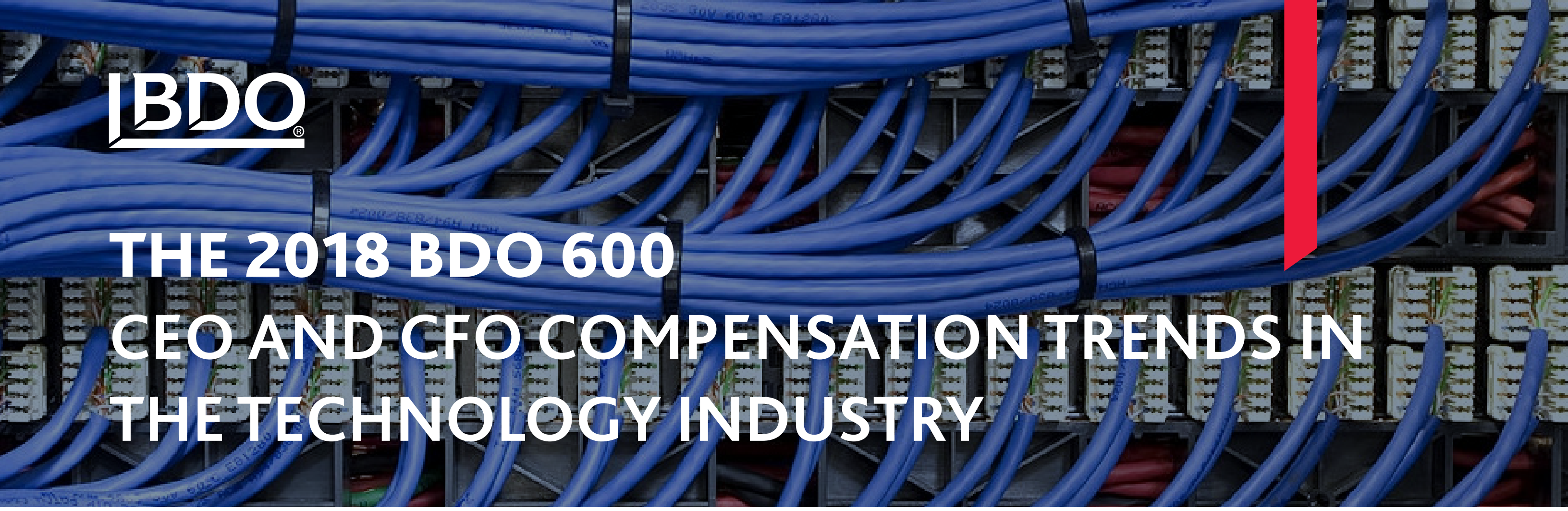


THE 2018 BDO 600 CEO AND CFO COMPENSATION TRENDS IN THE TECHNOLOGY INDUSTRY

The technology sector experienced above average gains of 38.83 percent in the S&P 500's 2017 index, surpassing those of all other industries. Despite making up just over 20 percent of the broad index, it accounted for almost 37 percent of its gain.

Given this growth, it is no surprise that CEOs in the technology industry remain the highest paid in terms of total direct compensation (TDC) relative to other industry groups reviewed in this year's BDO 600 Compensation Study. However, the study showed that technology industry CEOs only realized a modest increase in TDC (4 percent) over the prior year.

Annual incentive awards increased 17.3 percent year-over-year, reflecting the sector's excellent economic performance in 2017. The basis for funding short-term incentive awards in this industry is closely linked to each company's business model. For example, e-commerce companies focus on revenue, profitability and market share. Software companies typically establish revenue growth and earnings per share (EPS) targets to anchor their annual incentive plans.

Technology industry CEOs also had the highest portion of pay at risk in the form of equity grants or performance-based incentives among the industries we reviewed, with 75 percent of their pay package linked to equity or defined performance metrics.

Compensation for technology CEOs was also closely aligned with top-line performance by companies in this sector. The greater the percentage of the CEO pay linked to long-term incentives, the higher the revenue year-over-year.

Notable executive compensation trends in long-term compensation design for the technology sector include the increased use of equity grants such as restricted stock awards/units and the ongoing decrease of option grants. Stock option grants in our sample of tech companies make up only 10 percent of the total long-term incentive package for CEOs.

Key takeaways and trends to watch

In an industry populated by innovation-based organizations, which are often subject to short term volatility in results due to the rapid pace of technological advancements and competitive landscape, technology companies are adopting longer performance periods (e.g., three-year horizons) to be more responsive to shareholder interests.

Long-term awards are closely aligned with meeting performance thresholds on key financial indicators. Total shareholder return (TSR) is one of the primary performance metrics linked to performance-based pay programs. The recent change in tax deductibility of compensation will likely not alter the importance of TSR (absolute performance or relative to a peer group) as a key performance metric to trigger long-term incentive awards. However, using measures like revenue, operating income and EBITDA have become commonplace among technology companies that operate with short performance horizons.

The demand for executive level talent is extremely acute in the technology sector. Consequently, we expect to see larger year-over-year increases that will outpace other industry sectors. The median TDC (total direct compensation) levels will likely become more aligned with the recent excellent economic performance the sector has experienced.

Planning for the future

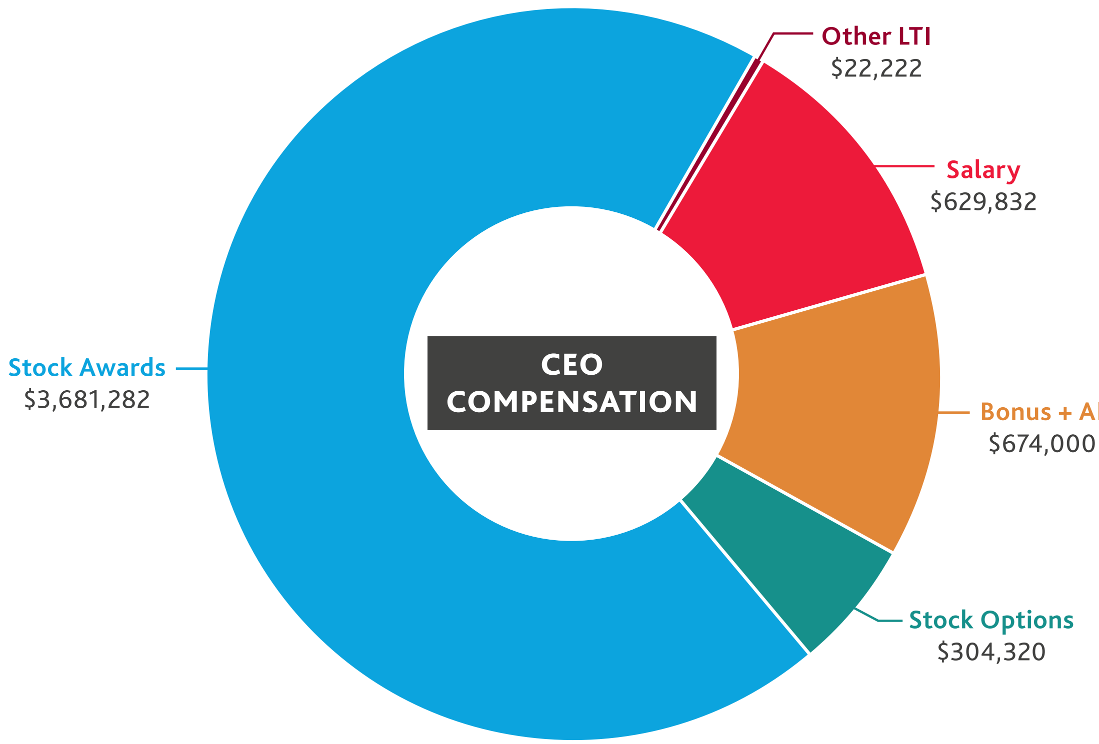
To stay ahead of these issues, technology companies and boards need to consider strategic compensation issues including:

- Compensation structure: Consider annual rebalancing of the portion of compensation delivered through annual incentives and long-term incentives based on changes in corporate goals.
- The total rewards package: Ensure that you can substantiate the total package, especially if any special arrangements are triggered, such as a change in control agreement or a Supplemental Executive Retirement Plan (SERP).
- Employment agreements: Ensure that they are appropriately sized and reward the executives while not exposing the company to undue financial liability.
- Performance-based equity grants: Award equity grants or restricted stock units (RSUs) that vest based on established performance criteria.
- Performance management: Consider the career stage of the executive in determining long-term incentives and deferred compensation agreements.
- Succession planning: Ensure that the company has a talent pipeline for senior-level positions that have institutional knowledge and dedication to its success.

ABOUT THE BDO 600 STUDY

The BDO 600 Study examines CEO and CFO compensation plans of 600 middle market public companies, reviewing the key components of pay packages and providing comparisons by title, company size and industry. Companies in the six non-financial services industries have annual revenues between $100 million and $3 billion. Companies in the two financial services industries have assets between $100 million and $6 billion. Data in our 2018 study were extracted from proxy statements that were filed between April 2017 and March 2018. Consolidated proxy data were provided by Salary.com.

BDO 600 Study Results in the Technology Industry - CEO



The average total direct compensation paid to technology industry CEOs for fiscal years 2017 and 2016 is listed below. This is the third year in a row that technology company CEOs ranked as the most highly compensated among all industry groups. Technology company CEOs receive a higher percentage of compensation in the form of long-term incentives and equity compared to CEOs in any other industry studied.

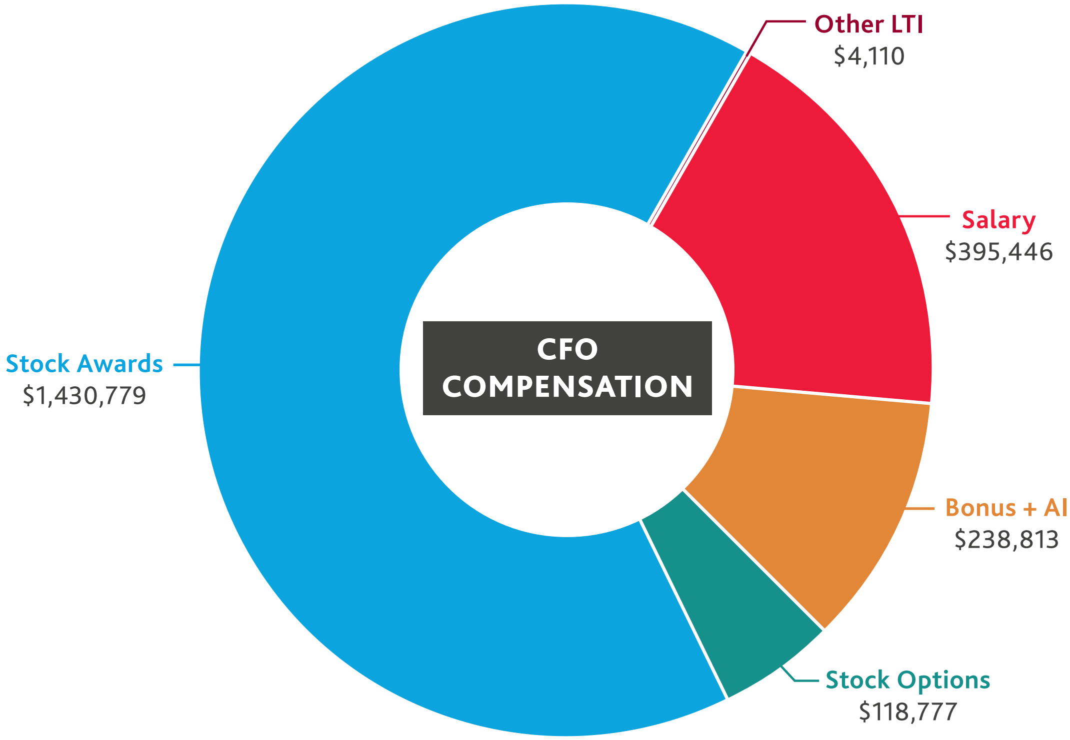
Positions	Average Salary	Bonus and Annual Incentives	Stock Options	Full -Value Stock Awards	Other LTI	TDC
CEO 2017	**$629,832**	**$674,000**	**$304,320**	**$3,681,282**	**$22,222**	**$5,311,656**
CEO 2016	$650,859	$574,708	$327,262	$3,534,254	$6,644	$5,093,727
Change Over Prior Year	-3.2%	17.3%	-7.0%	4.2%	N/A*	4.3%

(*Because not all CEOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.)

The resulting 2017 compensation mix is listed below.

Position	Year	Annual Cash	LTI	Total
CEO	**2017**	**25%**	**75%**	**100%**
	2016	24%	76%	100%

BDO 600 Study Results in the Technology Industry - CFO



The average total direct compensation paid to technology industry CFOs for fiscal years 2017 and 2016 is listed below. Technology company CFOs receive a higher percentage of compensation in the form of long-term incentives and equity than CFOs in any other industry studied.

Positions	Average Salary	Bonus and Annual Incentives	Stock Options	Full -Value Stock Awards	Other LTI	TDC
CFO 2017	**$395,446**	**$238,813**	**$118,777**	**$1,430,779**	**$4,110**	**$2,187,925**
CFO 2016	$387,203	$281,011	$125,915	$1,190,634	$851	$1,985,614
Change Over Prior Year	2.1%	-15.0%	-5.7%	20.2%	N/A*	10.2%

(*Because not all CFOs received annual LTI payments, year-over-year comparisons may not accurately indicate market trends.)

The resulting 2017 compensation mix is listed below.

Position	Year	Annual Cash	LTI	Total
CFO	**2017**	**29%**	**71%**	**100%**
	2016	34%	66%	100%

Read the full BDO 600 CEO/CFO study: www.bdo.com/2018-bdo-600-ceo-cfo