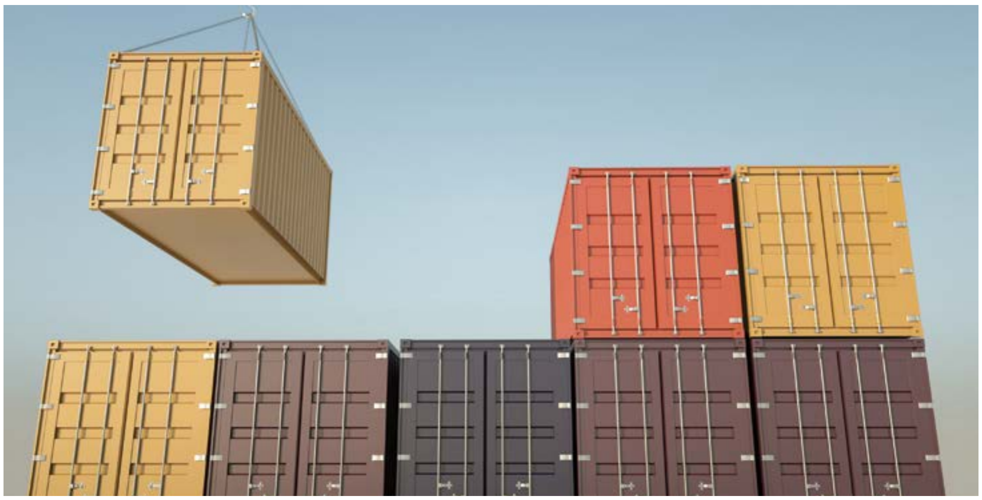
BDO 600

Board Director Compensation Trends in Manufacturing



Director compensation among middle market public companies is up 12 percent in fiscal year 2013, a significant jump from the 3 percent increase in the previous year, according to an analysis of 600 companies conducted by BDO USA, LLP, a leading accounting and consulting organization.

For the second year in a row, manufacturing board directors' total compensation continued to climb, from $117,437 to $129,291, an increase of 10 percent. However, despite this increase, board compensation in the sector continued to rank fifth when compared to the seven other industries surveyed. Technology industry directors again received the largest compensation package, growing from $174,407 in 2012 to $194,341 in 2013, followed by energy industry directors at $168,214, which also experienced a gain from $154,489.

"Middle market board director compensation continues to grow, and at the industry level we are finally seeing alignment between compensation and the sector's 2013 overall performance," says Randy Ramirez, senior director in the Global Employer Services practice at BDO. "Even though director compensation among manufacturing companies lags other industries in our survey, we do, however, expect this to change and pick up pace as the industry's resurgence continues."

MANUFACTURING COMPENSATION LEVELS REFLECT INDUSTRY'S SLOW AND STEADY REVIVAL

The 10 percent increase in board director compensation is consistent with the gains achieved in the retail and real estate sectors, which are also highly dependent on economic

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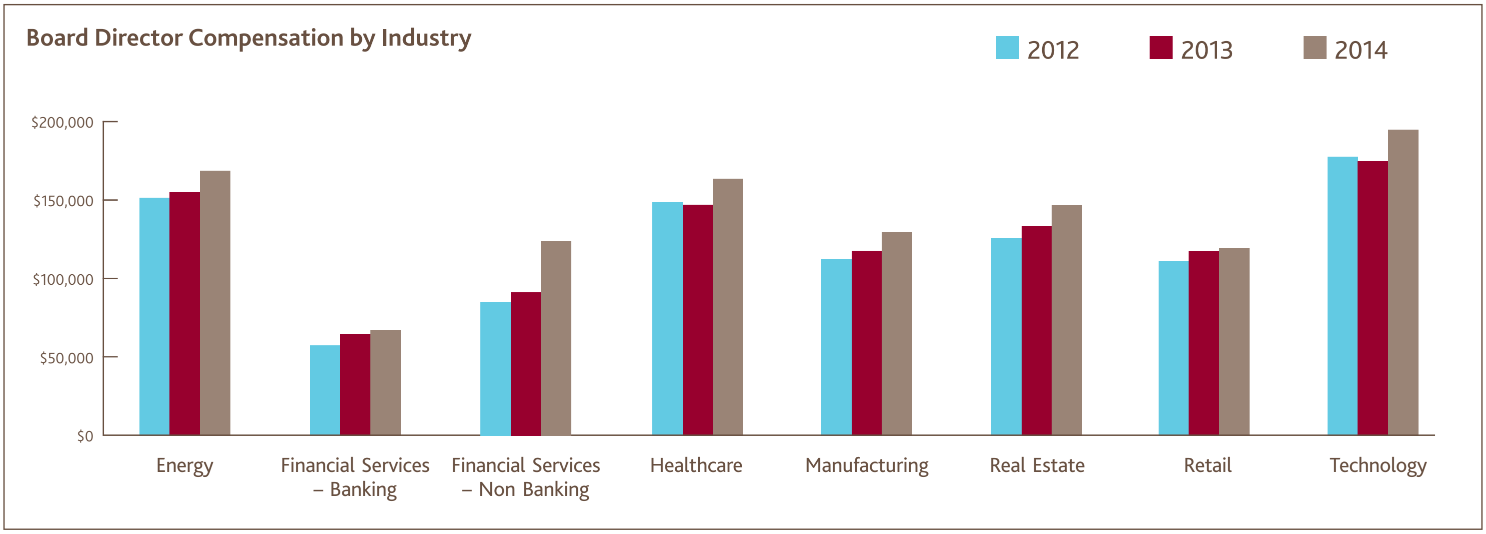


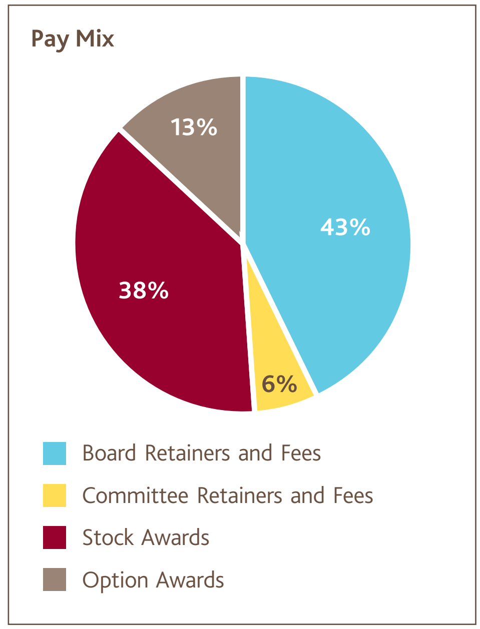
stability. While all signs point to continued industry growth, including a prioritization on reshoring, lower energy costs, infrastructure improvements and increased consumer spending, manufacturing will continue to feel ongoing pressure from growing taxes, regulations, and higher premiums due to the Affordable Care Act. While positive indicators are present, the industry continues to be financially cautious when it comes to investment opportunities.

FOR BOARDS, COMMON INDUSTRY CHALLENGES PERSIST

While the manufacturing industry may be at the start of its turning point, it continues to wait for a true economic boon before increasing compensation levels significantly. Boards of directors are also still helping to navigate what have become ongoing industry challenges, including talent shortages, increasing regulations and extended supply chains. They also remain vigilant from a governance perspective, monitoring financials, internal controls and business risks. Even with their myriad responsibilities, boards of directors are finding time to evaluate growth opportunities, including mergers and acquisitions as well as capital investments, as their financial flexibility continues to increase as the industry's performance strengthens.

PAY MIX SHIFTS SLIGHTLY

Board retainers and fees (43 percent) and stock awards (38 percent) continue to comprise the vast majority of directors' pay packages. Board members saw an 11 percent increase in board retainers and fees, while committee fees decreased 2 percent. Stock awards grew this year, gaining 6 percent, moving from $12,085 to $16,545, after two consecutive years of decreases. This trend indicates that directors may be focused on revitalizing their companies' performance.



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