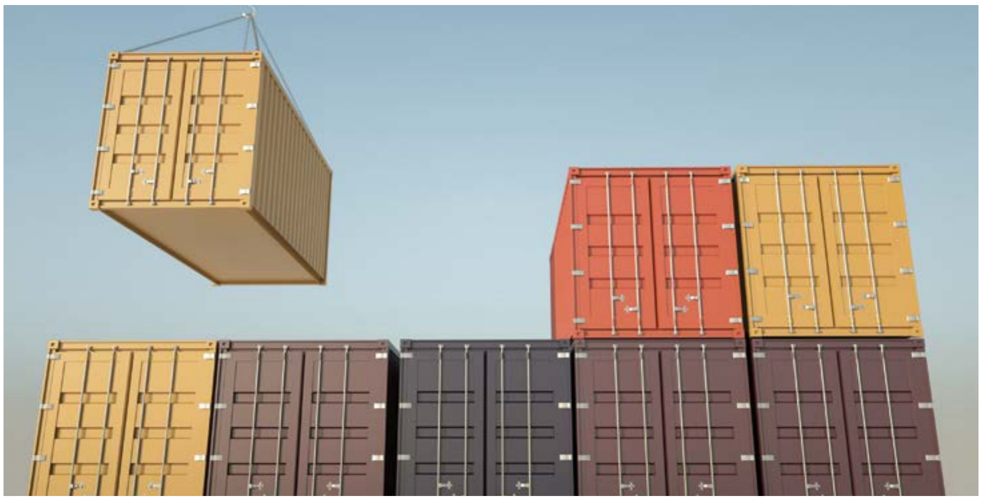
BDO 600

Board Director Compensation Trends in Middle-Market Manufacturing Companies



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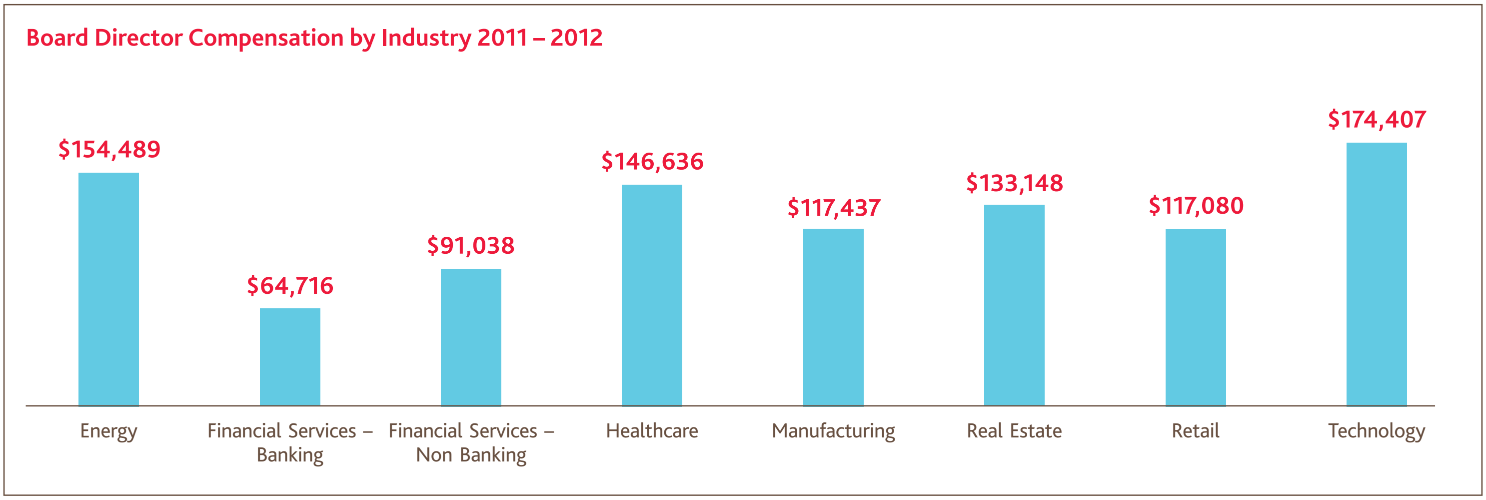
DIRECTOR COMPENSATION CONTINUES TO CLIMB IN SIX DIFFERENT INDUSTRIES BUT DECLINES IN TWO, ACCORDING TO AN ANALYSIS CONDUCTED BY BDO USA, LLP, A LEADING ACCOUNTING AND CONSULTING ORGANIZATION.

The ***BDO 600: 2013 Survey of Board Compensation Practices of 600 Mid-Market Public Companies*** examines the director compensation trends in publicly-traded companies with annual revenues from $25 million to $1 billion in the energy, healthcare, manufacturing, real estate, retail and technology industries; and publicly-traded companies with assets between $50 million to $2 billion in the banking and financial services industries. Information for the study was drawn from proxy statements that were filed between May 15, 2012, and May 15, 2013.

For the second year in a row, manufacturing board directors' total compensation grew by five percent, from $111,926 to $117,437. However, despite this increase, board compensation in the sector falls in the middle of the pack when compared to the other industries' pay, ranking fifth of the eight surveyed industries. Technology industry directors again receive the largest compensation package at $174,407, followed by energy industry directors at $154,489. These industries saw some of the smallest changes to their compensation at minus and plus two percent, respectively.

Read more



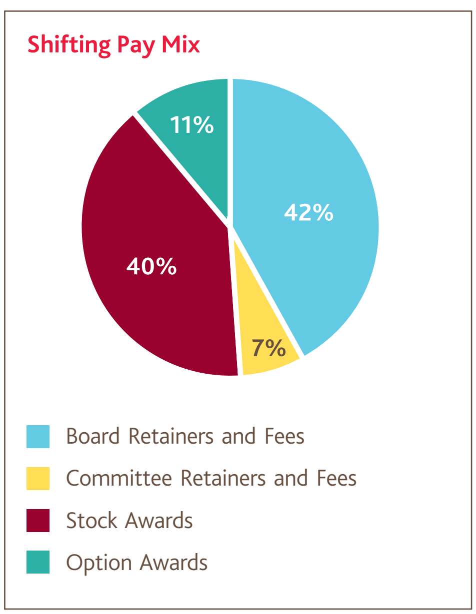
"While middle market board director compensation continues to slowly increase overall, we're seeing significant differences in how that plays out at the industry level," says **Randy Ramirez, senior director in the Global Employer Services practice at BDO**. " In regards to manufacturing, the industry continues to see only a slow uptick, despite the skills boards need to navigate a host of regulatory, economic and strategic challenges."

▶MANUFACTURING COMPENSATION LEVELS REFLECT CONTINUED ECONOMIC UNCERTAINTY

The five percent increase in board director compensation is consistent with the increases seen in the retail and real estate industries, two other sectors that are highly dependent on economic stability. While there is reason for optimism in the manufacturing sector, including five straight months of manufacturing output growth this summer and fall, manufacturers and boards remain wary of over-enthusiasm and and are still focused on reigning in costs.

▶BOARDS FACING INCREASINGLY COMPLEX INDUSTRY CHALLENGES

While the manufacturing industry may be waiting on an economic surge to raise compensation levels significantly, boards of directors are still being asked for counsel on issues of great complexity. Manufacturers are exploring opportunities for growth and considering capital investments and technological improvements, while contending with a continued skilled labor shortage and rising costs as a result of regulations and supply chain threats. At the same time, they must be diligent from a governance perspective, monitoring financials, internal controls and business risks.



▶PAY MIX SHIFTS SLIGHTLY

Board retainers and fees (42 percent) and stock awards (40 percent) continue to account for the vast majority of directors' pay packages. Board members saw a 10 percent increase in board retainers and fees, while committee fees remained flat. Awards of stock options decreased again this year, falling 12 percent to $12,805 after a 17 percent decrease from 2010 to 2011. This trend indicates a continued focus on directors' roles in corporate governance and risk oversight, rather than driving short-term company performance.

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