**Compensation Committee: Setting the Compensation for the CEO (case prepared by Ellen Richstone and Tom Wilson)**

**Compensation Committee Meeting:**

**ONE YEAR LATER**

**Background:**

One year has gone by. The CEO announced his retirement in October 2013 due to serious health issues (unknown before October 2013). (Note by December 2013, the CEO could not continue at the company- again health driven) The Board has been looking for a new CEO since October 2013 (10 months) and has finally found a candidate who fits what they want.

1. **Company:** SWR has continued to grow with Revenue Run Rate of approximately $300 Million (20% growth rate) - but without a permanent CEO in place—at less than the current Market Rate (MR: 25%; SWR- 20%). And the Market Cap is now $575 million (a smaller increase than the revenue growth- and therefore the multiple has declined to less than 2x and the share price is $5.750/per share) Note the market cap of the peers have grown 30% in the same timeframe. While the Company has traditionally provided products to large company installations, it continues to focus on developing the Consumer Products area- with its lower end products (but still highly profitable-particularly when sold in “volume”). The Revenue mix has been changing with large increases in the Consumer Products area and smaller increases in revenue from the Large Data Center area. “Say on Pay Vote” occurred in 2013 and the Company only received a 65% positive vote. The Shareholders feel that the lost ground is due to not having a permanent CEO on board for the past 10 months and the lack of clear performance factors to drive executive compensation. Given the pressure on the share price Vis a Vis the competitors, the Board is concerned about what will happen at the next annual meeting.

**The Board also strongly believes that the lack of a permanent CEO has negatively impacted the Company’s Revenue growth rates, in addition to the lack of execution on several desired and planned acquisitions.**

1. **Market**: Expectation is that the Market Growth Rate will be 25-30% in 2015- but certainly will not be less than 20%. Market Cap Multiples of comparable companies are now running at 3x revenue.
2. **CEO Profile desired by Board:**
   1. Large Company experience- at least $1 Billion Revenue;
   2. Consumer Products industry experience;
   3. Experience as CEO of company that has grown quickly;
   4. International Experience;
   5. Strong leadership and organizational development capabilities.