2016 SAY ON PAY RESULTS
RUSSELL 3000
143 COMPANIES

RESULTS AT A GLANCE:

- > 90%: 103
- 70% - 90%: 27
- 50% - 70%: 8
- < 50%: 5

IN THIS REPORT...
TRENDS IN EQUITY PLAN PROPOSALS

APRIL 6, 2016
SUMMARY OF VOTE RESULTS (n=143)

— To date, 5 Russell 3000 companies (3.5%) have failed Say on Pay in 2016

Three new companies have failed since our last report – M.D.C. Holdings, Motorcar Parts of America, and VeriFone Systems

— Average vote result to date in 2016 is 90%

SAY ON PAY VOTE RESULTS (2011-2016)

— At this point last year, 2 companies in the Russell 3000 had failed Say on Pay

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

Notes: As of April 4, 2016. The 2016 sample includes companies that had an Annual Meeting and Say on Pay vote in calendar year 2016. 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 2016, Russell 3000 sample effective as of June 30, 2015.
COMpanies with 6 Years of Vote Results (n=92)

— 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\(^1\) in 2016

— Shareholder support was 32% lower at companies with an ISS ‘Against’\(^2\)

ISS Recommendation Breakdown\(^1\)

Impact on Vote Results\(^2\)

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

\(^1\) Based on ISS’ assessment of 196 companies, of which 20 have received ‘Against’ from ISS; 143 companies (in total) have reported vote results.

\(^2\) Reflects only those companies whose vote results have been reported.
REPORT TOPIC: TRENDS IN EQUITY PLAN PROPOSALS

We have examined equity plan proposal trends for current Russell 3000 companies to investigate how Say on Pay has impacted vote outcomes since 2011.

The voting results of equity plan proposals are, unlike Say on Pay, binding. Equity plan proposals are significantly less likely to fail compared to Say on Pay proposals – 0.4% on average since 2011 compared to 2.5% on average for Say on Pay.

Average vote support for equity plan proposals has increased over the past five years and has remained steady around 90% since 2014.

Companies have tools at their disposal (e.g., the ISS checklist and the ISS Compass Model) to predict how proxy advisors will view the equity plan. In addition, the non-binding Say on Pay vote gives shareholders an opportunity to provide preemptive feedback ahead of the equity plan vote.

— Similarly, average vote support for equity plans at companies that receive an ISS ‘For’ recommendation has increased over time; this may suggest that ISS voting policies have become well-aligned with shareholder preferences.

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Breakdown of Equity Plan Proposal Votes (2011-2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Below 50%</th>
<th>50-70%</th>
<th>70-90%</th>
<th>90%+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.5%</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2012</td>
<td>13%</td>
<td>43%</td>
<td>52%</td>
<td>34%</td>
</tr>
<tr>
<td>2013</td>
<td>0%</td>
<td>38%</td>
<td>52%</td>
<td>55%</td>
</tr>
<tr>
<td>2014</td>
<td>6%</td>
<td>37%</td>
<td>55%</td>
<td>65%</td>
</tr>
<tr>
<td>2015</td>
<td>0.1%</td>
<td>30%</td>
<td>65%</td>
<td>63%</td>
</tr>
<tr>
<td>2016</td>
<td>7%</td>
<td>31%</td>
<td>63%</td>
<td>7%</td>
</tr>
</tbody>
</table>

No failures yet in 2016

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Impact of ISS Recommendation on Equity Plan Vote Results (2011-2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Vote, ISS For</th>
<th>Avg Vote, ISS Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>86%</td>
<td>75%</td>
</tr>
<tr>
<td>2012</td>
<td>89%</td>
<td>77%</td>
</tr>
<tr>
<td>2013</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>2014</td>
<td>91%</td>
<td>75%</td>
</tr>
<tr>
<td>2015</td>
<td>92%</td>
<td>78%</td>
</tr>
<tr>
<td>2016</td>
<td>92%</td>
<td>76%</td>
</tr>
</tbody>
</table>

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

SEMLER BROSSY / 4.06.16
REPORT TOPIC: TRENDS IN EQUITY PLAN PROPOSALS

Companies that pass Say on Pay receive average support of 90% for their equity plan proposals.

Since 2011, there has been a clear trend of companies passing Say on Pay receiving increasingly higher support on their equity plan proposals.

Distribution of Equity Plan Vote Results
for Companies that Passed Say on Pay the Same Year (2011-2015)

Companies that fail Say on Pay tend to have significantly lower support for their equity plan proposals, indicating that shareholders are assessing both proposals under similar lenses.

Unlike the relationship displayed in chart above, there has not been a strong trending pattern displayed in equity plan vote results for companies that have failed Say on Pay.

Distribution of Equity Plan Vote Results
for Companies that Failed Say on Pay the Same Year (2011-2015)

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

## APPENDIX: COMPANIES UNDER 50% IN 2016

### 2016 Failed Say on Pay Vote Results

Russell 3000, n=5

<table>
<thead>
<tr>
<th>Company</th>
<th>Meeting Date</th>
<th>GICS Industry</th>
<th>S&amp;P 500 Revenue ($MM)</th>
<th>FYE 2015 Say on Pay Vote Results</th>
<th>TSR (as of FYE 2015)</th>
<th>Number of Failures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorcar Parts of America, Inc.</td>
<td>03/24/16</td>
<td>Auto Components</td>
<td>$302</td>
<td>46% 77% -29% 8% 189% 234%</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Varifone Systems, Inc.</td>
<td>03/24/16</td>
<td>Electronic Equipment Instruments &amp; Components</td>
<td>$2,000</td>
<td>45% 83% -38% -18% 2% -11%</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>M.D.C. Holdings, Inc.</td>
<td>03/29/16</td>
<td>Household Durable</td>
<td>$1,890</td>
<td>40% 87% -47% 1% -22% 6%</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Tetra Tech, Inc.</td>
<td>03/03/16</td>
<td>Commercial Services &amp; Supplies</td>
<td>$1,719</td>
<td>40% 59% -19% 0% -3% 24%</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Nuance Communications, Inc.</td>
<td>01/27/16</td>
<td>Software</td>
<td>$1,931</td>
<td>33% 15% 18% 8% -34% 4%</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

1 As of April 4, 2016.

Source: Semler Brossy data and analysis; FundVotes LLC; FactSet.
DATA AT A GLANCE: A GUIDE TO OUR REPORT COVERS

EACH ISSUE OF OUR 2016 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.

2016 VOTING GROUP divides companies by the results of their 2016 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.

For more information on Say On Pay results, or how to subscribe to our weekly report, please contact us at dialogue@semlerbrossy.com, or 310.481.0180. We also welcome you to visit our website for additional articles and thought papers on all aspects of executive compensation.