



# THE 2011 BDO 600 SURVEY – CEO AND CFO COMPENSATION PRACTICES

2011 Survey of CEO and CFO Compensation Practices of 600 Mid-Market Public Companies



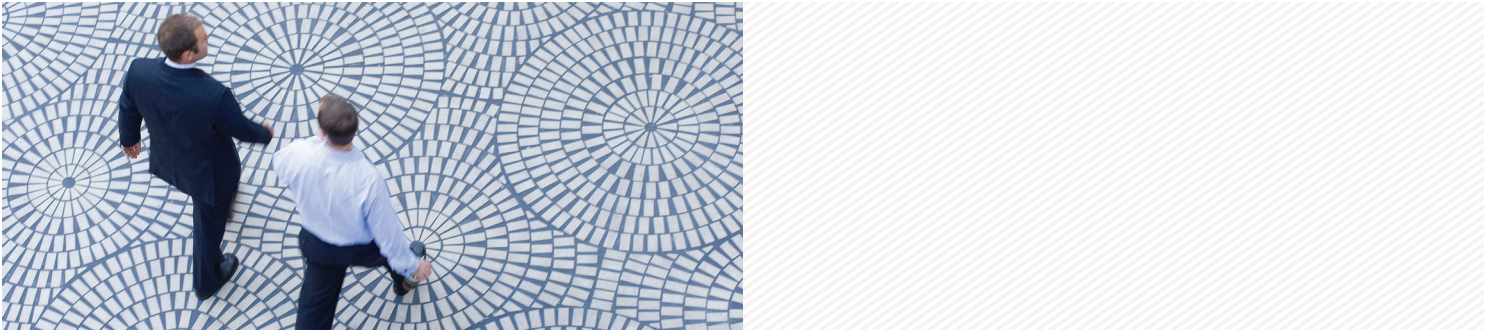


# THE 2011 BDO 600 SURVEY – CEO AND CFO COMPENSATION PRACTICES

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## ► INTRODUCTION

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

The BDO 600 survey details CEO and CFO compensation practices of publicly traded companies in the energy, financial services (banking and nonbanking), 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 2011 BDO 600 Survey – CEO and CFO Compensation Practices details Chief Executive Officer (CEO) and Chief Financial Officer (CFO) compensation practices of publicly traded companies in the energy, financial services–banking, financial services–nonbanking, 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, 2010, and May 15, 2011.

Our survey is unique because it focuses on mid-market companies; most compensation surveys focus on much larger companies.

**25%**

In fiscal year 2010, CEO compensation increased by an average of 25%

**19%**

In fiscal year 2010, CFO compensation increased by an average of 19%

## ► HOW TO USE THIS SURVEY

The data we collected from the 600 companies surveyed represents the policy in effect at each company as of the fiscal year-end, as disclosed in the compensation narrative in public filings. We analyzed the data in aggregate and by the standard five components of compensation: salary, bonus and annual incentives, stock options, full-value stock awards, and other long-term incentives (LTI).

### Types of Compensation

- **"Salary"** is the annualized salary received by the incumbent.
- **"Bonus and Annual Incentives"** is comprised of discretionary bonuses earned as well as payments received under annual incentive plans.
- **"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.
- **"Other LTI"** is comprised of payments received under long-term incentive plans.
- **"Total Compensation"** represents the sum of salary, bonus and annual incentives, stock options, full-value stock awards, and other LTI for each company.

Our findings reveal that as company size increases, so does the proportion of compensation that is provided via equity. We also found that stock is favored over stock options for companies of all sizes.



### Data Arrangement

The survey data is organized by company size and industry. Compensation can be benchmarked by either of these groups to gain different perspectives on 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

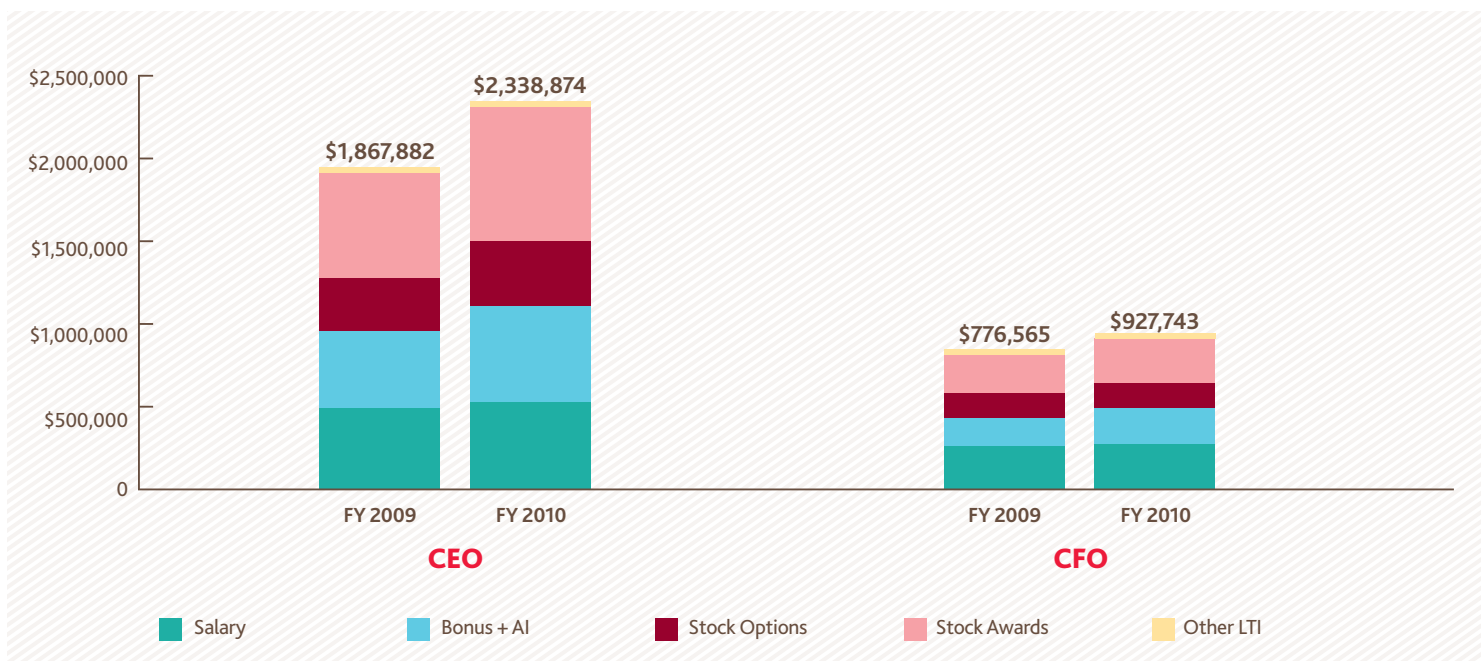
Another common scope factor used when benchmarking director and executive compensation is industry. In our survey, we report compensation provided to directors of companies in the following industries:

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

### Additional Notes on the Survey

In cases where there was more than one CEO or CFO in a given fiscal year, compensation from the incumbent that served the majority of the year was used.

In order to establish a common comparative base for all 600 companies surveyed, if necessary, 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 size.



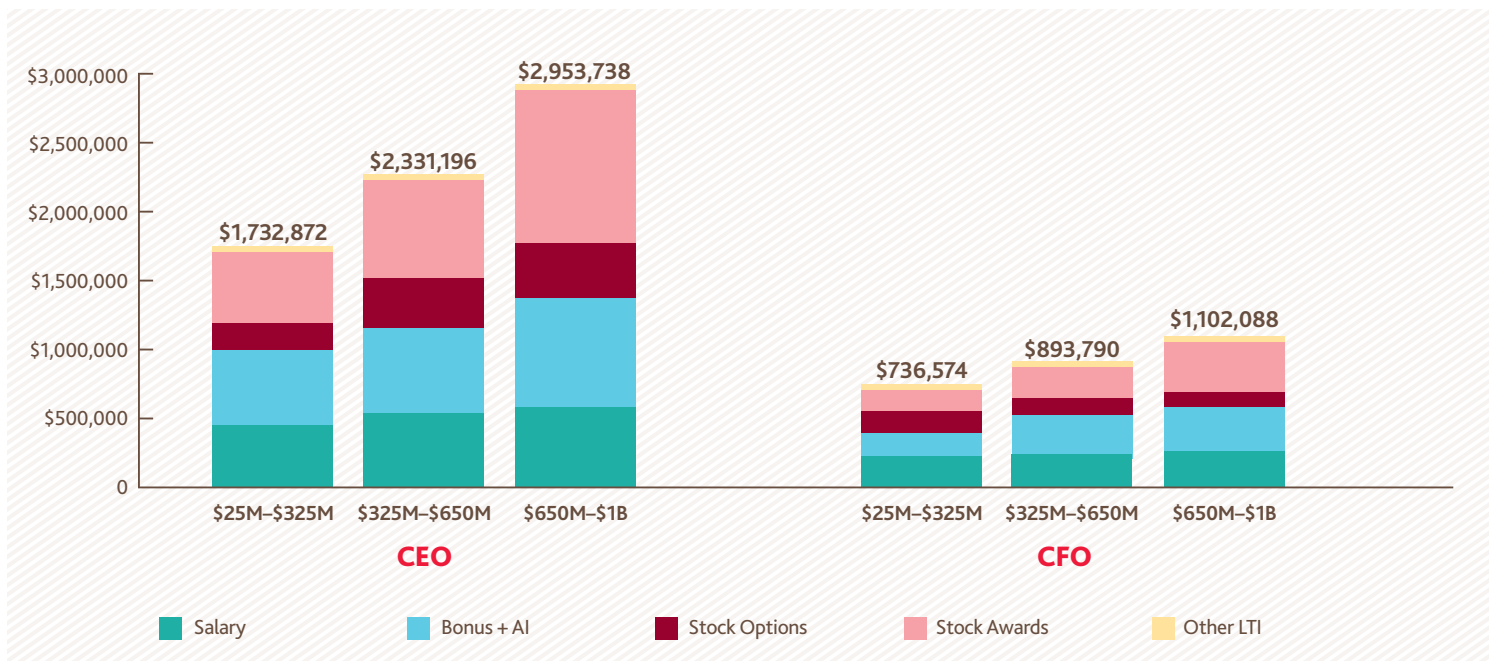
## ► OVERALL RESULTS

For the 600 companies surveyed, BDO found that average annual compensation paid to CEOs for the fiscal years ending in 2010 (FY 2010) was \$2,338,874. This value is comprised of salary (\$533,097), bonus and annual incentives (\$604,178), stock options (\$350,359), full-value stock awards (\$840,342), and other LTI (\$10,898). CEO compensation in FY 2010 is up by an average of 25% over FY 2009 (\$1,867,882).

Average annual compensation paid to CFOs for FY 2010 was \$927,743. This value is comprised of salary (\$300,116), bonus and annual incentives (\$207,114), stock options (\$121,914), full-value stock awards (\$294,865), and other LTI (\$3,734). CFO compensation in FY 2010 is up by an average of 19% over FY 2009 (\$776,565).

We note the mix of pay for CEOs in FY 2010 was 49% cash (salary plus bonus and annual incentives) and 51% equity (stock options, full-value stock awards, and other LTI). For CFOs, the pay mix was 55% cash and 45% equity. The majority of equity value provided to both CEOs and CFOs is delivered through full-value stock awards.

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



## ► SURVEY BY COMPANY SIZE

# OVERALL RESULTS

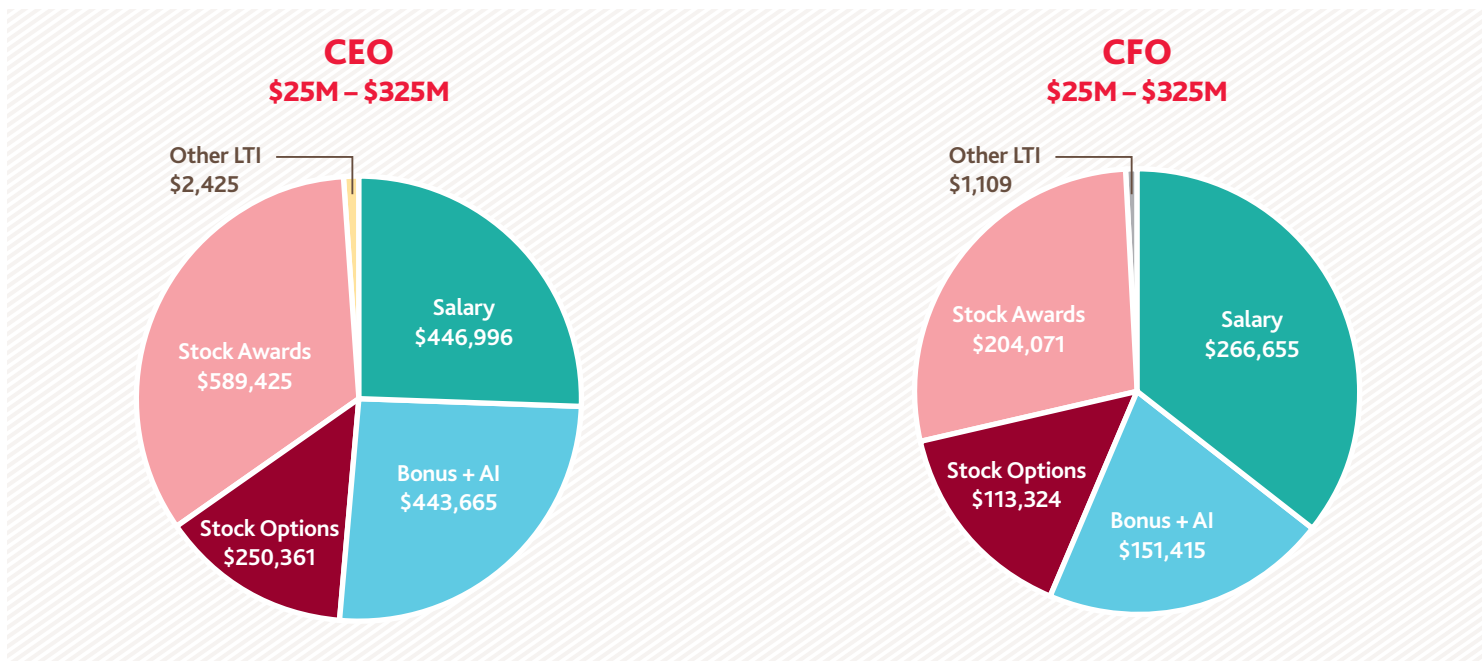
As shown in the chart above, CEO and CFO compensation at the companies in our survey is generally correlated with company size. This result is expected given the established historical link between company size and compensation among executives.

Average CEO compensation ranges from \$1,732,872 for companies in the smallest revenue category (\$25 million – \$325 million) to \$2,953,738 for companies in the largest revenue category (\$650 million – \$1 billion). As previously mentioned, companies in the financial services industries (banking and nonbanking) were categorized based on asset size between \$50 million and \$2 billion.

Average CFO compensation ranges from \$736,574 for companies in the smallest revenue category to \$1,102,088 for companies in the largest revenue category.

Our findings reveal that as company size increases, so does the proportion of compensation that is provided via equity. We also found that stock is favored over stock options for companies of all sizes.

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

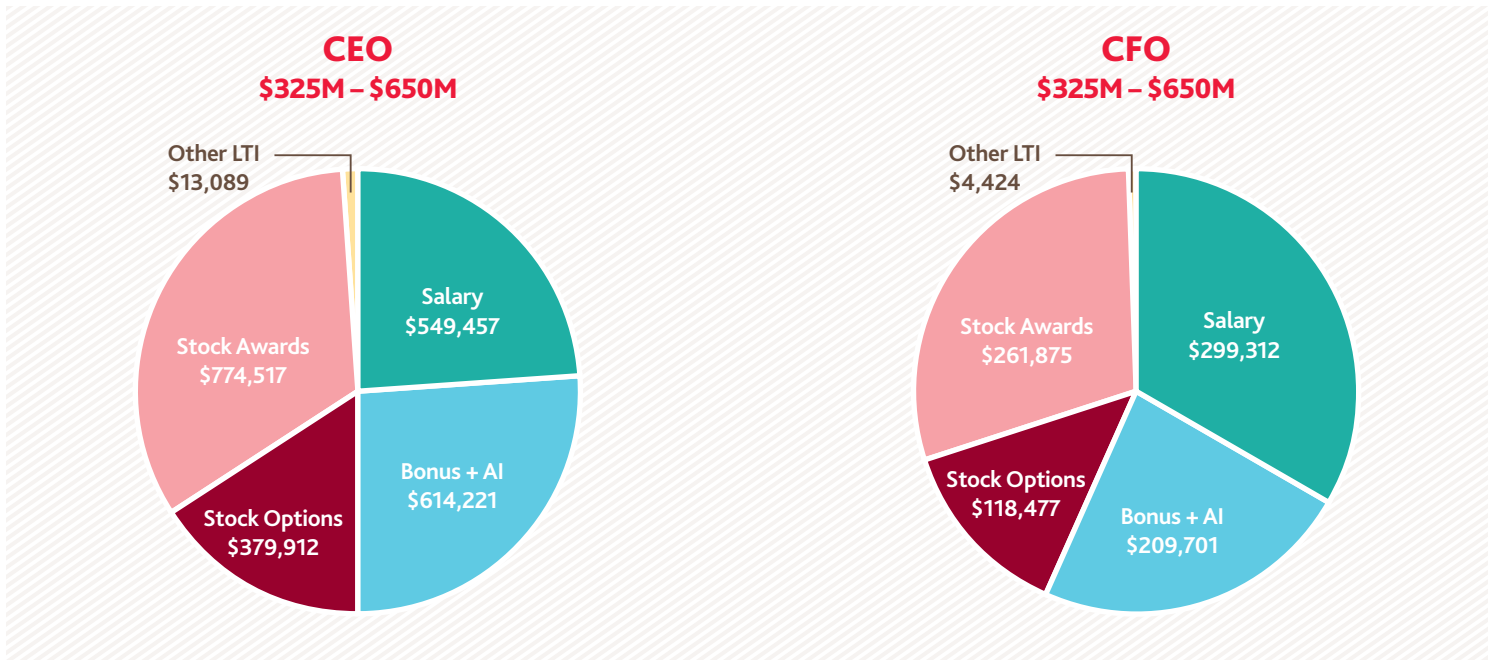


► SURVEY BY COMPANY SIZE  
**\$25 MILLION TO  
 \$325 MILLION\***

The average annual compensation paid to CEOs of companies with between \$25 million and \$325 million\* in revenues for FY 2010 service was \$1,732,872. This value is comprised of salary (\$446,996), bonus and annual incentives (\$443,665), stock options (\$250,361), full-value stock awards (\$589,425), and other LTI (\$2,425). The resulting pay mix is 51% cash and 49% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$736,574. This value is comprised of salary (\$266,655), bonus and annual incentives (\$151,415), stock options (\$113,324), full-value stock awards (\$204,071), and other LTI (\$1,109). The resulting pay mix is 57% cash and 43% equity.

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

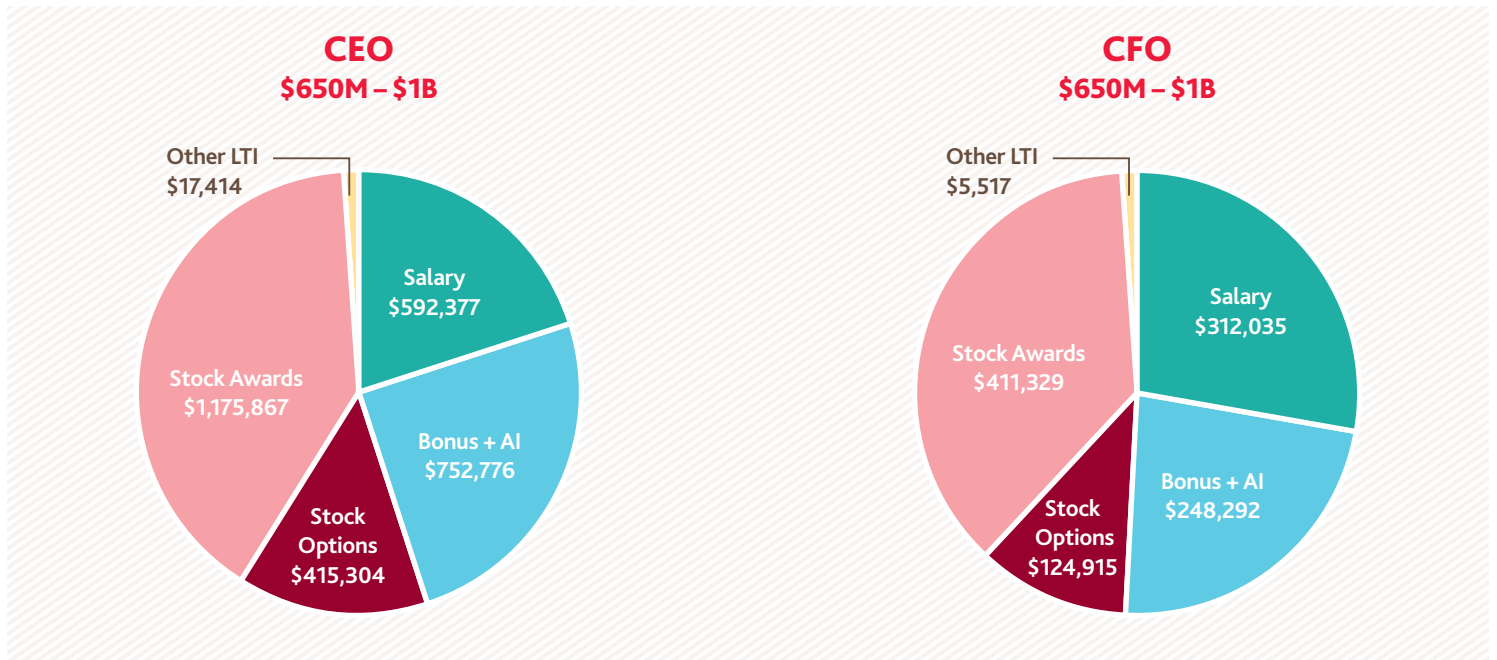


► SURVEY BY COMPANY SIZE  
**\$325 MILLION TO  
 \$650 MILLION\***

The average annual compensation paid to CEOs of companies with between \$325 million and \$650 million\* in revenues for FY 2010 service was \$2,331,196. This value is comprised of salary (\$549,457), bonus and annual incentives (\$614,221), stock options (\$379,912), full-value stock awards (\$774,517), and other LTI (\$13,089). The resulting pay mix is 50% cash and 50% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$893,790. This value is comprised of salary (\$299,312), bonus and annual incentives (\$209,701), stock options (\$118,477), full-value stock awards (\$261,875), and other LTI (\$4,424). The resulting pay mix is 57% cash and 43% equity.

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

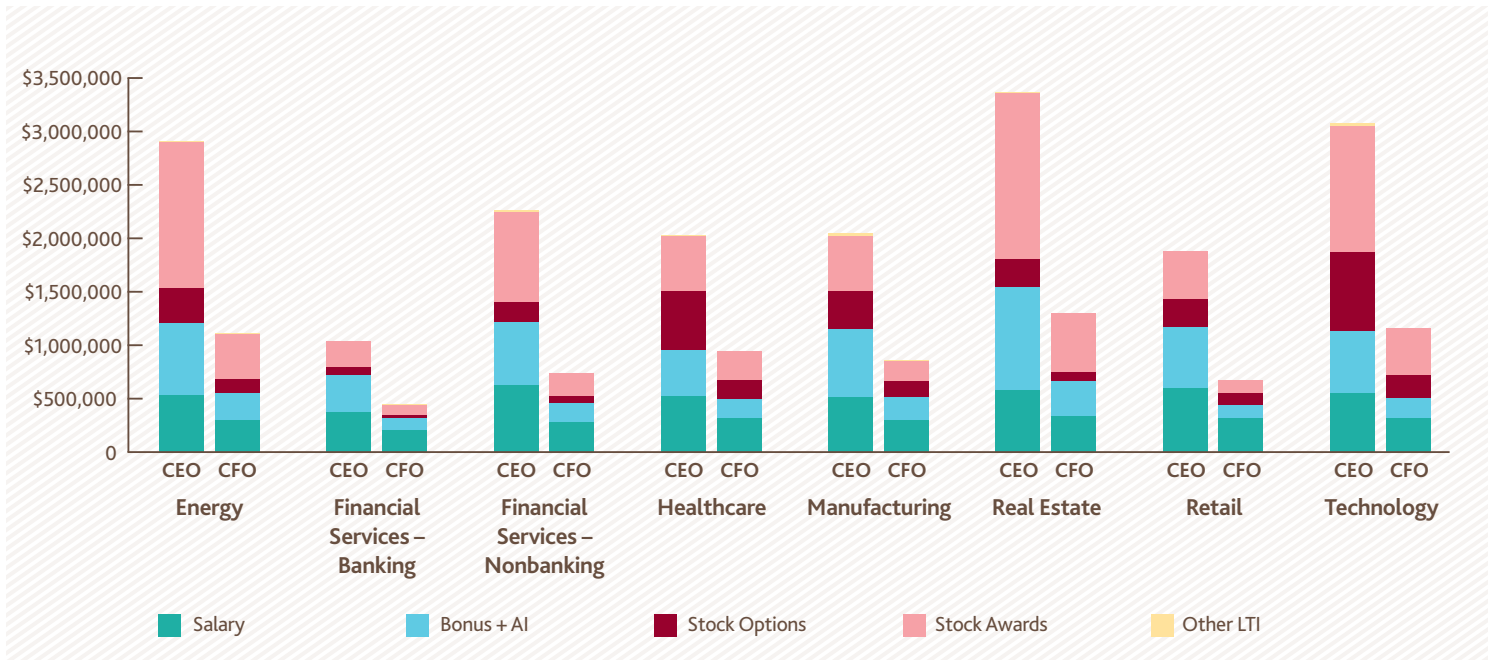


► SURVEY BY COMPANY SIZE  
**\$650 MILLION TO  
 \$1 BILLION\***

The average annual compensation paid to CEOs of companies with between \$650 million and \$1 billion\* in revenues for FY 2010 service was \$2,953,738. This value is comprised of salary (\$592,377), bonus and annual incentives (\$752,776), stock options (\$415,304), full-value stock awards (\$1,175,867), and other LTI (\$17,414). The resulting pay mix is 46% cash and 54% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$1,102,088. This value is comprised of salary (\$312,035), bonus and annual incentives (\$248,292), stock options (\$124,915), full-value stock awards (\$411,329), and other LTI (\$5,517). The resulting pay mix is 51% cash and 49% equity.

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



## ► SURVEY BY INDUSTRY

# OVERALL RESULTS

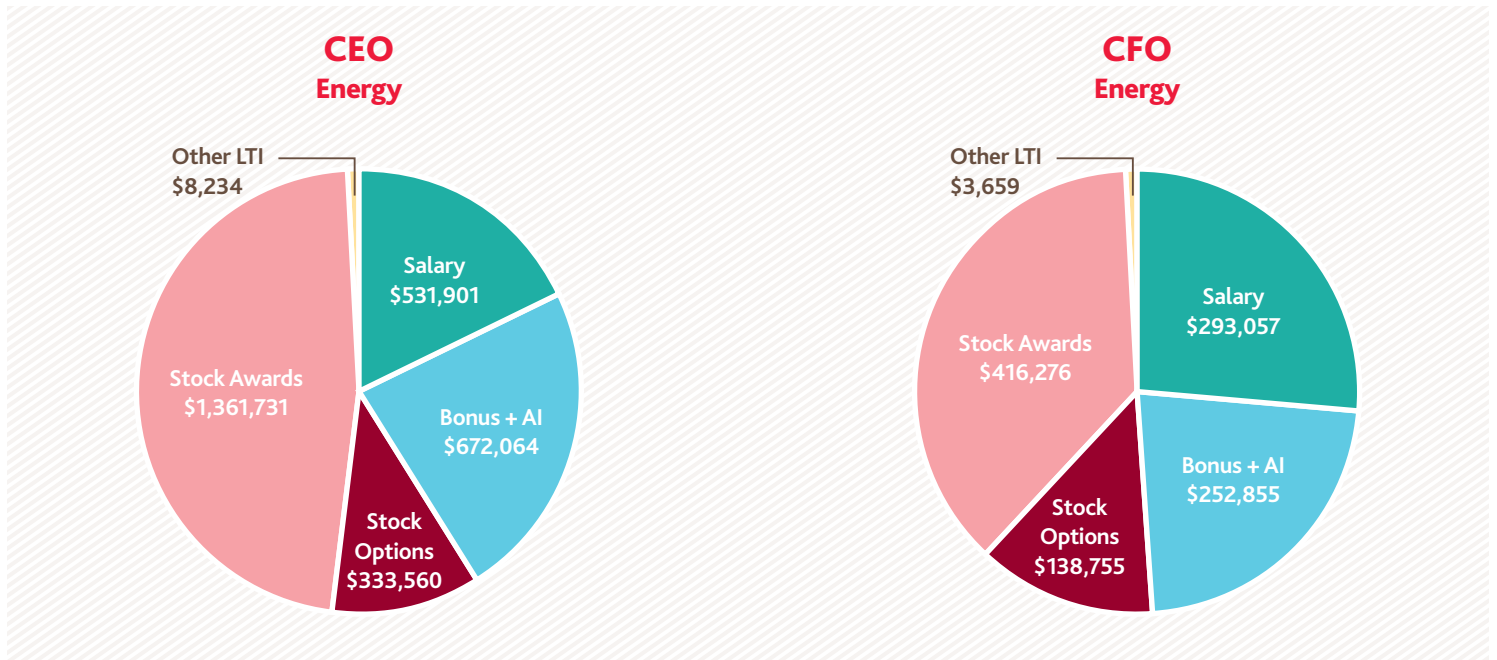
As shown in the chart above, CEO and CFO compensation has the potential to vary considerably by industry. For middle market companies, industry is just as important as company size when benchmarking CEO and CFO compensation.

Average CEO compensation ranges from \$3,362,145 for companies in the real estate industry to \$1,037,685 for companies in the financial services-banking industry. Our findings reveal that companies in the two financial service industries (banking and nonbanking), the manufacturing industry, and the retail industry favor cash over equity compensation for CEOs.

Average CFO compensation ranges from \$1,295,864 for companies in the real estate industry to \$442,425 for companies in the financial services-banking industry. Our findings reveal that companies in the two financial service industries (banking and nonbanking), the healthcare industry, the manufacturing industry, the real estate industry, and the retail industry favor cash over equity compensation for CFOs.

We also found that stock awards are favored over stock options for companies in most industries (CEOs in the healthcare industry are the only exception).

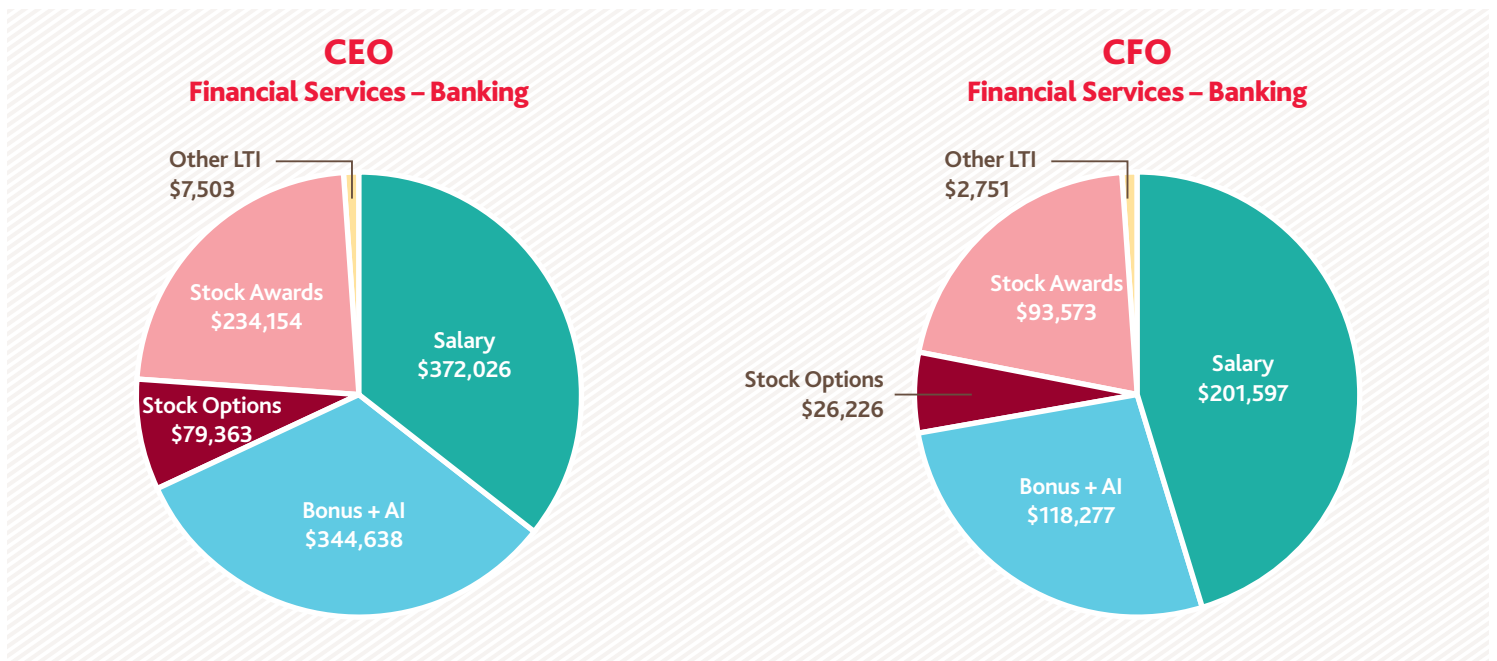
The following pages detail our findings for each of the eight industries.



► SURVEY BY INDUSTRY  
**ENERGY**

The average annual compensation paid to CEOs of companies in the energy industry for FY 2010 service was \$2,907,491. This value is comprised of salary (\$531,901), bonus and annual incentives (\$672,064), stock options (\$333,560), full-value stock awards (\$1,361,731), and other LTI (\$8,234). The resulting pay mix is 41% cash and 59% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$1,104,603. This value is comprised of salary (\$293,057), bonus and annual incentives (\$252,855), stock options (\$138,755), full-value stock awards (\$416,276), and other LTI (\$3,659). The resulting pay mix is 49% cash and 51% equity.



## ► SURVEY BY INDUSTRY

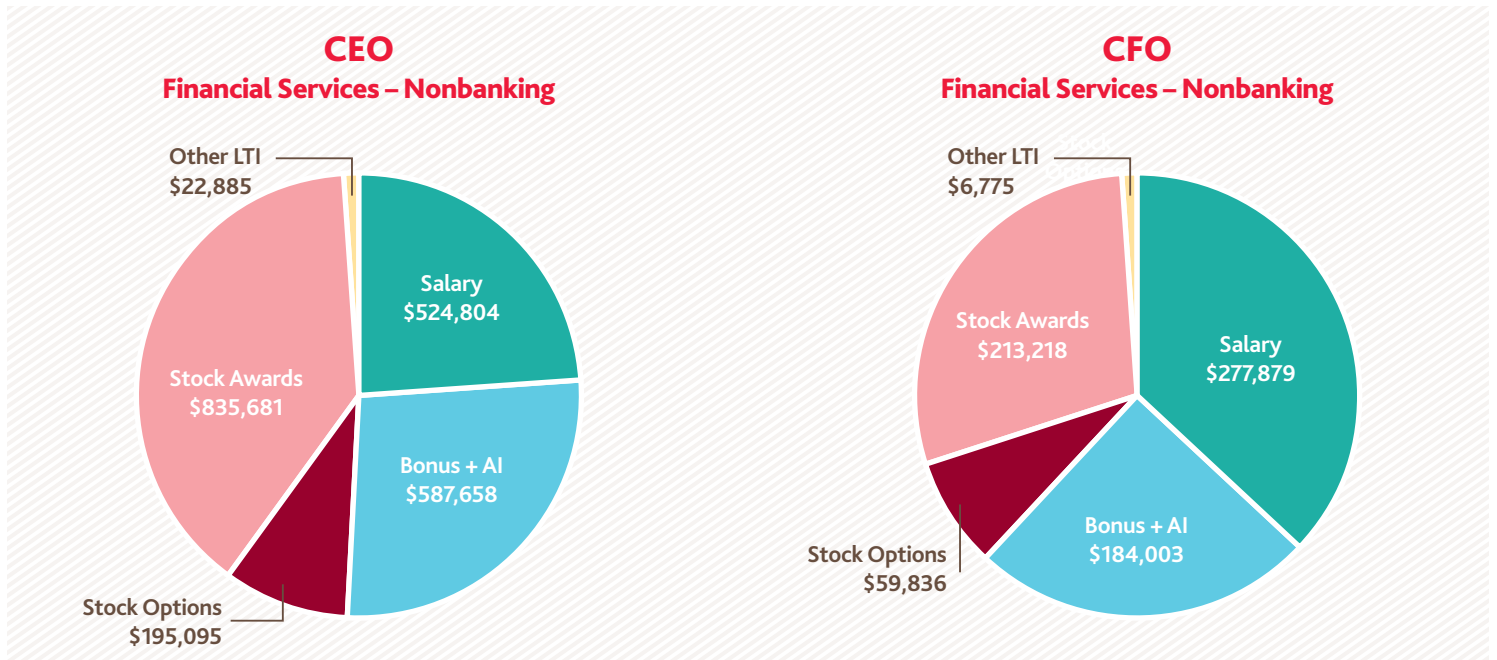
# FINANCIAL SERVICES – BANKING

The average annual compensation paid to CEOs of companies in the financial services-banking industry for FY 2010 service was \$1,037,685. This value is comprised of salary (\$372,026), bonus and annual incentives (\$344,638), stock options (\$79,363), full-value stock awards (\$234,154), and other LTI (\$7,503). The resulting pay mix is 69% cash and 31% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$442,425. This value is comprised of salary (\$201,597), bonus and annual incentives (\$118,277), stock options (\$26,226), full-value stock awards (\$93,573), and other LTI (\$2,751). The resulting pay mix is 72% cash and 28% equity.

Our analysis found that financial services–banking companies provide the highest percentage of pay via cash compared to the companies in the other industries.

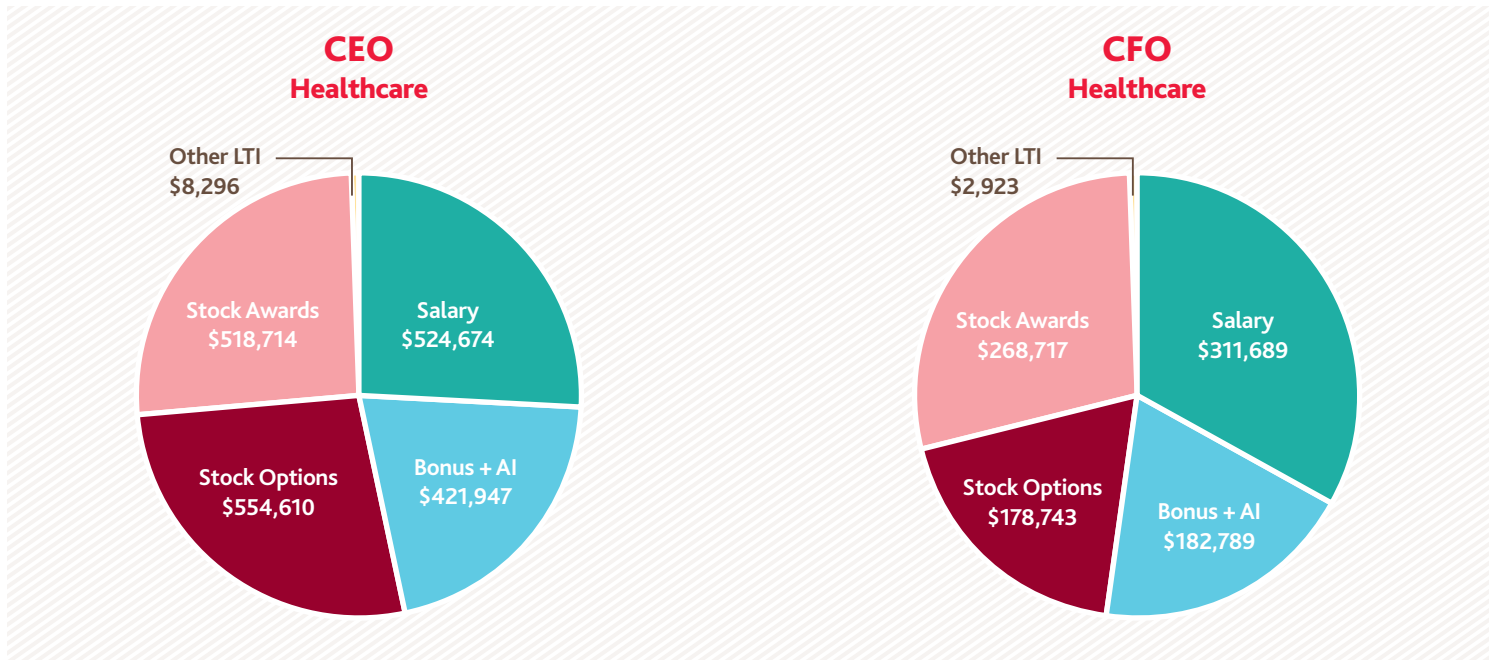
Average CEO and CFO compensation in the financial services–banking industry is the lowest of the industries included in our survey.



► SURVEY BY INDUSTRY  
**FINANCIAL SERVICES – NONBANKING**

The average annual compensation paid to CEOs of companies in the financial services-nonbanking industry for FY 2010 service was \$2,166,123. This value is comprised of salary (\$524,804), bonus and annual incentives (\$587,658), stock options (\$195,095), full-value stock awards (\$835,681), and other LTI (\$22,885). The resulting pay mix is 51% cash and 49% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$741,711. This value is comprised of salary (\$277,879), bonus and annual incentives (\$184,003), stock options (\$59,836), full-value stock awards (\$213,218), and other LTI (\$6,775). The resulting pay mix is 62% cash and 38% equity.

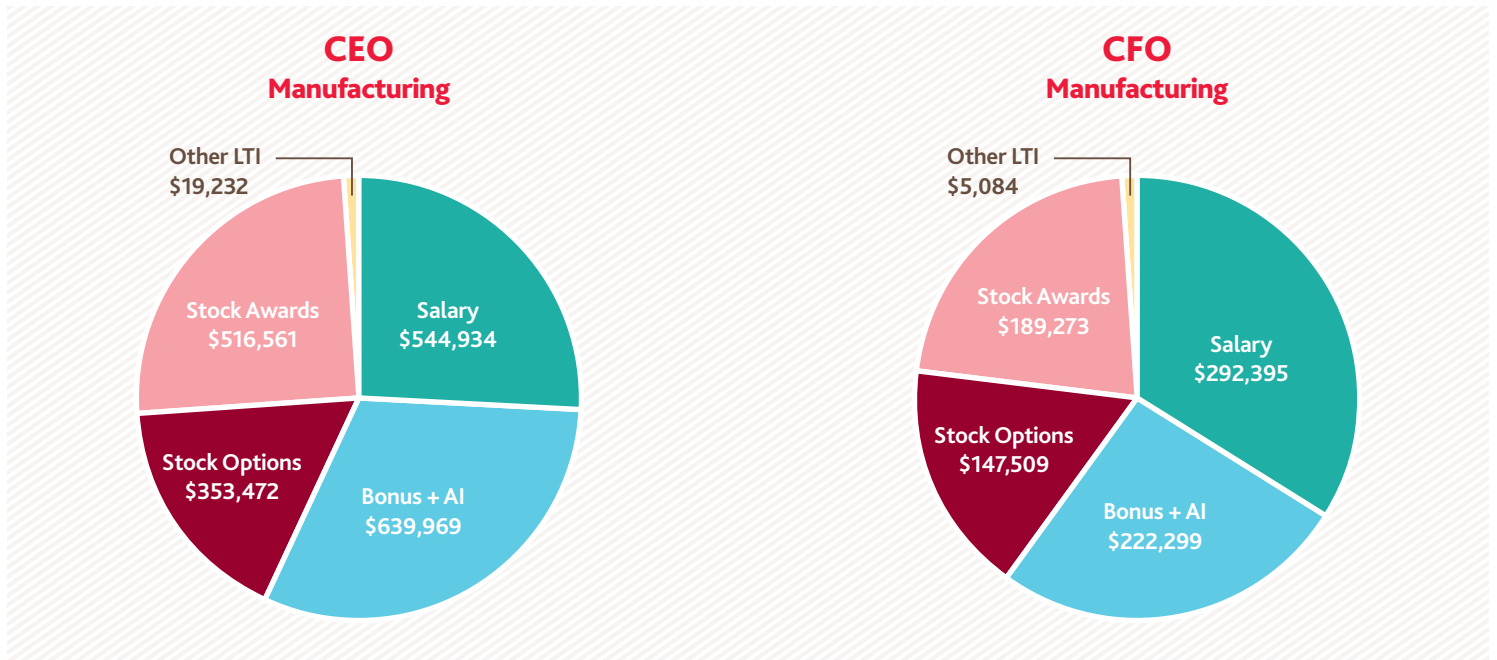


## ► SURVEY BY INDUSTRY

# HEALTHCARE

The average annual compensation paid to CEOs of companies in the healthcare industry for FY 2010 service was \$2,028,241. This value is comprised of salary (\$524,674), bonus and annual incentives (\$421,947), stock options (\$554,610), full-value stock awards (\$518,714), and other LTI (\$8,296). The resulting pay mix is 47% cash and 53% equity.

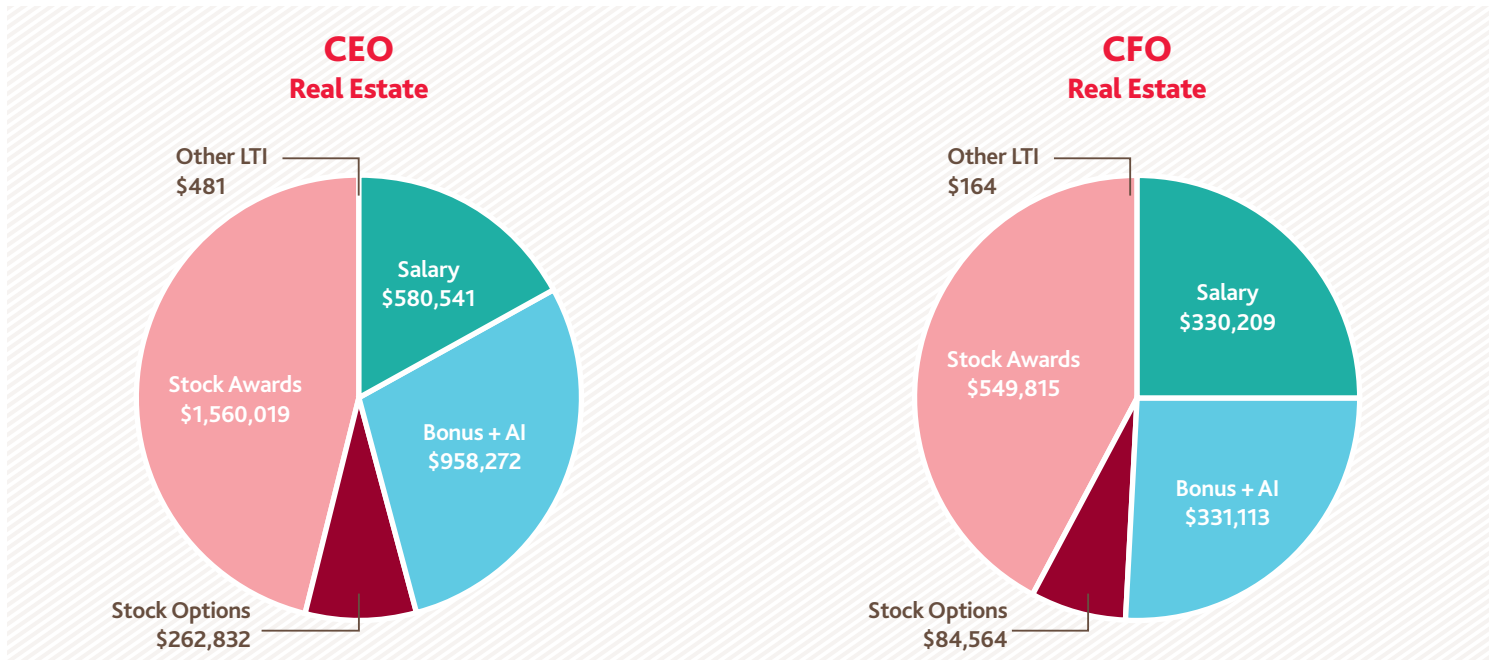
The average annual compensation paid to CFOs of these companies for FY 2010 service was \$944,861. This value is comprised of salary (\$311,689), bonus and annual incentives (\$182,789), stock options (\$178,743), full-value stock awards (\$268,717), and other LTI (\$2,923). The resulting pay mix is 52% cash and 48% equity.



► SURVEY BY INDUSTRY  
**MANUFACTURING**

The average annual compensation paid to CEOs of companies in the manufacturing industry for FY 2010 service was \$2,074,168. This value is comprised of salary (\$544,934), bonus and annual incentives (\$639,969), stock options (\$353,472), full-value stock awards (\$516,561), and other LTI (\$19,232). The resulting pay mix is 57% cash and 43% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$856,560. This value is comprised of salary (\$292,395), bonus and annual incentives (\$222,299), stock options (\$147,509), full-value stock awards (\$189,273), and other LTI (\$5,084). The resulting pay mix is 60% cash and 40% equity.



## ► SURVEY BY INDUSTRY

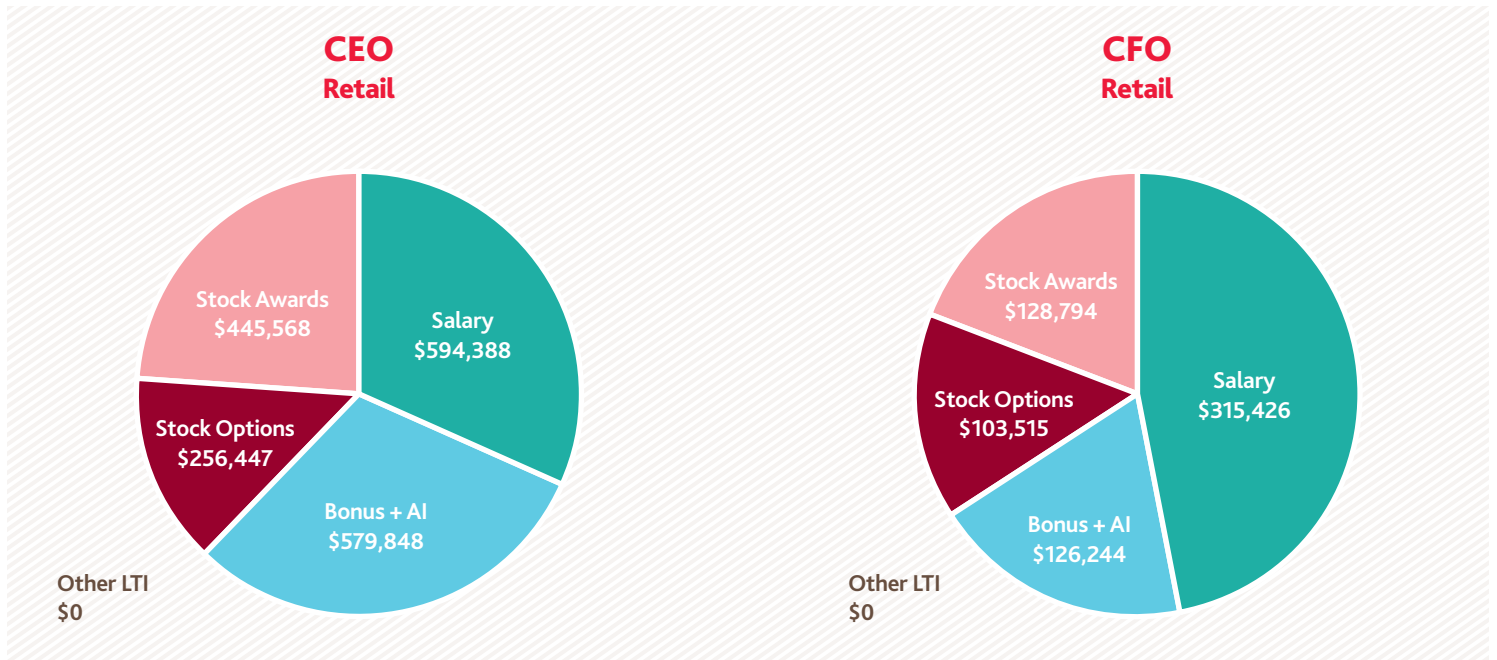
# REAL ESTATE

The average annual compensation paid to CEOs of companies in the real estate industry for FY 2010 service was \$3,362,145. This value is comprised of salary (\$580,541), bonus and annual incentives (\$958,272), stock options (\$262,832), full-value stock awards (\$1,560,019), and other LTI (\$481). The resulting pay mix is 46% cash and 54% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$1,295,864. This value is comprised of salary (\$330,209), bonus and annual incentives (\$331,113), stock options (\$84,564), full-value stock awards (\$549,815), and other LTI (\$164). The resulting pay mix is 51% cash and 49% equity.

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

Average CEO and CFO compensation in the real estate industry is the highest of the industries included in our survey.



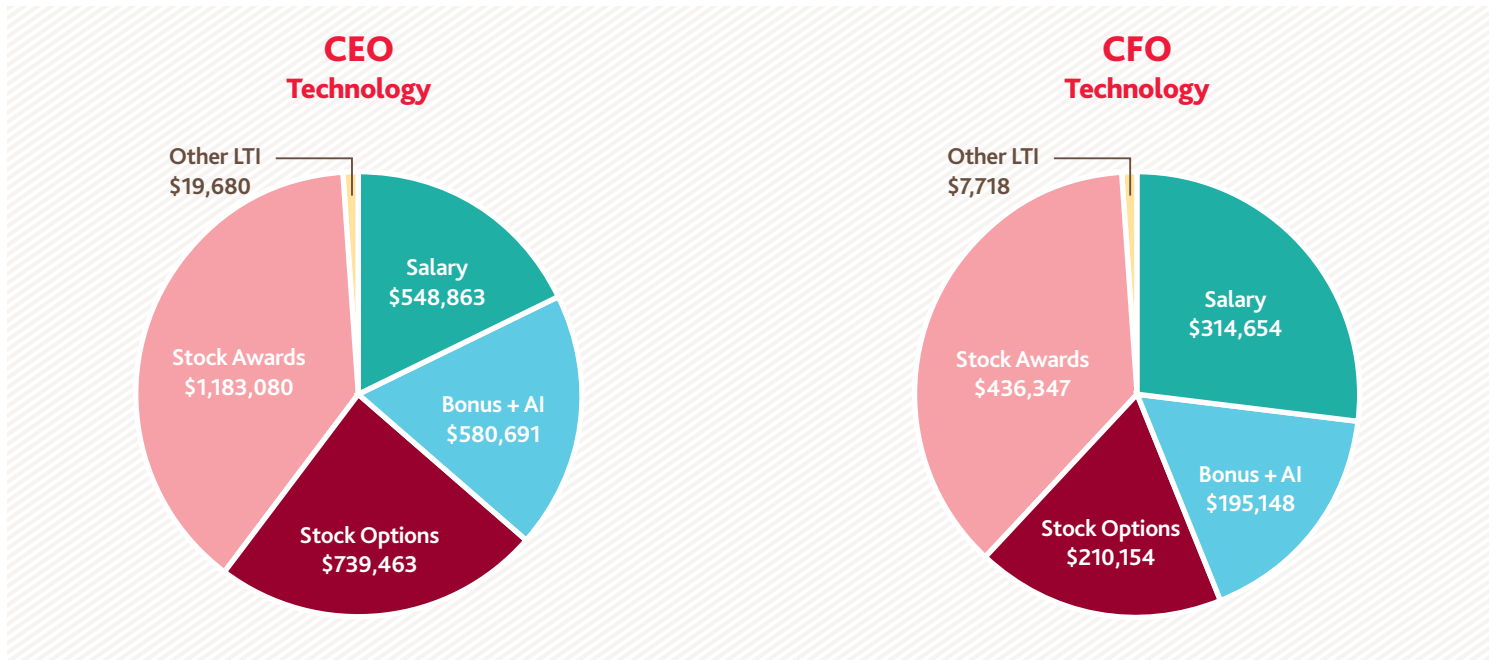
## ► SURVEY BY INDUSTRY

# RETAIL

The average annual compensation paid to CEOs of companies in the retail industry for FY 2010 service was \$1,876,251. This value is comprised of salary (\$594,388), bonus and annual incentives (\$579,848), stock options (\$256,447), and full-value stock awards (\$445,568). The resulting pay mix is 63% cash and 37% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$673,980. This value is comprised of salary (\$315,426), bonus and annual incentives (\$126,244), stock options (\$103,515), and full-value stock awards (\$128,794). The resulting pay mix is 66% cash and 34% equity.

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



## ► SURVEY BY INDUSTRY TECHNOLOGY

The average annual compensation paid to CEOs of companies in the technology industry for FY 2010 service was \$3,071,777. This value is comprised of salary (\$548,863), bonus and annual incentives (\$580,691), stock options (\$739,463), full-value stock awards (\$1,183,080), and other LTI (\$19,680). The resulting pay mix is 37% cash and 63% equity.

The average annual compensation paid to CFOs of these companies for FY 2010 service was \$1,164,021. This value is comprised of salary (\$314,654), bonus and annual incentives (\$195,148), stock options (\$210,154), full-value stock awards (\$436,347), and other LTI (\$7,718). The resulting pay mix is 44% cash and 56% equity.

Our analysis found that technology companies provide the highest percentage of pay via equity compared to the companies in the other industries.

The amount of compensation provided to CEOs and CFOs in the technology industry is second only to compensation provided in the real estate industry.

The BDO 600: 2011 Survey of CEO and CFO Compensation Practices of 600 Mid-Market Public Companies examined the compensation practices of publicly traded companies in the energy, financial services–banking, financial services–nonbanking, 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

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly traded and privately held companies. For 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through 41 offices and more than 400 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,082 offices in 119 countries.

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#### ► ABOUT KENEXA COMPENSATION

Kenexa helps global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. Our comprehensive suite of software solutions, business processes and expert consulting helps organizations impact positive business outcomes through HR.

Kenexa's compensation business unit provides data and software solutions that enable compensation professionals around the world to automate and streamline market pricing, pay program design, pay equity analysis and executive compensation. Our flagship product suite, Kenexa® CompAnalyst, offers a complete set of flexible, on-demand modules that help compensation teams eliminate risks, reduce costs and gain greater efficiency—all in a single, web-based system. For additional information please visit: [www.kenexa.com/compensation](http://www.kenexa.com/compensation).



## **CONTACT US**

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

Please visit [www.bdo.com/bdo600ceocfo](http://www.bdo.com/bdo600ceocfo) for the electronic copy of this survey.

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