a member of the compensation committee and the nominating and governance committee.
- **"Stock Options"** values are the grant date fair value awards as reported by each company. If a company did not report these values, the values were calculated using the FAS123R assumptions as reported by the company. Irregular grants have been annualized but one-time grants have been excluded.
- **"Full-value Stock Awards"** data includes both stock and stock unit awards. The grant date fair value of the awards was used in this analysis. Irregular grants have been annualized, but one-time grants have been excluded.
- **"Total Compensation"** represents the sum of board retainers and fees, committee retainers and fees, full-value stock awards, and stock options for each company.

Our survey focuses on mid-market companies.



Data Arrangement

The survey data is organized by company size and industry. Board compensation practices can be benchmarked by either of these groups to gain different perspectives on board compensation practices. The groups are described in more detail on the following pages.

Company Size

The most traditional form of director and executive compensation benchmarking uses annual revenue as the primary scope factor because of the well-established, direct correlation between company size and director/executive compensation.

Our survey reports compensation provided at companies in the following revenue ranges:

- **\$25 million – \$325 million**
- **\$325 million – \$650 million**
- **\$650 million – \$1 billion**

Companies in the financial services industry are more traditionally benchmarked based on assets, not revenue; therefore, the asset ranges for this industry are \$50M to \$650M, \$650M to \$1.3B and \$1.3B to \$2B. These asset ranges are referenced at the bottom of pages 8-10.

Industry

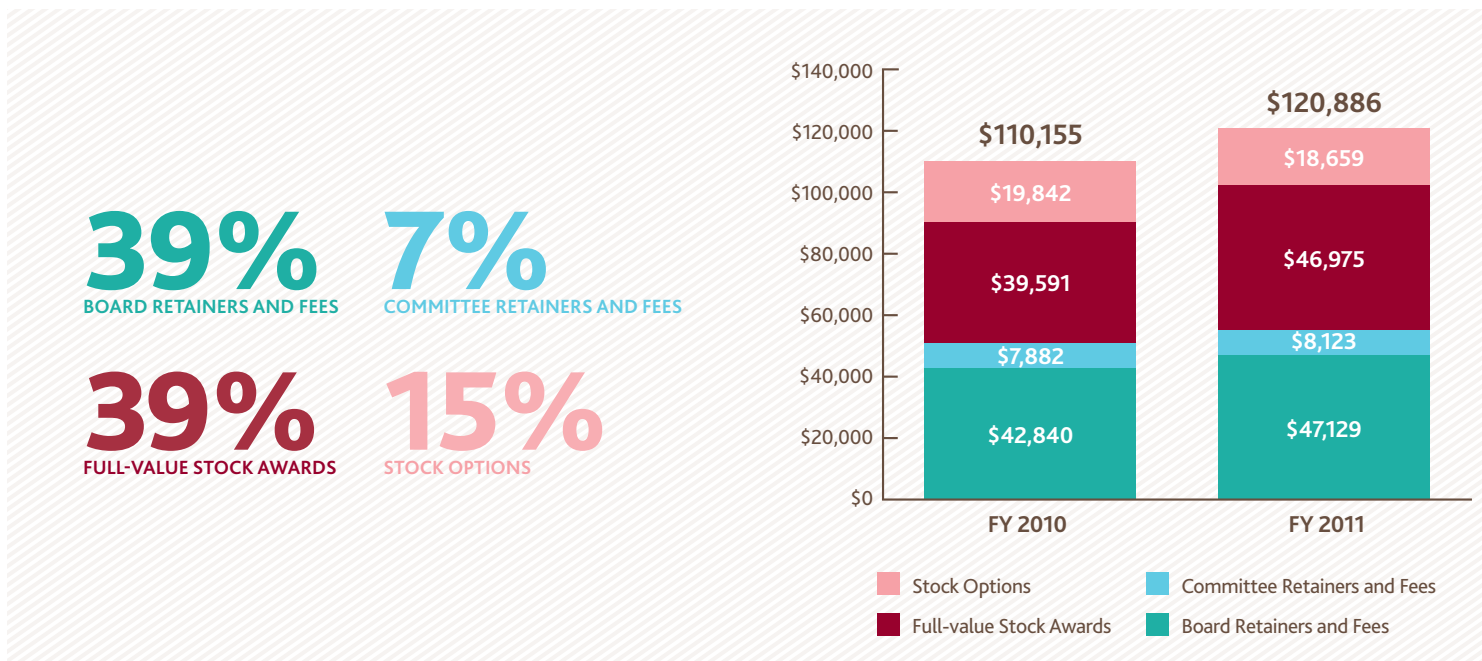
Industry group is another common lens used when benchmarking director and executive compensation. In our survey, we report compensation provided to directors of companies in the following industries:

- **Energy**
- **Financial Services – Banking**
- **Financial Services – Non-banking**
- **Healthcare**
- **Manufacturing**
- **Real Estate**
- **Retail**
- **Technology**

Additional Notes on the Survey

One of the most important aspects of survey work is maintaining a consistent, quantitative platform for analysis. The majority of companies used in last year's analysis were included in this year's examination.

If it was necessary to establish a common comparative base for all 600 companies surveyed, data was annualized and a consistent methodology was used to value compensation. If a surveyed company could not be brought into parity with other participant companies, it was excluded from the survey and replaced with a company chosen at random to obtain a representative sample across industries and company sizes.



► OVERALL RESULTS

For the 600 companies surveyed, BDO found that average annual compensation paid to board members for the fiscal years ending in 2011 ("FY 2011") was \$120,886. This value is comprised of board retainers and fees (\$47,129), committee retainers and fees (\$8,123), full-value stock awards (\$46,975) and stock options (\$18,659).

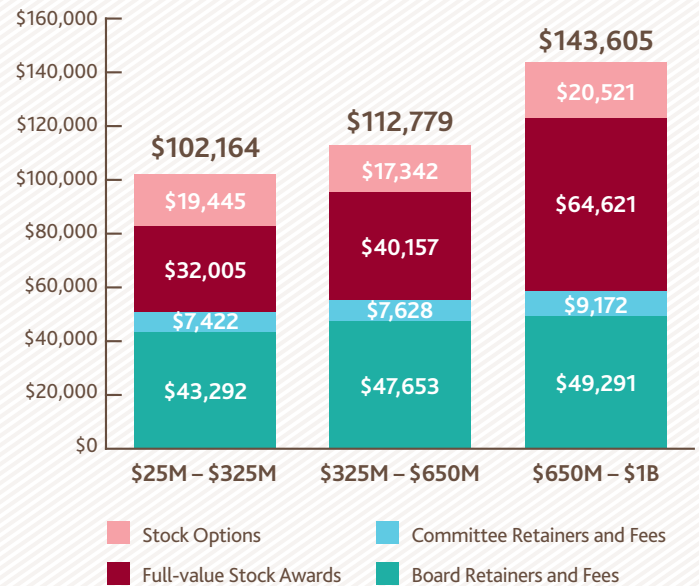
Director compensation in FY 2011 (\$120,886) is up by an average of 10% over FY 2010 (\$110,155).

We also note the mix of pay for these companies for FY 2011 was 39% board retainers and fees (same as last year), 7% committee retainers and fees (same as last year), 39% full-value stock awards (36% last year) and 15% stock options (18% last year), which was similar to the pay mix in the prior year. Additionally, the emphasis on full-value stock awards (which increased to 39% from 36% last year) over stock

options (which decreased to 15% from 18% last year) is consistent with the trends seen in executive compensation over the past few years. Restricted stock is less dilutive, minimizes the expense in the financial statements and will always deliver some economic value.

The remainder of this survey further dissects this collective data and presents results by company size and industry.

Our survey continues to confirm that director compensation is greater the larger the company.



► SURVEY BY COMPANY SIZE

OVERALL RESULTS

As shown in the chart above, director compensation at the companies in our survey is generally correlated with company size. This result is expected given the established historical link between company size and compensation among executives.

Compensation for board members continues to increase, with only the middle revenue category showing a slight decrease. Compared with last year:

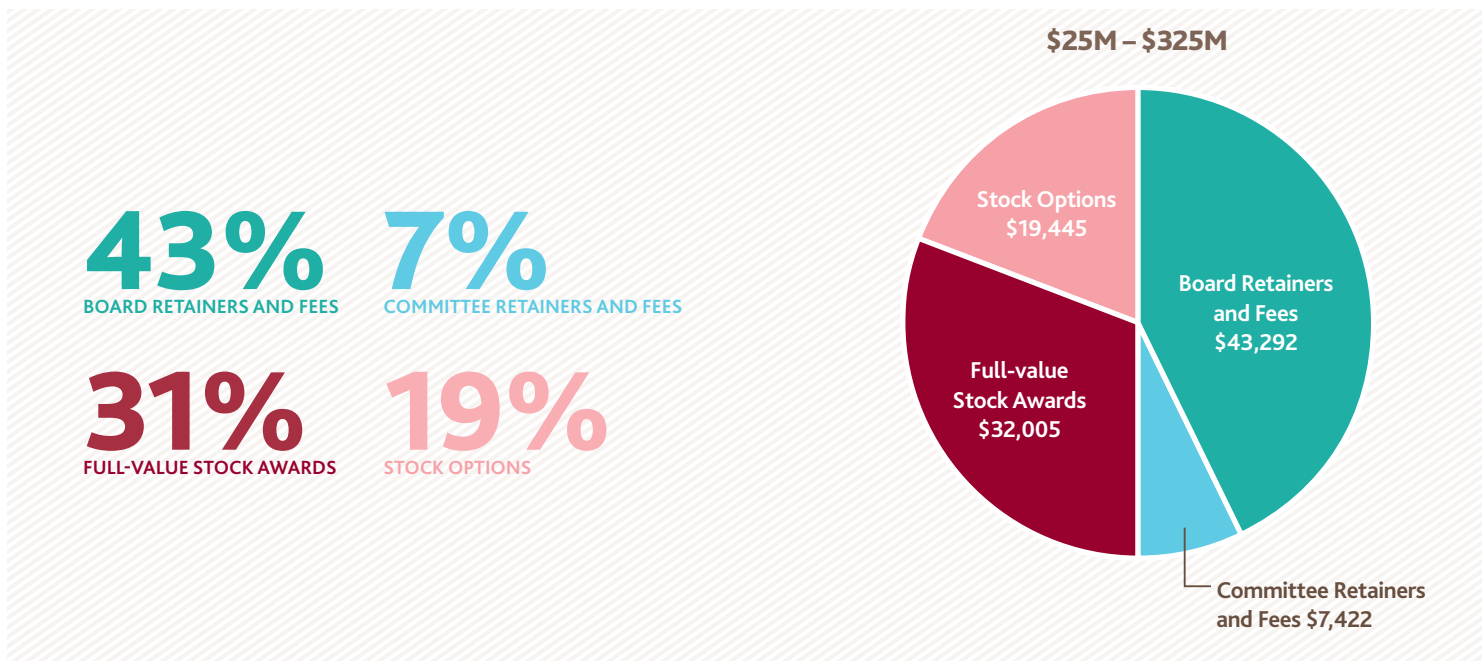
- Compensation increased from \$90,575 to \$102,164 (12.8% increase) for the \$25 million to \$325 million revenue range
- Compensation decreased from \$113,424 to \$112,779 (less than 1% decrease) for the \$325 million to \$650 million revenue range
- Compensation increased from \$128,252 to \$143,605 (11.9% increase) for the \$650 million to \$1 billion revenue range

As previously mentioned, companies in the financial services industries (banking and non-banking) were categorized based on asset size between \$50 million and \$2 billion.*

Our findings reveal that although companies of all sizes favor equity over cash, larger companies provide a higher proportion of compensation in equity than do the smaller companies.

We also found that companies of all sizes favor stock over stock options. However, the average stock option grant value decreased to \$18,659 from around \$20,000 last year for companies of all sizes. The average stock grant ranged from \$19,445 for the smaller companies to \$20,521 at the larger companies, continuing the trend of decreasing stock option use for board member pay.

The following pages detail our findings for each of the three company size categories.

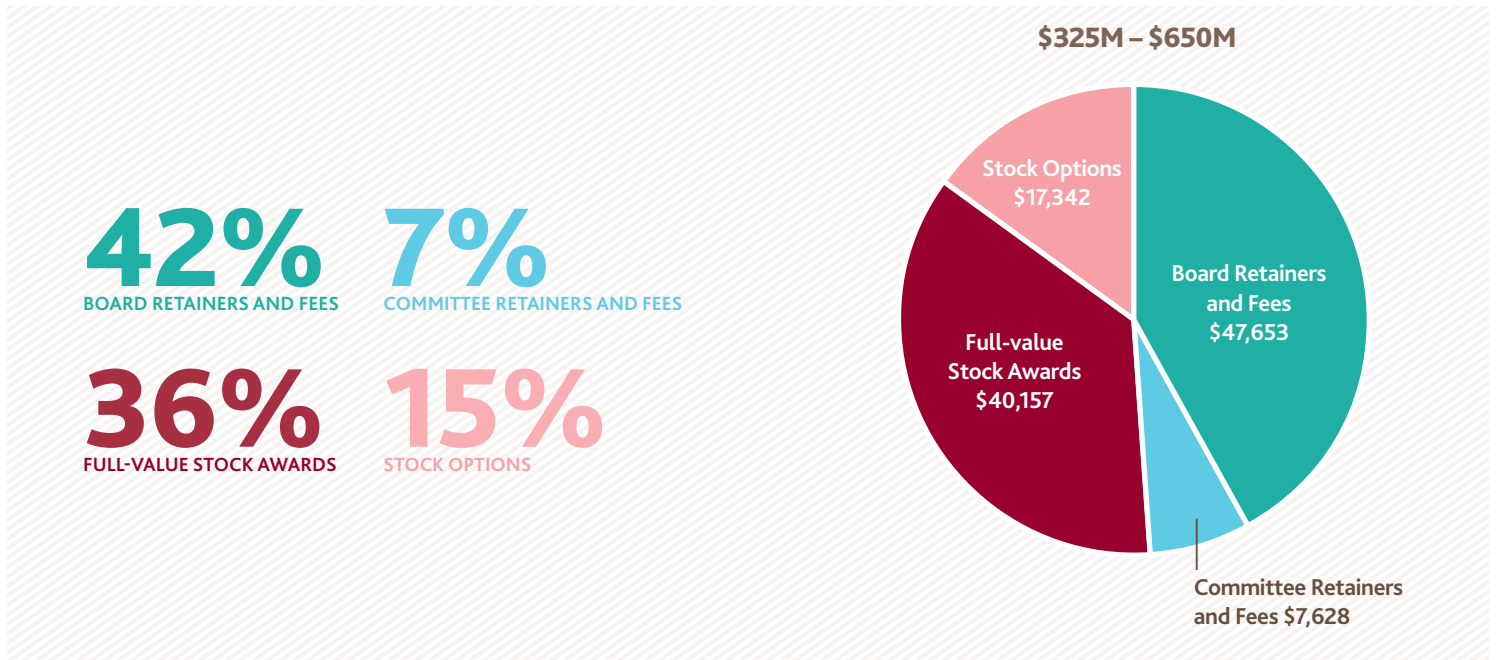


► SURVEY BY COMPANY SIZE
\$25 MILLION TO \$325 MILLION*

The average annual compensation paid to board members of companies with between \$25 million and \$325 million* in revenues for FY 2011 service was \$102,164. This value is comprised of board retainers and fees (\$43,292, an increase from \$37,742 last year), committee retainers and fees (\$7,422, an increase from \$6,756 last year), full-value stock awards (\$32,005, an increase from \$25,491 last year) and stock options (\$19,445, a decrease from \$20,586 last year).

The pay mix for these companies is 43% board retainers and fees (42% last year), 7% committee retainers and fees (same as last year), 31% full-value stock awards (28% last year) and 19% stock options (23% last year).

*Financial service companies in this data sample have between \$50M and \$650M in assets.

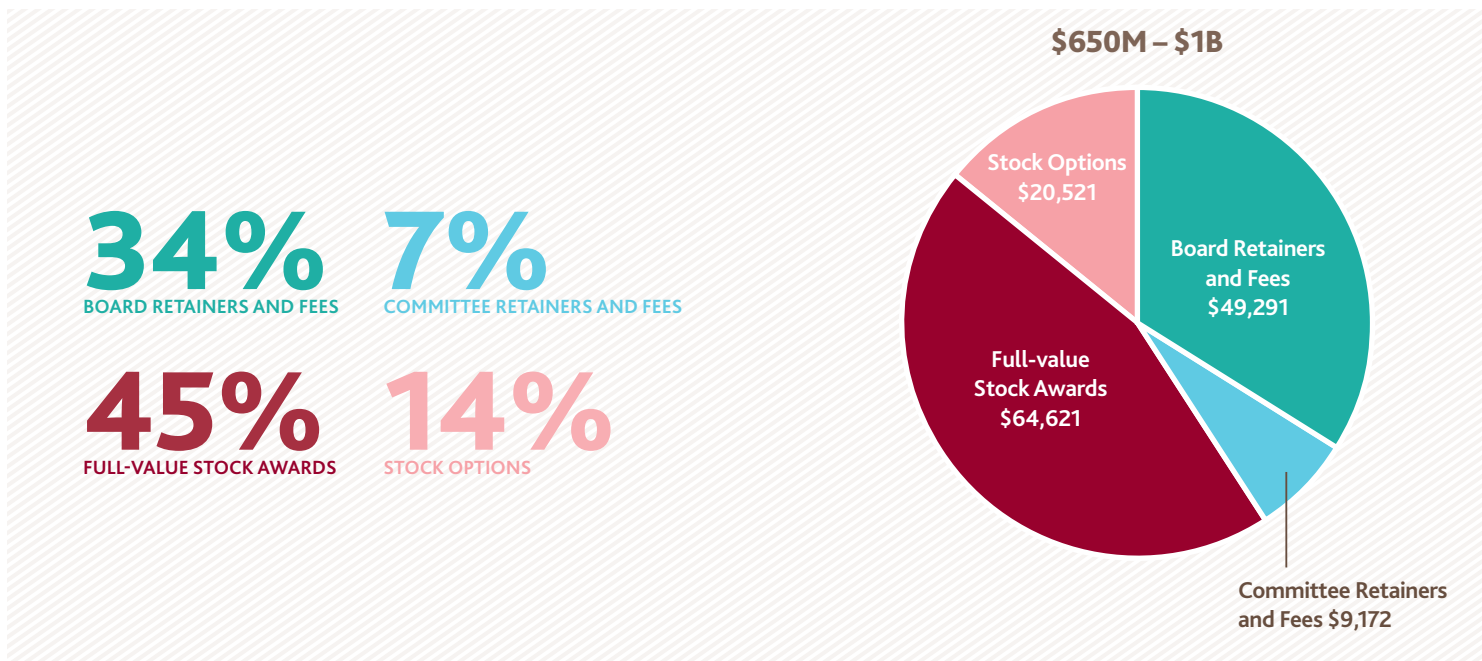


► SURVEY BY COMPANY SIZE
\$325 MILLION TO \$650 MILLION*

The average annual compensation paid to board members of companies with between \$325 million and \$650 million* in revenues for FY 2011 service was \$112,779 (down from \$113,424 last year). This value is comprised of board retainers and fees (\$47,653, an increase from \$45,791 last year), committee retainers and fees (\$7,628, a decrease from \$7,943 last year), full-value stock awards (\$40,157, a slight decrease from \$40,874 last year) and stock options (\$17,342, a decrease from \$18,816 last year).

The pay mix for these companies is 42% board retainers and fees (40% last year), 7% committee retainers and fees (same as last year), 36% full-value stock awards (same as last year) and 15% stock options (17% last year).

*Financial service companies in this data sample have between \$650M and \$1.3B in assets.

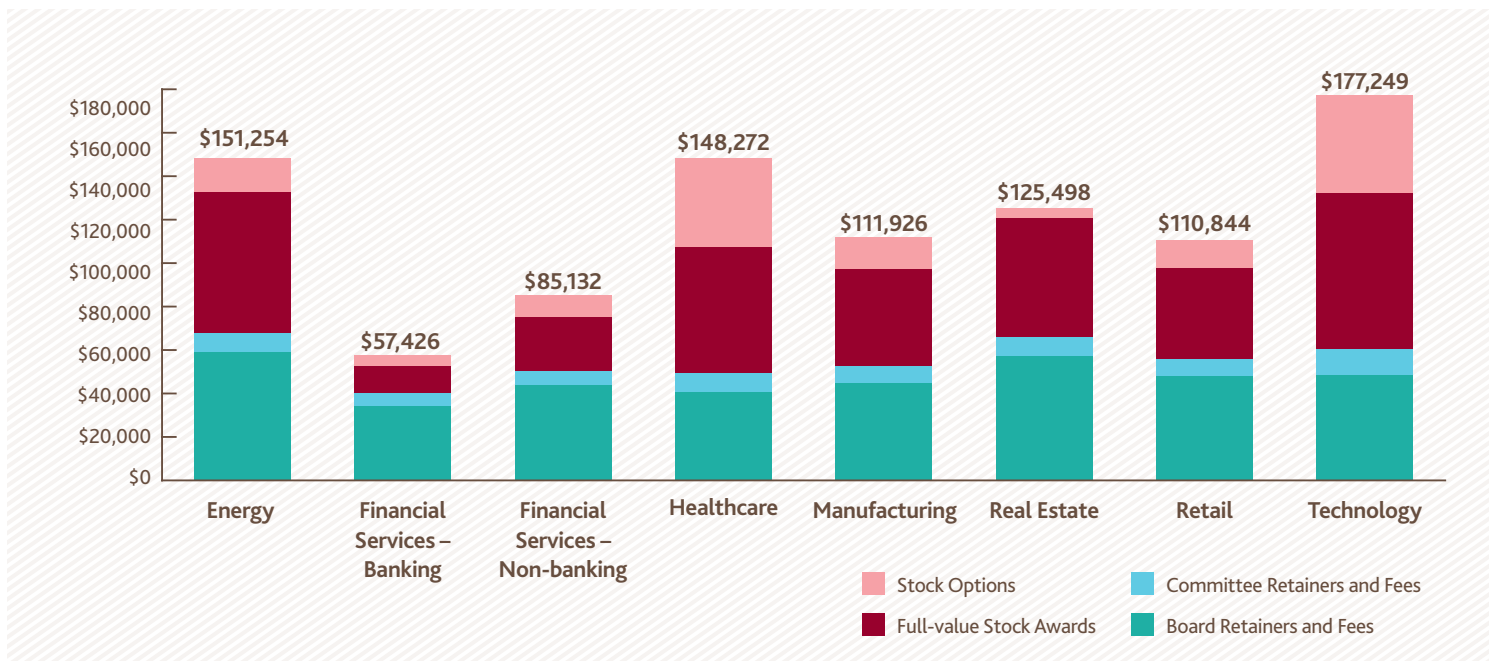


► SURVEY BY COMPANY SIZE
**\$650 MILLION TO
 \$1 BILLION***

The average annual compensation paid to board members of companies with between \$650 million and \$1 billion* in revenues for FY 2011 service was \$143,605 (an increase from \$128,252 last year). This value is comprised of board retainers and fees (\$49,291, an increase from \$44,983 last year), committee retainers and fees (\$9,172, a slight increase from \$9,078 last year), full-value stock awards (\$64,621, an increase from \$53,934 last year) and stock options (\$20,521, a slight increase from \$20,257 last year).

The pay mix for these companies is 34% board retainers and fees (35% last year), 7% committee retainers and fees (same as last year), 45% full-value stock awards (42% last year) and 14% stock options (16% last year). For this revenue category, the highest percentage of equity compensation comes via full-value stock awards, which differs from companies in the lower revenue categories.

*Financial service companies in this data sample have between \$1.3B and \$2B in assets.



► SURVEY BY INDUSTRY

OVERALL RESULTS

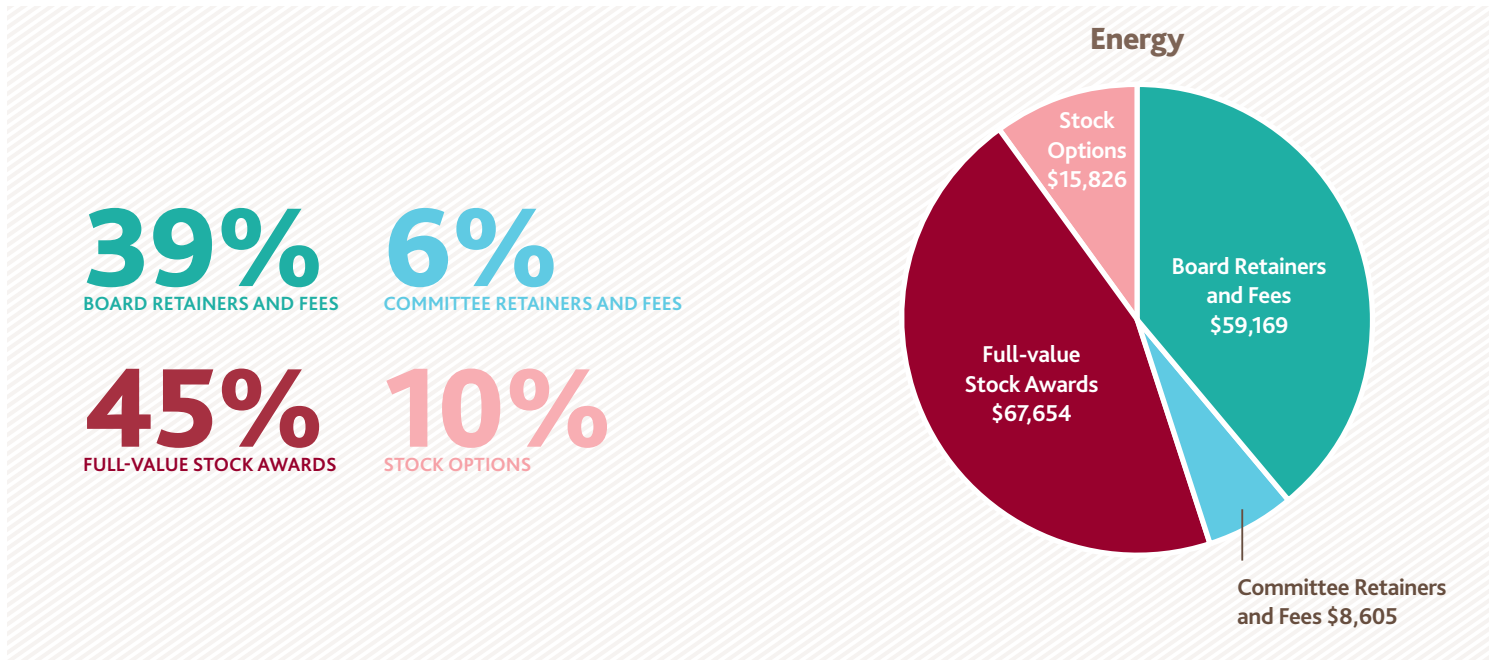
As shown in the chart above, director compensation has the potential to vary considerably by industry. For middle-market companies, industry is just as important as company size when benchmarking director compensation.

Average director compensation ranged from \$57,426 for companies in the financial services–banking industry to \$177,249 for companies in the technology industry. Generally, the industries that pay more do so via equity (stock and/or stock options). Fixed pay (i.e., retainers and fees) ranged from \$40,041 (\$36,960 last year; financial services–banking) at the low end to \$67,774 (\$62,064 last year; energy) at the high end, whereas variable pay (i.e., stock and stock options) had a much wider range of \$17,385 (\$13,864 last year; financial services–banking) at the low end, to \$116,882 (\$91,670 last year; technology) at the high end.

Our findings reveal that companies in the financial services–banking, financial services non-banking and real estate industries (the same three industries as last year) favor cash compensation over equity compensation. Companies in the remaining industries favor equity over cash compensation.

We also found that companies in all industries favor full-value stock awards over stock options.

The following pages detail our findings for each of the eight industries.



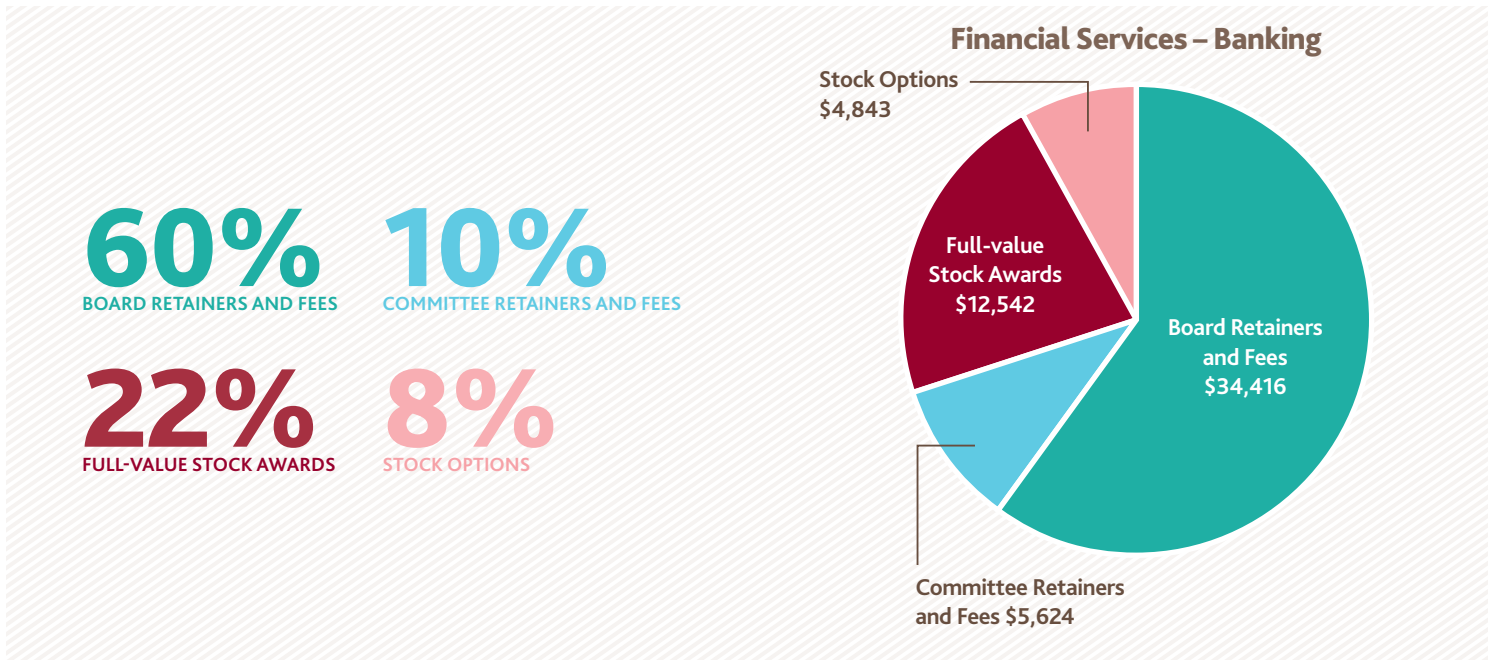
► SURVEY BY INDUSTRY

ENERGY

The average annual compensation paid to board members of companies in the energy industry for FY 2011 service was \$151,254 (an increase from \$139,930 last year). This value is comprised of board retainers and fees (\$59,169, an increase from \$53,591 last year), committee retainers and fees (\$8,605, a slight increase from \$8,473 last year), full-value stock awards (\$67,654, an increase from \$58,697 last year) and stock options (\$15,826, a decrease from \$19,169 last year).

The pay mix for these companies is 39% board retainers and fees (38% last year), 6% committee retainers and fees (same as last year), 45% full-value stock awards (42% last year) and 10% stock options (14% last year).

Average total compensation paid to energy industry directors (\$151,254) is second only to technology industry directors (\$177,249).

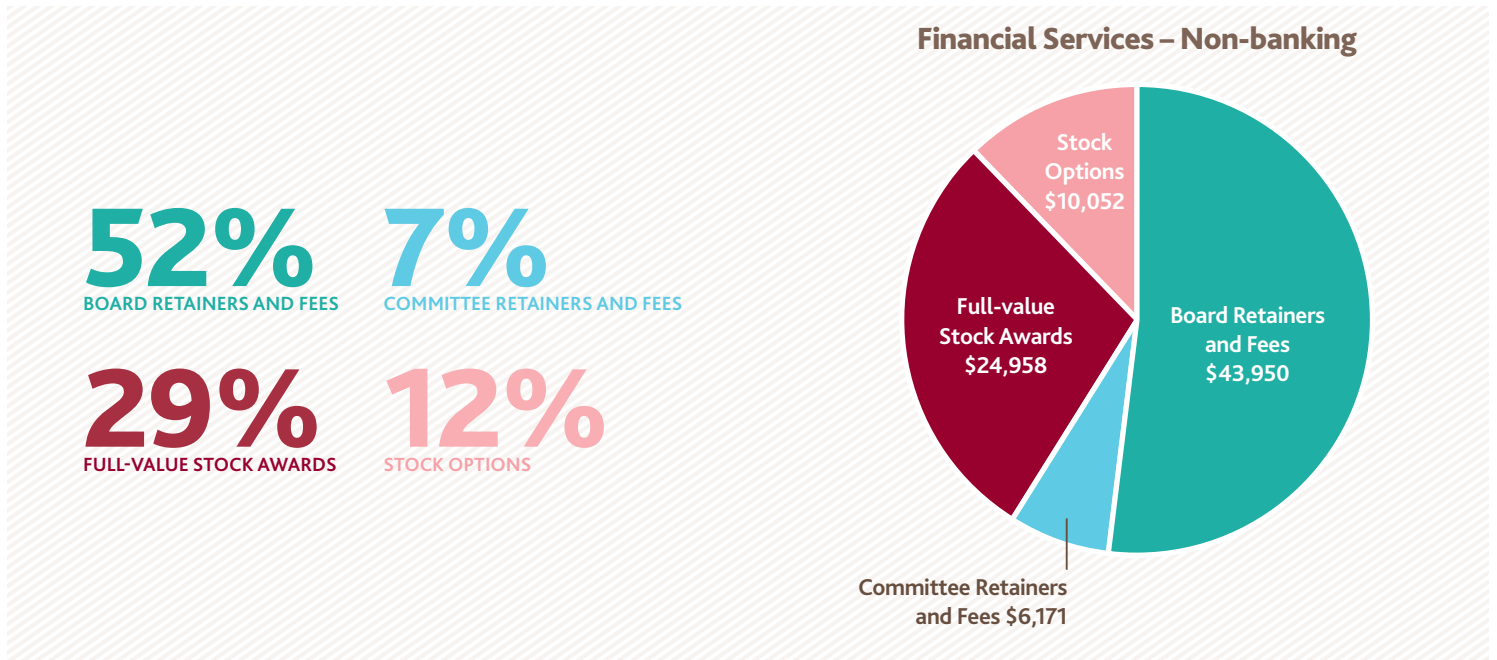


► SURVEY BY INDUSTRY
FINANCIAL SERVICES – BANKING

The average annual compensation paid to board members of companies in the financial services–banking industry for FY 2011 service was \$57,426 (an increase from \$50,824 last year). This value is comprised of board retainers and fees (\$34,416, an increase from \$32,766 last year), committee retainers and fees (\$5,624, an increase from \$4,194 last year), full-value stock awards (\$12,542, an increase from \$8,383 last year) and stock options (\$4,843, a decrease from \$5,481 last year).

The pay mix for these companies is 60% board retainers and fees (64% last year), 10% committee retainers and fees (8% last year), 22% full-value stock awards (17% last year), and 8% stock options (11% last year). Our analysis found that financial services–banking companies provide the highest percentage of pay via cash compared with the companies in the other industries.

Average director compensation in the financial services–banking industry is the lowest of the industries included in our survey.

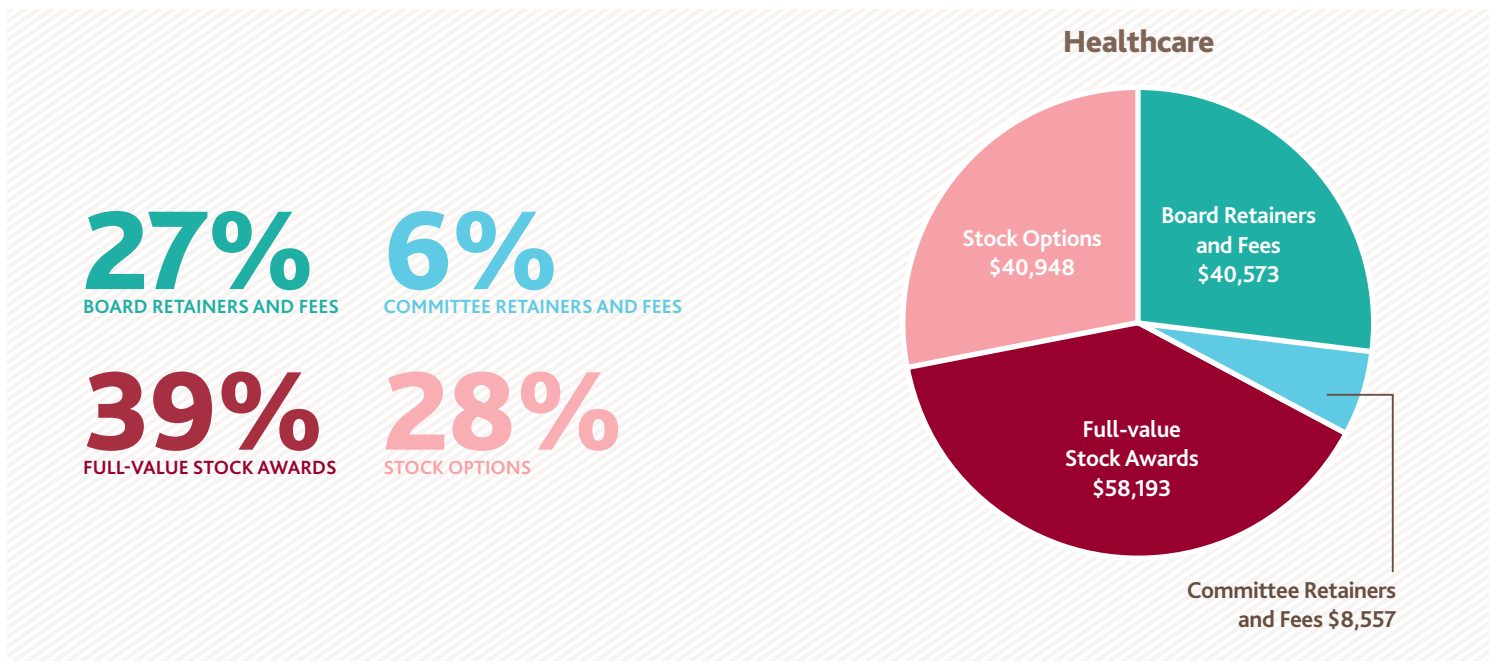


► SURVEY BY INDUSTRY
FINANCIAL SERVICES – NON-BANKING

The average annual compensation paid to board members of companies in the financial services–non-banking industry for FY 2011 service was \$85,132 (an increase from \$77,022 last year). This value is comprised of board retainers and fees (\$43,950, an increase from \$38,979 last year), committee retainers and fees (\$6,171, an increase from \$4,956 last year), full-value stock awards (\$24,958, about even from \$24,952 last year) and stock options (\$10,052, an increase from \$8,135 last year).

The pay mix for these companies is 52% board retainers and fees (51% last year), 7% committee retainers and fees (6% last year), 29% full-value stock awards (32% last year) and 12% stock options (11% last year). Our analysis found that unlike companies in the other industries, the financial services banking and non-banking companies provide more compensation in cash than they do in equity.

Average total director compensation in the financial services–non-banking industry is among the lowest of the industries included in our survey.



► SURVEY BY INDUSTRY

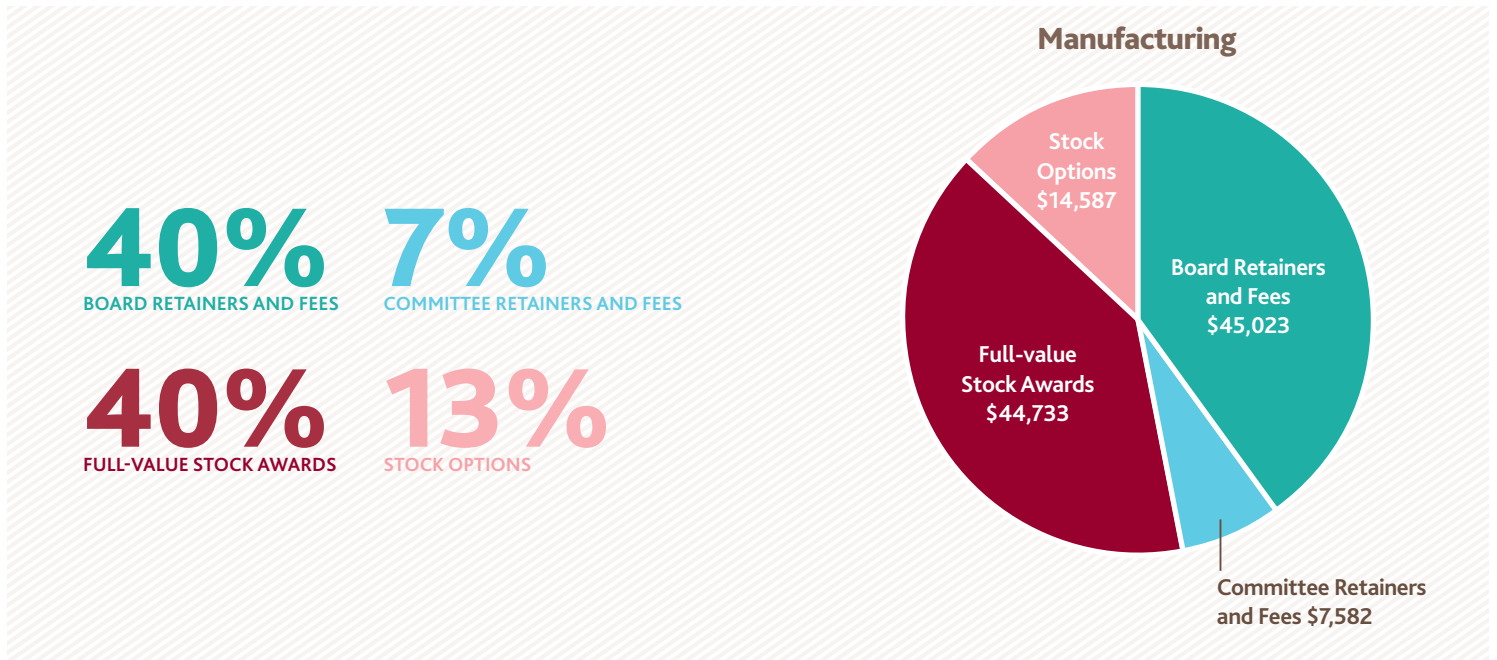
HEALTHCARE

The average annual compensation paid to board members of companies in the healthcare industry for FY 2011 service was \$148,272 (an increase from \$137,601 last year). This value is comprised of board retainers and fees (\$40,573, an increase from \$38,149 last year), committee retainers and fees (\$8,557, a slight decrease from \$8,660 last year), full-value stock awards (\$58,193, an increase from \$48,514 last year) and stock options (\$40,948, a decrease from \$42,278 last year).

Director compensation at these companies increased by 8% from the prior fiscal year.

The pay mix for these companies is 27% board retainers and fees (28% last year), 6% committee retainers and fees (same as last year), 39% full-value stock awards (35% last year) and 28% stock options (31% last year). Healthcare and technology companies use the highest percentage of equity and the smallest percentage of cash in their compensation plans compared with other industries.

The amount of equity offered by healthcare companies in our survey (\$99,142, an increase from \$90,792 last year) is second only to technology companies.

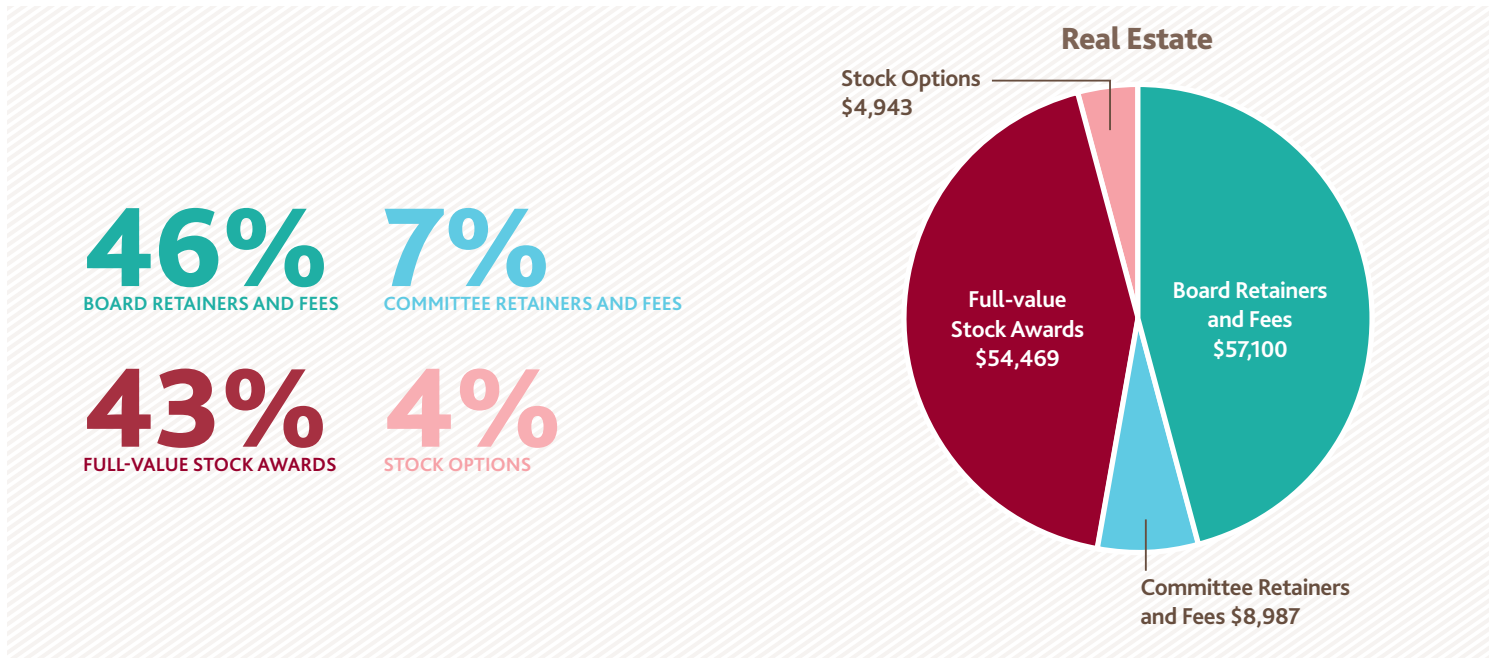


► SURVEY BY INDUSTRY
MANUFACTURING

The average annual compensation paid to board members of companies in the manufacturing industry for FY 2011 service was \$111,926 (an increase from \$107,383 last year). This value is comprised of board retainers and fees (\$45,023, an increase from \$43,350 last year), committee retainers and fees (\$7,582, a decrease from \$8,138 last year), full-value stock awards (\$44,733, an increase from \$38,396 last year) and stock options (\$14,587, a decrease from \$17,499 last year).

Director compensation at these companies increased by 4% from the prior fiscal year.

The pay mix for these companies is 40% board retainers and fees (same as last year), 7% committee retainers and fees (8% last year), 40% full-value stock awards (36% last year), and 13% stock options (16% last year).



► SURVEY BY INDUSTRY

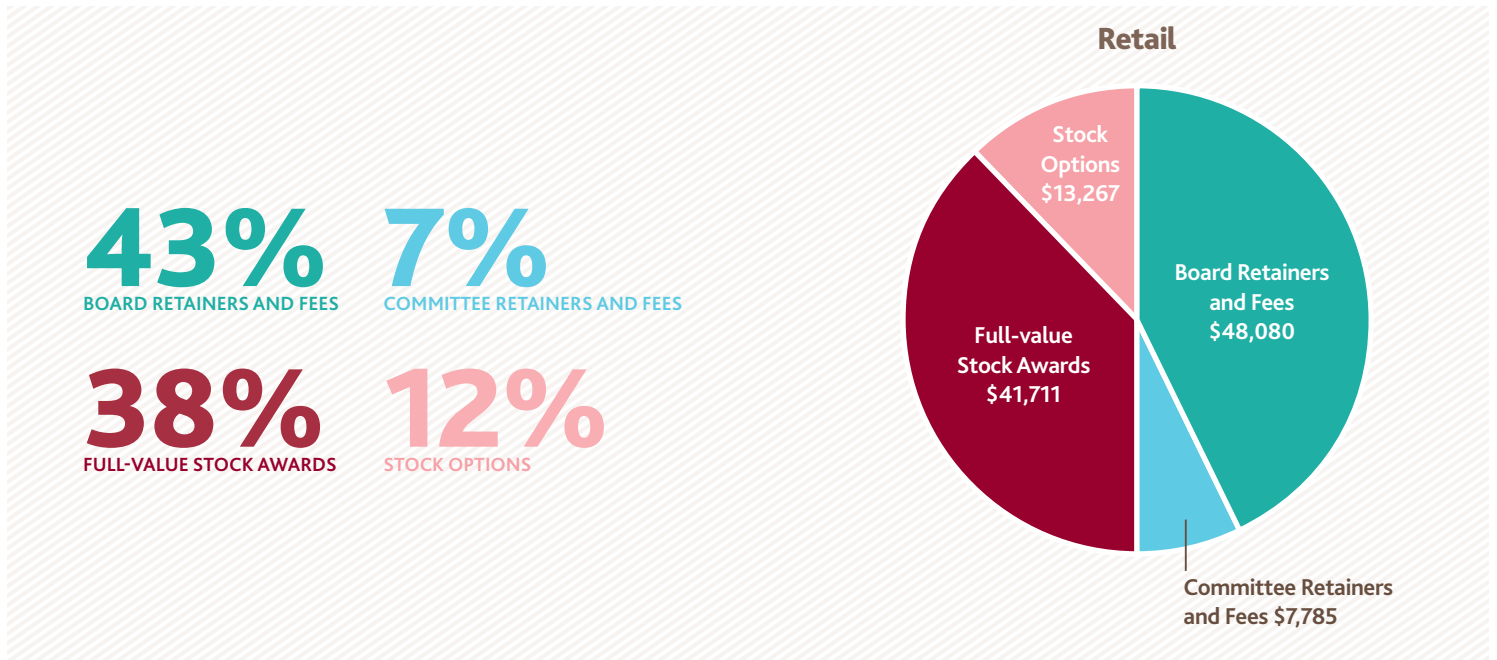
REAL ESTATE

The average annual compensation paid to board members of companies in the real estate industry for FY 2011 service was \$125,498 (an increase from \$119,686 last year). This value is comprised of board retainers and fees (\$57,100, an increase from \$51,829 last year), committee retainers and fees (\$8,987, a decrease from \$9,171 last year), full-value stock awards (\$54,469, an increase from \$51,064 last year) and stock options (\$4,943, a decrease from \$7,622 last year).

Director compensation at these companies increased by 5% from the prior fiscal year.

The pay mix for these companies is 46% board retainers and fees (43% last year), 7% committee retainers and fees (8% last year), 43% full-value stock awards (same as last year) and 4% stock options (6% last year).

Companies in the real estate industry grant a significantly higher value of full-value shares compared with stock options than companies in the other industries.



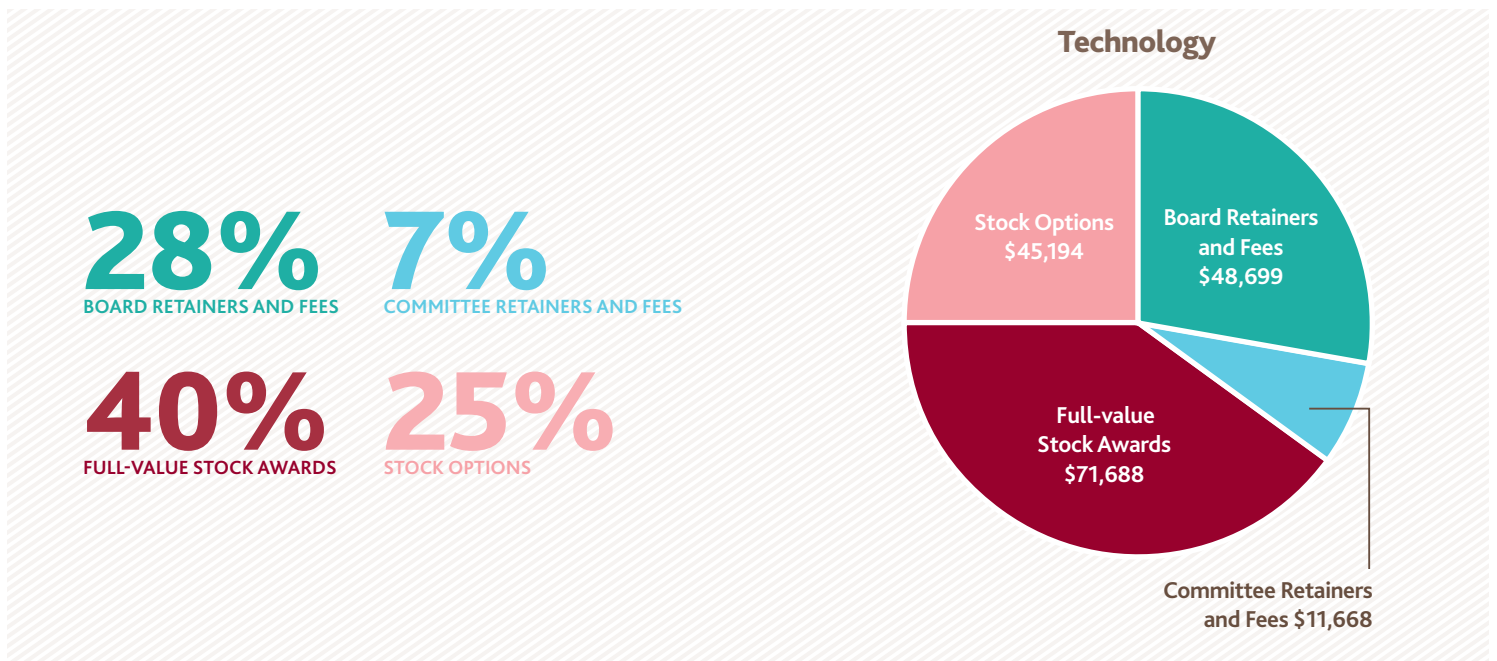
► SURVEY BY INDUSTRY
RETAIL

The average annual compensation paid to board members of companies in the retail industry for FY 2011 service was \$110,844 (an increase from \$99,370 last year). This value is comprised of board retainers and fees (\$48,080, an increase from \$38,636 last year), committee retainers and fees (\$7,785, a slight increase from \$7,131 last year), full-value stock awards (\$41,711, an increase from \$38,170 last year) and stock options (\$13,267, a decrease from \$15,433 last year).

Director compensation at these companies increased by 12% from the prior fiscal year.

The pay mix for these companies is 43% board retainers and fees (39% last year), 7% committee retainers and fees (same as last year), 38% full-value stock awards (same as last year) and 12% stock options (16% last year).

Average total compensation paid to retail industry directors is lower than director compensation in the other industries in our survey, with the exception of the financial services banking and non-banking industries.



► SURVEY BY INDUSTRY **TECHNOLOGY**

The average annual compensation paid to board members of companies in the technology industry for FY 2011 service was \$177,249 (an increase from \$149,427 last year). This value is comprised of board retainers and fees (\$48,699, an increase from \$45,421 last year), committee retainers and fees (\$11,668, a decrease from \$12,336 last year), full-value stock awards (\$71,688, a significant increase from \$48,556 last year) and stock options (\$45,194, an increase from \$43,114 last year).

The pay mix for these companies is 28% board retainers and fees (30% last year), 7% committee retainers and fees (8% last year), 40% full-value stock awards (33% last year) and 25% stock options (29% last year).

Driven by high committee retainers and fees and full-value stock awards, average director compensation in the technology industry is the highest of the industries included in our survey. In addition, director compensation at these companies increased by 19% from the prior fiscal year (compared with just under 4% in the prior year's comparison).

The BDO 600: 2012 Survey of Board Compensation Practices of 600 Mid-Market Public Companies examined the director compensation practices of publicly traded companies in the energy, financial services banking and non-banking, healthcare, manufacturing, real estate, retail and technology industries. Companies in the six non-financial service industries in our survey have annual revenues between \$25 million and \$1 billion. Companies in the two financial services industries in our survey have assets between \$50 million and \$2 billion.

► ABOUT BDO

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► ABOUT KENEXA

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CONTACT US

If you have any questions, comments or suggestions, please contact our Compensation and Benefits practice by emailing us at compensation@bdo.com or by calling your local BDO office.

Please visit www.bdo.com/bdo600 for the electronic copy of this survey.

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