

# 2015 SAY ON PAY RESULTS

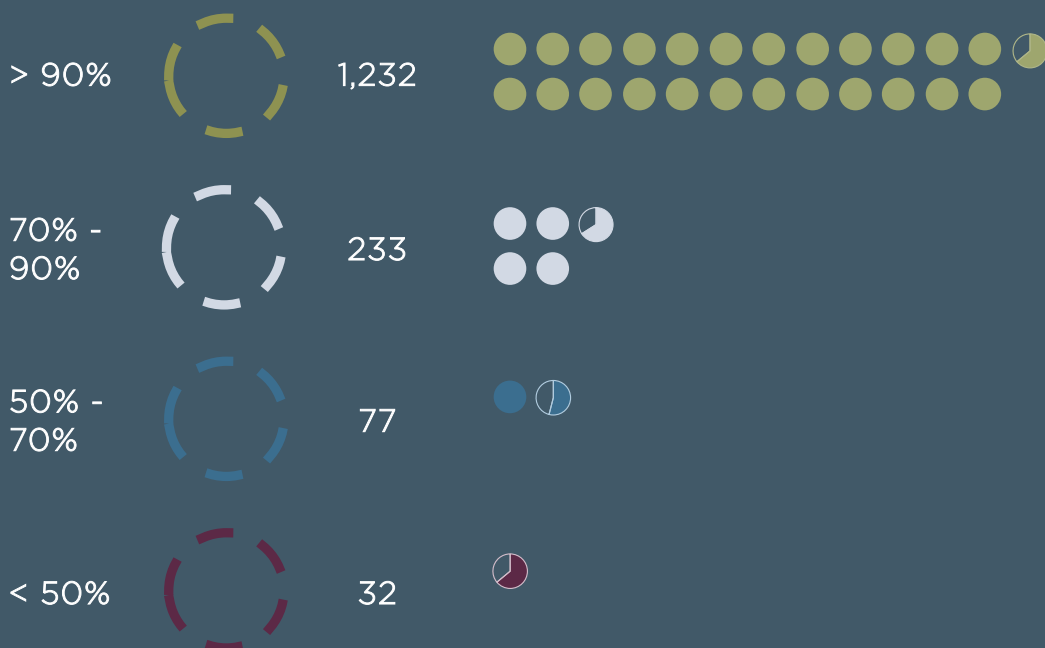
RUSSELL 3000  
1,574 COMPANIES

IN THIS REPORT...

## DIRECTOR ELECTIONS

JUNE 10, 2015

### RESULTS AT A GLANCE:



## SUMMARY OF VOTE RESULTS (n=1,574)

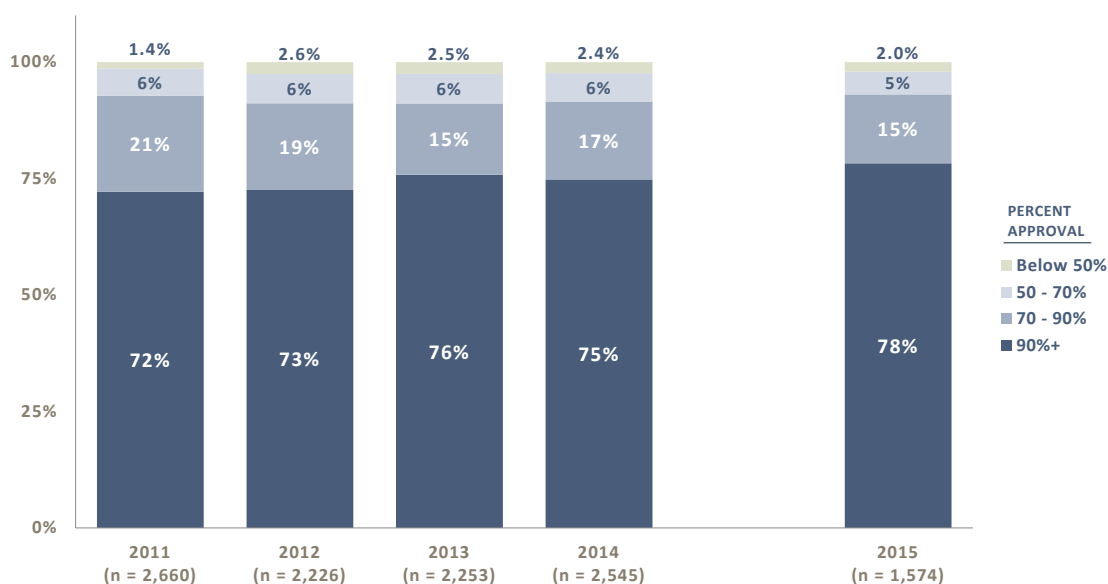
### — To date, 32 Russell 3000 companies (2.0%) have failed Say on Pay in 2015

Eleven companies have failed since our last report: Astoria Financial, Basic Energy Services, BBCN Bancorp, Checkpoint Systems, Cornerstone OnDemand, Dex Media, Eagle Bancorp, Masimo, Tutor Perini, Vertex Pharmaceuticals, and W.R. Berkley

### — At this point last year, 42 companies in the Russell 3000 (2.2%) had failed Say on Pay

### — Average vote result to date in 2015 is 92%

## SAY ON PAY VOTE RESULTS (2011-2015)



### — Average vote outcomes tend to converge toward 90%, regardless of the vote in the prior year

PRIOR YEAR RESULT	2015 RESULT		HISTORICAL AVERAGE YEAR-OVER-YEAR CHANGE
	#	AVERAGE CHANGE	
Under 50%	30	+34%	+38%
50 - 70%	75	+19%	+14%
70 - 90%	222	+2%	+3%
Above 90%	1,140	-2%	-3%
<b>TOTAL</b>	<b>1,467</b>	<b>+0.1%</b>	<b>--</b>

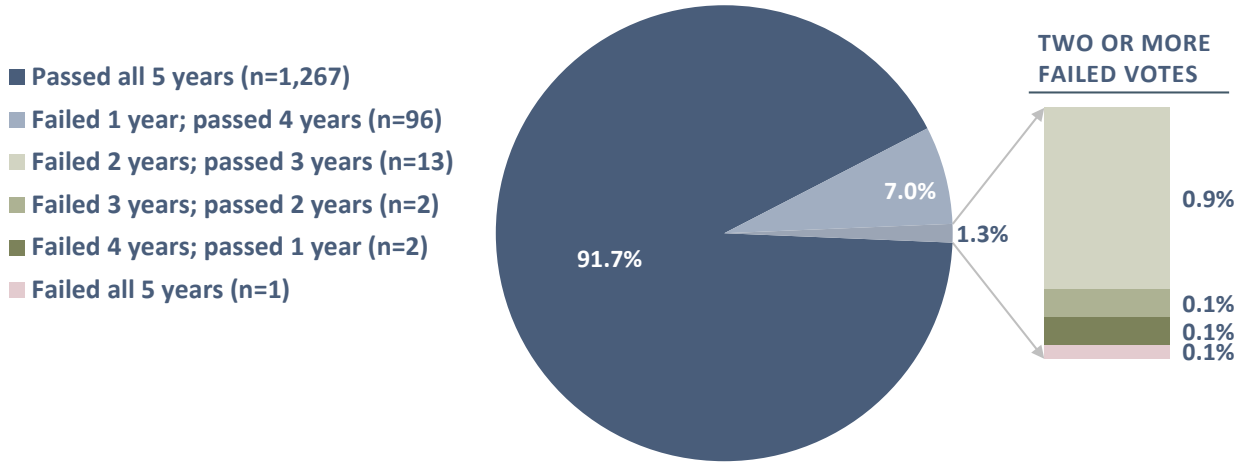
Source: Semler Brossy data and analysis; Fund Votes LLC.

Notes: As of June 5, 2015. The 2015 sample includes companies that had an Annual Meeting and Say on Pay vote in calendar year 2015. Year over year data presented in this document does not reflect a constant sample given turnover in the Russell 3000 used for each year as well as differences in how frequently companies hold votes.

For FY 2015, Russell 3000 sample effective as of June 30, 2014.

COMPANIES WITH 5 YEARS OF VOTE RESULTS (n=1,381)

— Most companies have passed Say on Pay every year since it became mandatory in 2011

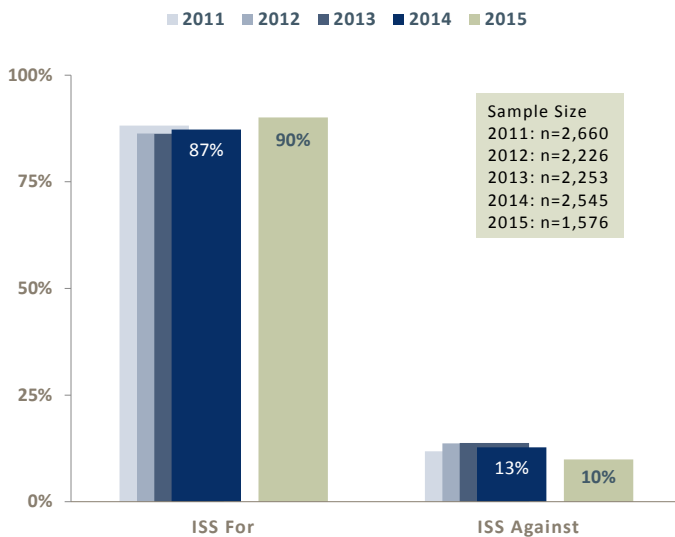


IMPACT OF ISS RECOMMENDATIONS

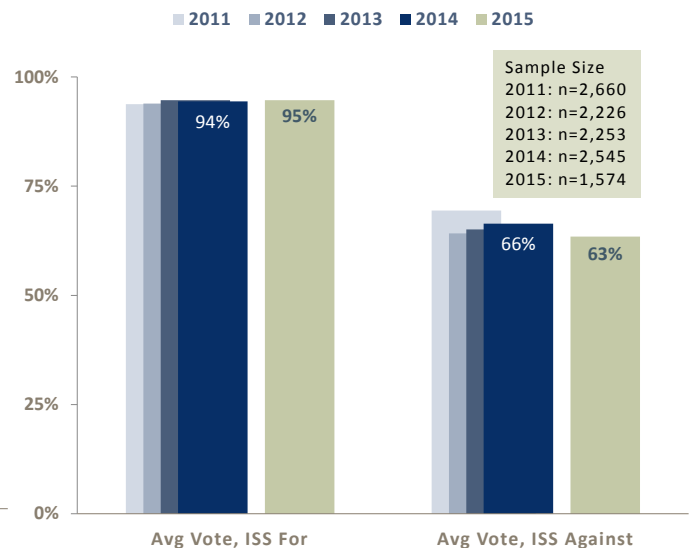
— ISS has recommended that shareholders vote ‘Against’ Say on Pay at 10% of companies it has assessed<sup>1</sup> in 2015

— Shareholder support was 32% lower at companies with an ISS ‘Against’<sup>2</sup>

ISS RECOMMENDATION BREAKDOWN<sup>1</sup>



IMPACT ON VOTE RESULTS<sup>2</sup>



Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

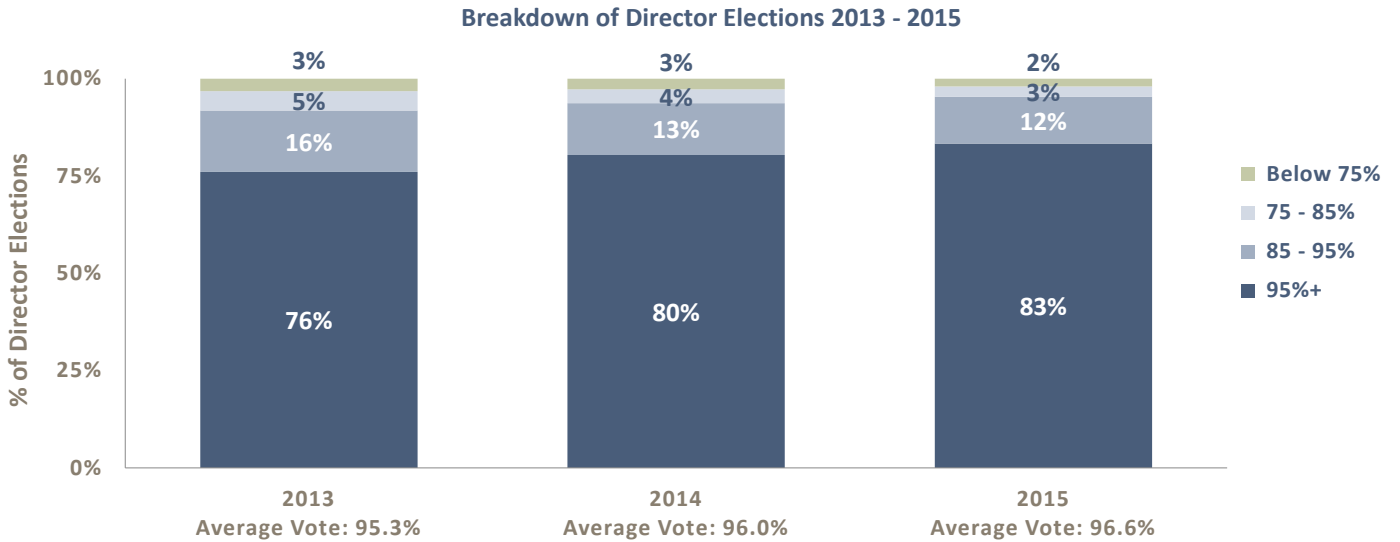
<sup>1</sup> Based on ISS’ assessment of 1,576 companies, of which 156 have received ‘against’ from ISS; 1,574 companies (in total) have reported vote results.

<sup>2</sup> Reflects only those companies whose vote results have been reported.

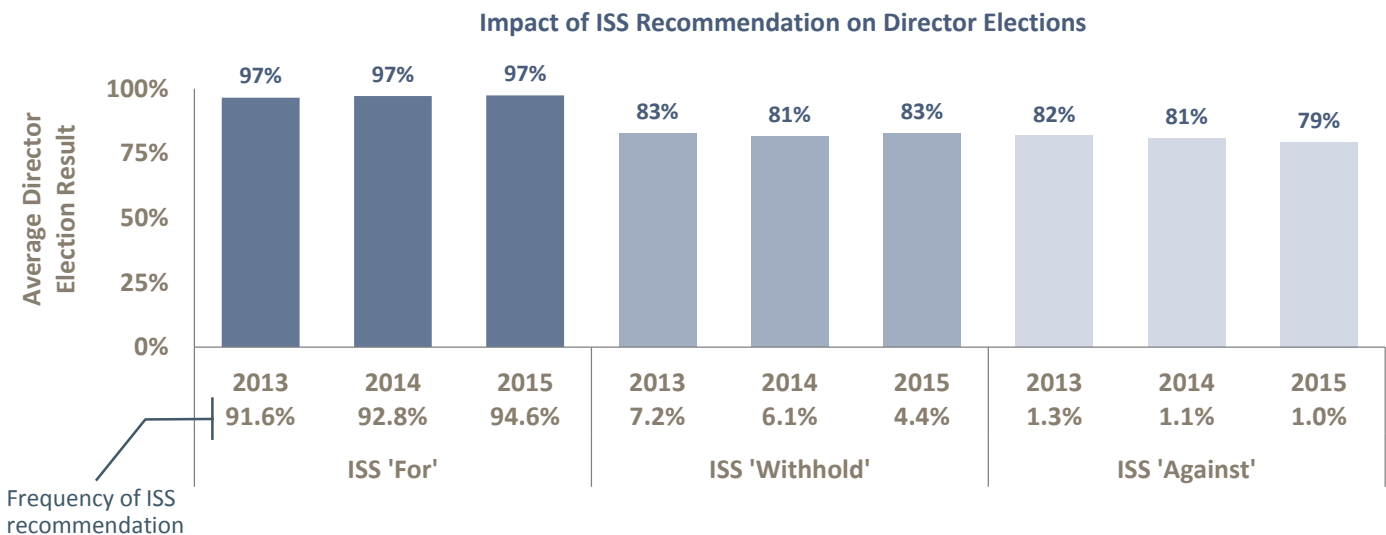
**REPORT TOPIC: DIRECTOR ELECTIONS**

In this report, we examine director election votes for Russell 3000 companies since 2013 to determine their relationship to Say on Pay vote outcomes.

- Over 90% of director elections receive vote support above 85%. Few elections receive support below 75% and only one out of two hundred elections have failed between 2013 and 2015 thus far.



- ISS recommends 'Withhold' or 'Against' at 7% of director elections, on average. Shareholder support was 15% and 16% lower on elections with an ISS 'Withhold' and 'Against', respectively.

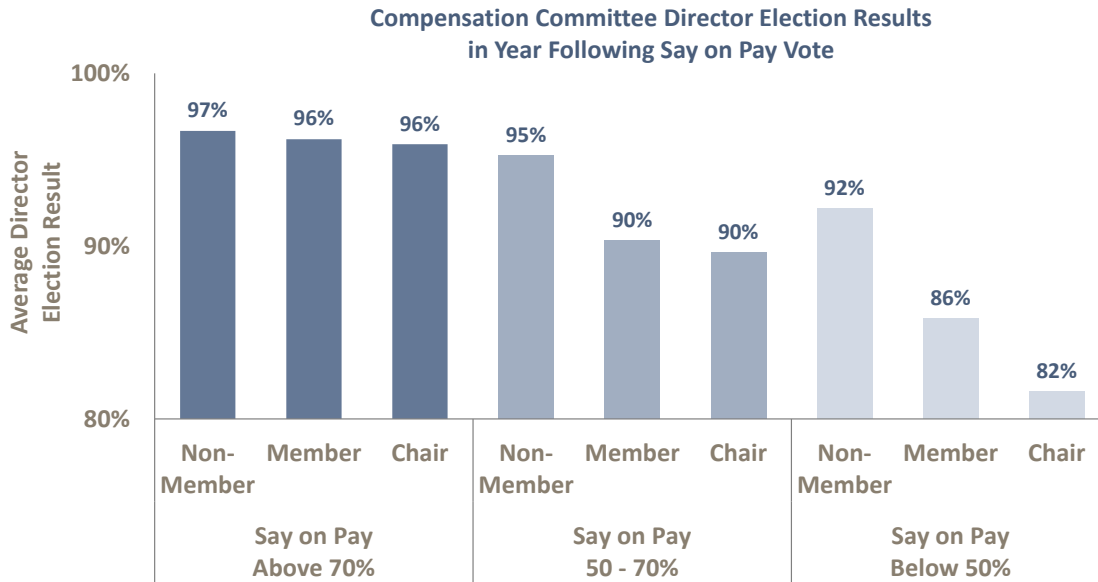


Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

Notes: Data represents 2013, 2014, and 2015 director election vote results through May 29, 2015.

REPORT TOPIC: DIRECTOR ELECTIONS

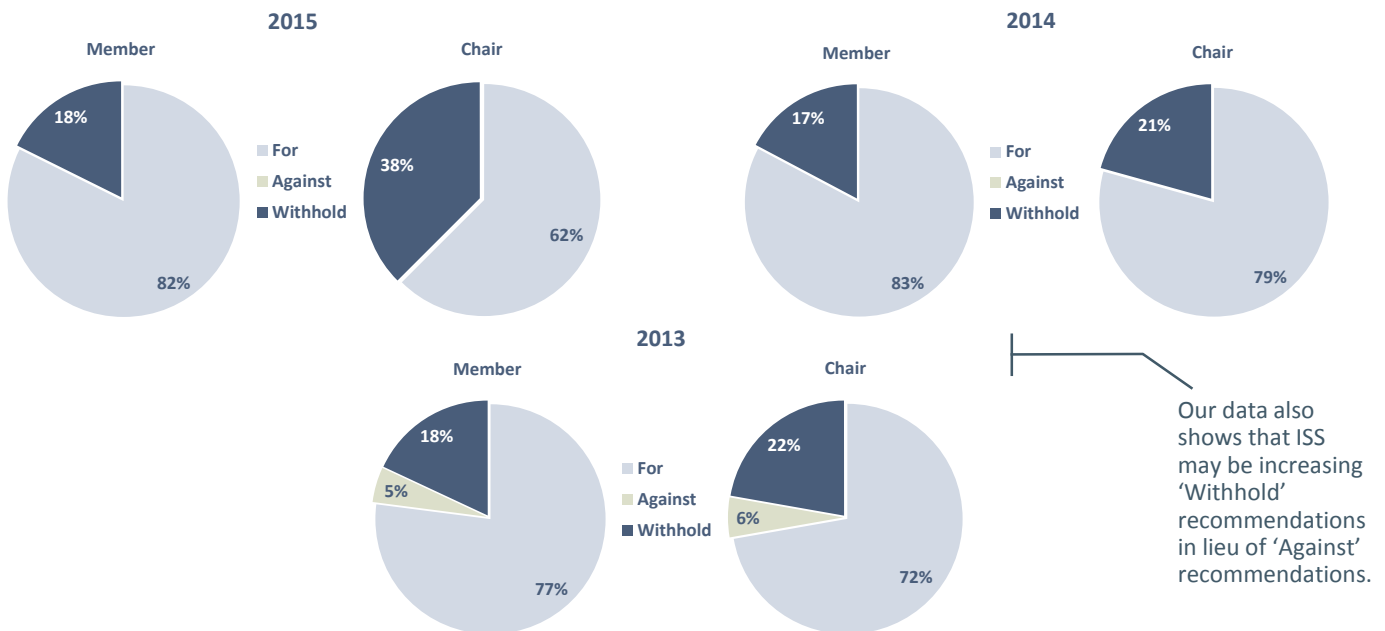
— A Say on Pay vote above 70% leads to minimal impact on Compensation Committee member election results the following year. However, members and chairs receive 6 – 10% lower support in the year following a failed Say on Pay vote.



— In the year following a failed Say on Pay vote, Compensation Committee non-chair members are four times as likely to receive an ISS ‘Withhold’ or ‘Against’ recommendation. Compensation Committee chairs are over five times as likely.

There appears to be a significant increase in ISS ‘Withhold’ recommendations for Committee chairs in 2015, though the sample size is small.

**ISS Recommendation for Compensation Committee Members  
in Year Following Failed Say on Pay**

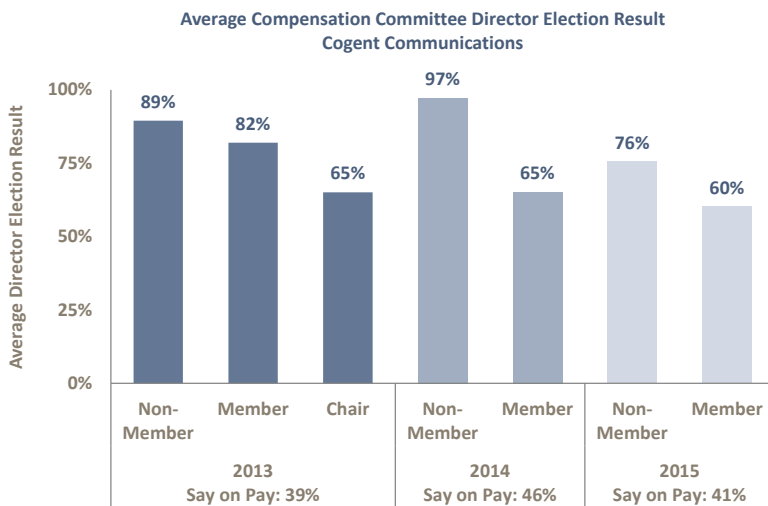


Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

**REPORT TOPIC: DIRECTOR ELECTIONS**

To further investigate director election outcomes following Say on Pay failure, we studied two companies that have failed multiple times since 2013.

**Cogent Communications**



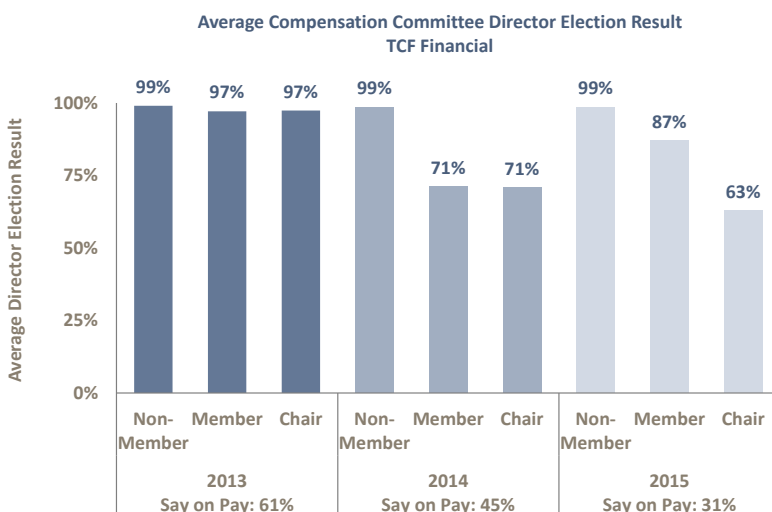
Note: By agreement with the Board of Directors, Cogent Communications had two Compensation Committee members in 2014 and 2015. Neither was treated as chairman.

— Cogent Communications’ Say on Pay vote support has been below 50% in each of the last three years. Subsequently, support for Compensation Committee director elections has eroded over the same time frame.

— In 2013 the Compensation Committee chair received 24% lower support than non-members. The following year the Company eliminated the Compensation Committee chair position, an uncommon practice.

— ISS proposal summary excerpt:  
“WITHHOLD votes for all director nominees are warranted for failing to provide effective oversight, as manifested in persistent issues regarding executive compensation and repeated poor responsiveness to shareholder concerns.”

**TCF Financial**



— As support for Say on Pay decreased in 2013, 2014, and 2015, non-member director elections remained at 99% while Compensation Committee member elections were negatively impacted.

— Following a dip in 2014, support for Compensation Committee non-chair director elections increased in 2015.

— Support for the Compensation Committee chair decreased significantly over all three years, ending with the lowest vote support of any board member in 2015.

— ISS proposal summary excerpt:  
“A WITHHOLD vote is warranted for Vance K. Opperman, chair of the Compensation Committee, in light of continuing concerns regarding the company’s pay program. While noting the high levels of director pledging activity, a vote FOR other director nominees is warranted at this time.”

Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

## APPENDIX: COMPANIES UNDER 50% IN 2015

2015 Failed Say on Pay Vote Results<sup>1</sup>

Russell 3000, n=32

Company	Meeting Date	GICS Industry	S&P 500	FYE 2014 Revenue (\$MM)	Say on Pay Vote Results			TSR (as of FYE 2014)			Number of Failures
					2015 ▼	2014	YOY	1-Yr	3-Yr	5-Yr	
Biglari Holdings, Inc.	04/09/15	Hotels Restaurants & Leisure		\$794	50%	31%	19%	-11%	38%	83%	3
Allegheny Technologies, Inc.	05/01/15	Metals & Mining		\$4,223	49%	97%	-48%	0%	-22%	-16%	1
Superior Industries International, Inc.	05/05/15	Auto Components		\$745	49%	77%	-28%	1%	36%	49%	1
Eagle Bancorp, Inc. (Maryland)	05/21/15	Banks		\$210	49%	55%	-7%	16%	169%	276%	1
Carriage Services, Inc.	05/19/15	Diversified Consumer Services		\$225	49%	47%	2%	7%	283%	456%	2
Basic Energy Services, Inc.	05/21/15	Energy Equipment & Services		\$1,491	48%	98%	-50%	-55%	-64%	-22%	1
Customers Bancorp, Inc.	04/23/15	Banks		\$215	48%	-	-	5%	376%	328%	1
SPX Corp.	05/08/15	Machinery		\$4,722	47%	62%	-16%	-12%	49%	65%	1
W.R. Berkley Corp.	06/02/15	Insurance		\$7,004	46%	56%	-9%	22%	60%	129%	1
BBCN Bancorp, Inc.	05/28/15	Banks		\$348	46%	96%	-50%	-11%	59%	34%	1
Checkpoint Systems, Inc.	06/03/15	Electronic Equipment Instruments & Components		\$662	46%	95%	-49%	-8%	30%	-8%	1
Vertex Pharmaceuticals, Inc.	06/04/15	Biotechnology	X	\$580	45%	70%	-25%	61%	258%	173%	1
Masimo Corp.	06/02/15	Health Care Equipment & Supplies		\$580	44%	30%	13%	-11%	44%	-2%	4
Dynamic Materials Corp.	05/13/15	Machinery		\$203	43%	68%	-25%	-26%	-17%	-18%	2
Cogent Communications Holdings, Inc.	04/16/15	Diversified Telecommunication Services		\$380	41%	46%	-5%	-10%	124%	279%	4
Insulet Corp.	05/13/15	Health Care Equipment & Supplies		\$289	40%	99%	-58%	23%	145%	223%	1
Astoria Financial Corp.	05/27/15	Thriffs & Mortgage Finance		\$550	40%	78%	-37%	-3%	66%	23%	1
Tutor Perini Corp.	05/27/15	Construction & Engineering		\$4,492	38%	44%	-7%	-7%	95%	35%	5
Kate Spade & Co.	05/19/15	Textiles Apparel & Luxury Goods		\$1,139	38%	98%	-61%	0%	274%	472%	1
Cornerstone OnDemand, Inc.	06/03/15	Internet Software & Services		\$264	38%	-	-	-33%	93%	--	1
Dex Media, Inc.	05/28/15	Media		\$1,815	36%	91%	-54%	33%	--	--	2
Luminex Corp.	05/14/15	Life Sciences Tools & Services		\$227	36%	81%	-45%	-3%	-12%	24%	1
Mack-Cali Realty Corp.	05/11/15	Real Estate Investment Trusts (REITs)		\$637	35%	30%	5%	-9%	-16%	-29%	2
Hospira, Inc.	05/06/15	Pharmaceuticals	X	\$4,464	32%	71%	-40%	48%	102%	20%	1
TCF Financial Corp.	04/22/15	Banks		\$1,346	31%	45%	-15%	-1%	61%	26%	2
BankUnited, Inc.	05/13/15	Banks		\$845	31%	-	-	-9%	44%	--	1
Darling Ingredients, Inc.	05/12/15	Food Products		\$3,956	30%	82%	-52%	-14%	35%	117%	1
Walter Energy, Inc.	04/23/15	Metals & Mining		\$1,396	28%	94%	-67%	-92%	-98%	-98%	1
Schnitzer Steel Industries, Inc.	01/28/15	Metals & Mining		\$2,543	24%	76%	-52%	13%	-35%	-46%	1
Acacia Research Corp.	05/14/15	Professional Services		\$131	22%	68%	-47%	20%	-51%	105%	1
Knoll, Inc.	05/06/15	Commercial Services & Supplies		\$1,050	20%	77%	-57%	19%	56%	123%	1
Nuance Communications, Inc.	01/27/15	Software		\$1,923	15%	50%	-36%	-18%	-24%	5%	2
<b>Count (n=32)</b>											

<sup>1</sup> As of June 5, 2015.

DATA AT A GLANCE: A GUIDE TO OUR REPORT COVERS



**EACH ISSUE OF OUR 2015 REPORT CONTAINS** an update to vote results and in-depth coverage of a special topic related to Say on Pay

**EACH COLORED CIRCLE REPRESENTS** the vote results for 50 Russell 3000 companies

**REPORT SPECIAL TOPIC** rotates each issue

**2015 VOTING GROUP** divides companies by the results of their 2015 Say on Pay vote

**FILLED CIRCLES** represent 50 companies with vote results within the range

**PARTIAL CIRCLES** represent fewer than 50 companies with vote results within the range

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