

CEO Compensation Review

(Sample Benchmarking Study)

- The purpose of this study was to obtain an understanding of the CEO compensation practices in the “semiconductor/electronic component” industries to assist the Board of Directors (the “Board”) in determining the appropriate compensation package for a CEO.
- To accomplish this objective, we gathered compensation data from both published surveys reporting the compensation practices of non-publicly traded companies and from the SEC disclosures of “small-cap” publicly traded companies.
- In conclusion, we identified two alternative CEO compensation arrangements for the Board to consider which are both supported by the findings of this study.

- We identified 19 publicly-traded companies classified under GICS 45301020 (semiconductors) and 45203015 (electronic components) with revenues ranging between \$48 and \$160 million (the “Peer Group”).
- From these 19 companies, we gathered CEO compensation data from SEC disclosures, including base salary, annual bonus, equity compensation and all other compensation, and benchmarked the average, median, 75th and 90th percentiles for each compensation component, Total Cash Compensation and Total Direct Compensation.
- To obtain an understanding of the broader market in these industries, we also reviewed published survey data to identify the compensation practices of non-publicly traded companies with revenues ranging between \$25 and \$50 million.

Median	The midpoint of a data set when it is arranged in chronological order.
Total Cash Compensation	The total compensation paid to an individual in cash in the form of base salary and annual bonus.
Total Direct Compensation	The total compensation paid to an individual in cash and equity compensation (e.g., stock options and restricted stock).
75th Percentile	An ordinal ranking of a data point within a data set where 75 percent of the data in that set is either above or below the data point.
90th Percentile	An ordinal ranking of a data point within a data set where 90 percent of the data in that set is either above or below the data point.

- The Peer Group consisted of the following publicly traded “small cap” companies:

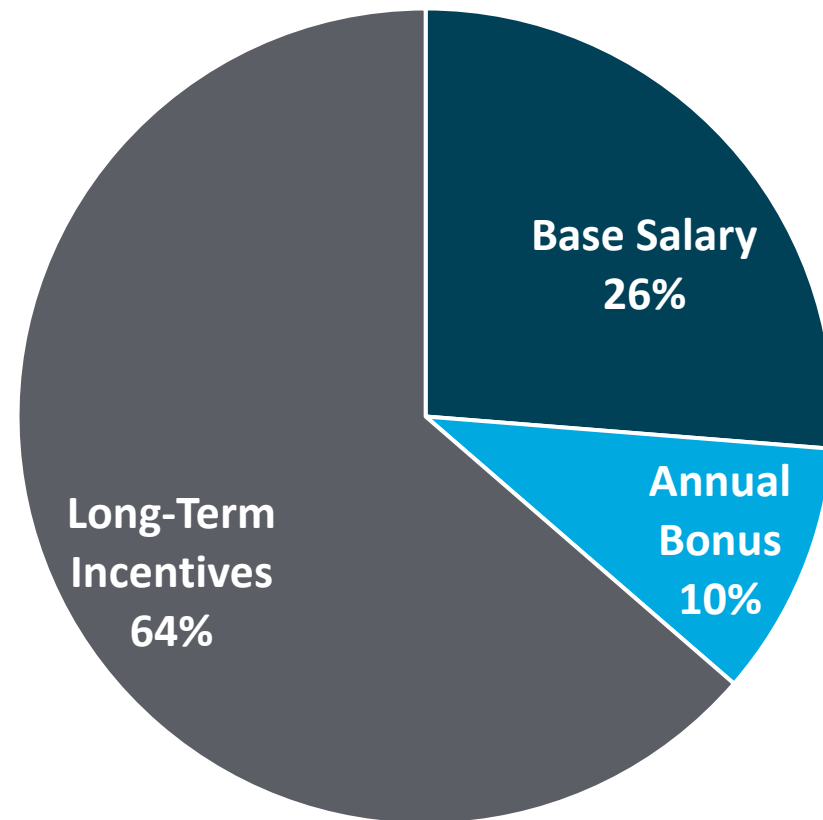
Company Name	GICS Industry Description	Location	Revenue <i>(in millions)</i>	Net Income <i>(in millions)</i>	Market Cap <i>(in millions)</i>
Pixel Works Inc	Semiconductors	CA	48	(9)	124
Ceva Inc	Semiconductors	CA	49	7	371
Itricon Corp	Electronic Components	MN	53	(6)	26
Supertex Inc	Semiconductors	CA	61	4	381
GSI Technology Inc	Semiconductors	CA	66	4	190
Intermolecular Inc	Semiconductors	CA	67	(9)	131
Ikanos Communications Inc	Semiconductors	CA	80	(30)	86
Inphi Corp	Semiconductors	CA	103	(13)	496
Vitesse Semiconductor Corp	Semiconductors	CA	104	(22)	245
PLX Technology Inc	Semiconductors	CA	104	7	277
Maxlinear Inc	Semiconductors	CA	120	(13)	261
Exar Corp	Semiconductors	CA	122	3	567
DTS Inc	Electronic Components	CA	125	16	343
Pericom Semiconductor Corp	Semiconductors	CA	129	(22)	179
Anadigics	Semiconductors	NJ	134	(54)	145
Universal Display Corp	Electronic Components	NJ	147	74	1,482
DSP Group Inc	Semiconductors	CA	151	3	195
Ambarella Inc	Semiconductors	CA	158	6	754
Audience Inc	Electronic Components	CA	160	2	278
Average			104	(3)	344
Median			104	2	261
75th Percentile			132	5	376
90th Percentile			152	9	604

Analysis (cont'd)

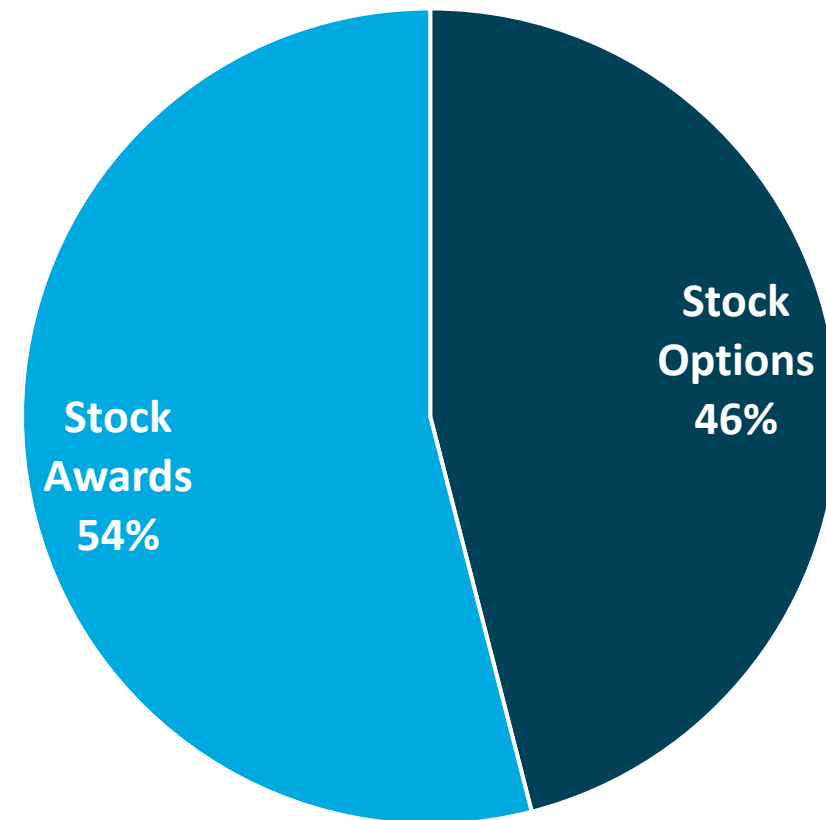
■ Peer Group CEO compensation practices:

Company Name	Base Salary	Discretionary Bonus	Plan Based Bonus	TCC	Equity (3-Year Average)		Total Equity	Other Compensation	TDC
					Stock	Options			
Pixel Works Inc	334,519		2,500	337,019	339,316		339,316		676,335
Ceva Inc	327,195		227,450	554,645		349,449	349,449	111,819	1,015,913
Itricon Corp	378,000			378,000		86,548	86,548	23,592	488,140
Supertex Inc	286,823			286,823		58,273	58,273	7,200	352,296
GSI Technology Inc	351,184		176,655	527,839		254,283	254,283		782,122
Intermolecular Inc	350,000			350,000	225,356	56,174	281,530		631,530
Ikanos Communications Inc	400,000		224,700	624,700		537,905	537,905		1,162,605
Inphi Corp	300,000	13,938		313,938	2,063,283	2,024,251	4,087,534		4,401,472
Vitesse Semiconductor Corp	387,021			387,021	481,321	142,968	624,289		1,011,310
PLX Technology Inc	273,526		209,582	483,108	11,060	133,637	144,697		627,805
Maxlinear Inc	366,923			366,923	716,108	436,007	1,152,115	17,323	1,536,361
Exar Corp	500,000			500,000	1,385,214	1,229,965	2,615,179	4,578	3,119,757
DTS Inc	500,000		337,500	837,500	1,064,362	1,098,016	2,162,378	12,066	3,011,944
Pericom Semiconductor Corp	378,942		100,000	478,942	165,891	177,817	343,708		822,650
Anadigics	456,231			456,231	1,083,268	133,375	1,216,643	39,947	1,712,821
Universal Display Corp	581,049	469,977		1,051,026	732,297		732,297	30,145	1,813,468
DSP Group Inc	300,000	500,000		800,000		414,362	414,362	95,001	1,309,363
Ambarella Inc	340,000		255,000	595,000	956,851		956,851		1,551,851
Audience Inc	371,875		187,500	559,375	152,960	815,591	968,551		1,527,926
Average	378,068	327,972	191,210	520,426	721,330	496,789	911,890	37,963	1,450,298
Median	366,923	469,977	209,582	483,108	716,108	301,866	537,905	23,592	1,162,605
75th Percentile	393,511	484,989	227,450	577,188	1,064,362	607,327	1,060,333	39,947	1,632,336
90th Percentile	500,000	493,995	271,500	807,500	1,324,825	1,163,991	2,252,938	98,365	3,033,507

Peer Group CEO Compensation Mix



Peer Group Equity Compensation Mix



Findings (cont'd)

- Peer Group annual CEO compensation as a percentage of Market Cap:

Company Name	Market Cap <i>(in millions)</i>	TDC	TDC as % of Mrkt Cap
Pixel Works Inc	124	676,335	0.55%
Ceva Inc	371	1,015,913	0.27%
Itricon Corp	26	488,140	1.88%
Supertex Inc	381	352,296	0.09%
GSI Technology Inc	190	782,122	0.41%
Intermolecular Inc	131	631,530	0.48%
Ikanos Communications Inc	86	1,162,605	1.35%
Inphi Corp	496	4,394,503	0.89%
Vitesse Semiconductor Corp	245	1,036,310	0.42%
PLX Technology Inc	277	627,805	0.23%
Maxlinear Inc	261	1,536,361	0.59%
Exar Corp	567	3,194,757	0.56%
DTS Inc	343	3,095,277	0.90%
Pericom Semiconductor Corp	179	822,650	0.46%
Anadigics	145	1,733,912	1.20%
Universal Display Corp	1,482	1,646,400	0.11%
DSP Group Inc	195	976,029	0.50%
Ambarella Inc	754	1,551,851	0.21%
Audience Inc	278	1,527,926	0.55%
Average	344	1,434,354	0.61%
Median	261	1,036,310	0.50%
75th Percentile	376	1,599,126	0.74%
90th Percentile	604	3,115,173	1.23%

Findings (cont'd)

- Published CEO compensation survey data obtained from non-publicly traded semiconductor companies with revenue generation plus profit (obtained from Radford):

	Base Salary	Target Bonus	TCC
Average	\$499,000	\$266,466	\$765,466
Median	\$450,000	\$250,000	\$700,000
75 th Percentile	\$600,000	\$402,000	\$1,002,000

Note: Private companies do not typically provide annual equity grants.

	Average	Median	75th Percentile
New Hire Grants (percentage of Common Stock)	5.7%	5.6%	6.4%

- Median Net Income of the Peer Group was slightly above \$2 million, while Median CEO TDC was approximately \$1.1 million.
- Over two thirds of CEO TDC was paid in equity compensation, with 54% in stock awards and 46% in stock options.
- The Peer Group annual CEO TDC as a percentage of market cap ranged from 0.5%, at the median, to 0.74% at the 75th percentile.
- There was little disparity between the Peer Group compensation data and the published survey data, despite the differences in Revenue and Net Income. The Peer Group consists of “micro-cap” to “small-cap” companies. Several of the Peer Group companies have been publicly traded for less than two years, and have Net Income far less than Integra. Based on these circumstances, we believe the Peer Group is an appropriate comparator for Integra for purposes of determining the replacement cost for a CEO and for determining market competitive CEO compensation.

Alternative CEO Compensation Arrangements

■ **Alternative 1:** The Conventional Approach

- Base Salary: \$350,000
- Bonus: 50% Target/100% Max (\$125,000/\$350,000)
- TCC: \$475,000 Target/\$700,000 Max
- Equity: \$500,000 Target/\$750,000 Max (60% Stock Awards/40% Stock Options)
- TDC: \$975,000 Target/\$1,450,000 Max

■ **Alternative 2:** The Equity Approach

- TCC: \$0 (or minimum required by law)
- Equity: 0.5% to 0.75% of outstanding common (60% Stock Awards/40% Stock Options)

Note: For both alternatives 1 and 2, performance-based vesting would apply to all stock awards with increased payout for goal attainment in excess of target up to max. Time-based vesting applies to stock options.

XYZ Company/CEO Compensation Term Sheet

Component	Amounts	Terms and Conditions								
Total Direct Compensation (Annually)	Target = \$3,600,000 Maximum = \$5,400,000	<ul style="list-style-type: none"> TDC does not include the one-time equity award, housing and car allowance or medical benefits. 								
Term of Employment	3-Year Term (“Initial Term”) with automatic renewal for 1-year periods at the end of the Initial Term.	<ul style="list-style-type: none"> The term shall be automatically extended unless either party provides notice to the other no later than 60 days prior to the end of the Term. 								
Base Salary	\$900,000	<ul style="list-style-type: none"> Paid in accordance with normal payroll practices. 								
Annual Bonus	<p>Executive shall be entitled to a cash bonus payment, payable no later than March 31 of the year following each performance period, based on performance goal attainment as follows:</p> <table border="1" data-bbox="576 883 1205 1110"> <thead> <tr> <th data-bbox="576 883 934 938">Base Salary Percentage</th> <th data-bbox="934 883 1205 938">Goal Attainment</th> </tr> </thead> <tbody> <tr> <td data-bbox="576 938 934 995">80%</td> <td data-bbox="934 938 1205 995">Threshold</td> </tr> <tr> <td data-bbox="576 995 934 1052">100%</td> <td data-bbox="934 995 1205 1052">Target</td> </tr> <tr> <td data-bbox="576 1052 934 1110">200%</td> <td data-bbox="934 1052 1205 1110">Maximum</td> </tr> </tbody> </table> <p>Target Payout = \$900,000 Max Payout = \$1,800,000</p>	Base Salary Percentage	Goal Attainment	80%	Threshold	100%	Target	200%	Maximum	<ul style="list-style-type: none"> Each Annual Bonus performance period shall be one year coinciding directly with the Company’s fiscal year. For the 2014 performance period (i.e., FY2014), Executive shall be guaranteed an Annual Bonus equal to the greater of <ul style="list-style-type: none"> 50% of Base Salary or What Executive would receive based on the annual incentive goals in effect as of Executive’s Start Date. For the 2015 performance period (i.e., FY2015) and later, the performance goals shall be set by the Compensation Committee (“Committee”) with consultation of Executive not later than March 1st of that same year. Goal Attainment at Target level shall be based on aggressive “stretch” goals (i.e., “significant out performance of budget”). Calculation of the bonus payment/goal attainment shall be based on pro-rata goal attainment between Threshold and Maximum as determined by the Committee based on audited financial statements in accordance with Company practice not later than March 15th, and payment shall occur as soon as reasonable practicable thereafter.
Base Salary Percentage	Goal Attainment									
80%	Threshold									
100%	Target									
200%	Maximum									

XYZ Company/CEO Compensation Term Sheet (cont'd)

<p>One-time Equity Award</p>	<p>Executive shall have the choice to receive one of the following:</p> <ul style="list-style-type: none"> 45,000 shares of restricted stock (“RS”), or Stock Option to purchase 135,000 shares at closing price per share on Start Date <p>Grant Date FMV = \$900,000 (if RS)</p>	<ul style="list-style-type: none"> 3-year time-based cliff vesting shall apply, based on continued service, where 100% of the shares shall vest on the third anniversary of Executive’s Start Date. All shares shall become immediately vested upon Executive’s “termination of employment” (as defined below) within 1 year following a Change in Control. 								
<p>Long-Term Incentives (“LTI”)</p>	<p>LTI awards shall be granted to Executive as restricted stock units (“RSUs”) at the beginning of each fiscal year. The LTI performance period shall be 3 years in duration, beginning on the first day of the fiscal year and ending on the last day of the third fiscal year thereafter. The RSUs will be converted into shares on a one-unit for one-share basis at the end of each performance period based on performance goal attainment as follows:</p> <table border="1" data-bbox="556 886 1255 1114"> <thead> <tr> <th>Conversion Percentage</th> <th>Goal Attainment</th> </tr> </thead> <tbody> <tr> <td>50%</td> <td>Threshold</td> </tr> <tr> <td>66.66%</td> <td>Target</td> </tr> <tr> <td>100%</td> <td>Maximum</td> </tr> </tbody> </table> <p>The maximum number of RSUs subject to conversion will be determined at the beginning of each 3-year performance period by dividing the closing price of the Company’s common stock on the first trading day of the performance period by 300% of Executive’s then current base salary.</p> <p>Target Payout = \$1,800,000</p> <p>Max Payout = \$2,700,000</p>	Conversion Percentage	Goal Attainment	50%	Threshold	66.66%	Target	100%	Maximum	<ul style="list-style-type: none"> Vesting/conversion into shares shall be based on objectives set by the Compensation Committee (“Committee”) with consultation of Executive not later than March 1st. Performance goals may include EBITDA, ROE, TSR and Enterprise Value. Goal Attainment at Target level shall be based on aggressive “stretch” goals (i.e., “significant outperformance of budget”). RSUs that are not converted due to lack of goal attainment are forever forfeited. Executive must maintain continuous employment throughout the entire performance period for RSUs to be converted into shares. The conversion of RSUs into shares of restricted stock shall be based on pro-rata goal attainment between Threshold and Maximum as determined by the Committee based on audited financial statements in accordance with Company practice not later than March 15th.
Conversion Percentage	Goal Attainment									
50%	Threshold									
66.66%	Target									
100%	Maximum									

XYZ Company/CEO Compensation Term Sheet (cont'd)

<p>Severance</p>	<p>“Termination of Employment” with no Change in Control (“CIC”):</p> <ul style="list-style-type: none"> ▪ 100% of Base Salary ▪ Continuation of medical benefits for 12 months <p>“Termination of Employment” within 1 year following a CIC:</p> <ul style="list-style-type: none"> ▪ 200% of Base Salary ▪ 200% of Target Bonus ▪ RSUs shall become vested pro-rata based on either (at Executive’s choice) <ul style="list-style-type: none"> – the number of days elapsed in the performance period prior to the CIC date or – goal attainment on the CIC date ▪ All One-Time Equity Awards shall become immediately vested in full ▪ Continuation of medical benefits for 12 months 	<ul style="list-style-type: none"> ▪ “Termination of Employment” shall be defined to include an involuntary termination by the Company without “cause” and a voluntary termination by Executive with “good reason.” ▪ All severance payments shall be paid in lump sum and shall be conditioned on the execution and delivery of a Release Agreement. ▪ All severance payments following a CIC shall be subject to a “modified cut back” whereby Executive shall receive the greater of <ul style="list-style-type: none"> – the total after tax severance payments less any excise taxes payable by Executive under IRC 4999 or – the maximum amount payable to Executive before any such excise taxes apply. ▪ Executive must elect the method for determining RSU accelerated vesting no later than the Start Date.
<p>Other Payments</p>	<ul style="list-style-type: none"> ▪ \$4,000 monthly housing allowance, payable for 12 months ▪ Car allowance commensurate with Company policy 	
<p>Executive “Buy In”</p>	<p>Executive shall purchase common stock with an aggregate value of 50% of Base Salary</p>	<ul style="list-style-type: none"> ▪ No later than the six months following the Start Date, Executive shall purchase shares of Company stock from the open market with an aggregate value equal to 50% of his current Base Salary. ▪ Executive shall be required to hold such shares until the earlier of his termination of employment for any reason or a CIC.

