

# Meridian Client Update

March 10, 2011

## Update on Vote Outcomes for Say on Pay and Say on Vote Frequency

### Shareholders Overwhelmingly Support Say on Pay Proposals and Annual Say on Pay Vote Frequency

Summarized below are updated vote outcomes on management Say on Pay proposals (“Say on Pay”) and on management proposals as to the frequency of the Say on Pay vote (“Say on Vote Frequency”) for **Russell 3000 companies** with at least \$100 million in revenues as well as for **Standards and Poor’s 500 companies**. Also updated are statistics on board recommendations on Say on Vote Frequency

#### Say on Pay Vote Outcomes

Seventy-two Russell 3000 companies with at least \$100 million in revenues and sixteen Standard and Poor’s 500 companies have recently reported vote results on management Say on Pay proposals. In all instances, shareholders approved management’s Say on Pay proposal, except in the case of Jacobs Engineering and Beazer Homes USA.

Shareholder Vote	Prevalence Russell 3000 (n = 72)	Prevalence S&P 500 (n = 16)
▪ Say on Pay Proposals Approved	97.2%	93.8%
▪ Say on Pay Proposals Voted Down	2.8%	6.2%

Generally, Say on Pay proposals which were approved by shareholders have passed by large margins; on average, 93% of votes cast have approved the proposals. A few Say on Pay proposals were more narrowly approved, notably Johnson Controls and Monsanto where 62% and 64% of votes were cast in favor of say on pay proposals, respectively.

#### Say on Vote Frequency (Board Recommendations and Vote Outcomes)

Nearly 170 Russell 3000 companies with at least \$100 million in revenues have filed their 2011 proxy statements. These proxy statements show that slightly less than a majority of the boards of these companies have recommended that shareholders approve a triennial say on pay vote. However, we expect this to change over the coming weeks, with a significant shift toward **annual** vote frequencies.

The proxy statements of nearly 40 S&P 500 companies show a similar trend, with slightly over a majority of the boards of these companies recommending that shareholders approve a triennial say on pay vote.

Board Recommendations	Russell 3000 Prevalence (n =168)	S&P 500 Prevalence (n =37)
▪ Triennial	49%	54%
▪ Biennial	5%	6%
▪ Annual	39%	35%
▪ No recommendation	7%	5%

Boards of larger companies remain slightly more likely to recommend triennial voting than Boards of smaller companies but the differential continues to narrow.

#### *Russell 3000 Companies*

Board Recommendation	Annual Revenues			Market Capitalization		
	Under \$1B	\$1B to \$10B	Over \$10B	Under \$1B	\$1B to \$10B	Over \$10B
<i>n</i>	67	80	21	64	75	29
▪ Triennial	46%	51%	52%	52%	46%	55%
▪ Biennial	8%	5%	0%	5%	8%	0%
▪ Annual	39%	39%	38%	37%	41%	35%
▪ No recommendation	7%	5%	10%	6%	5%	10%

More importantly, shareholders have all but ignored board recommendations on Say on Vote Frequency, with the overwhelming percentage of shareholders supporting annual Say on Pay.

Vote Result	% of Companies Receiving the Indicated Vote Result (n = 72)
▪ Annual	76%
▪ Biennial	3%
▪ Triennial	21%

We expect shareholder support for annual Say on Pay votes will remain exceptionally high, which is already influencing future Board recommendations on Say on Vote Frequency.

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The ***Client Update*** is prepared by Meridian Compensation Partners' Technical Team led by Donald Kalfen. Questions regarding this Client Update or executive compensation technical issues may be directed to Donald Kalfen at 847-235-3605 or [dkalfen@meridiancp.com](mailto:dkalfen@meridiancp.com).

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