

2016 SAY ON PAY RESULTS

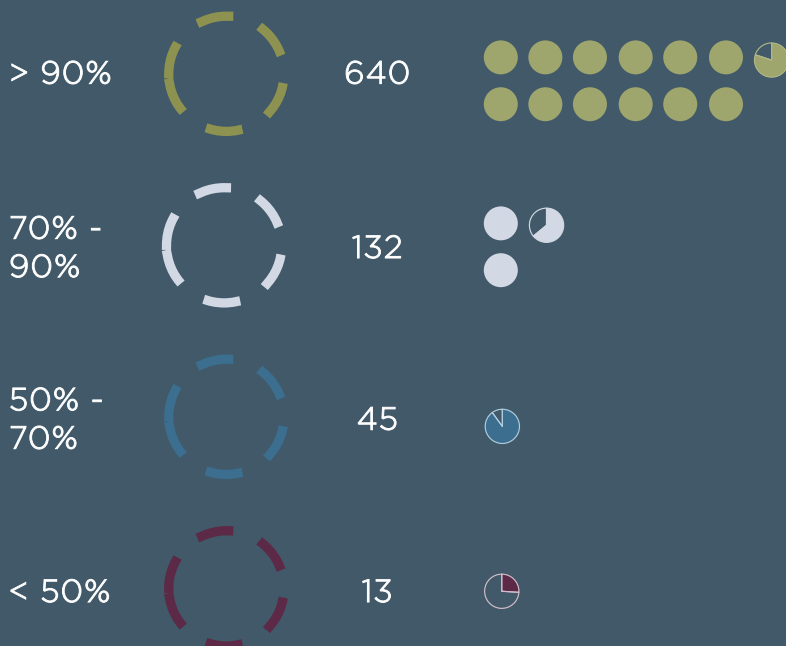
RUSSELL 3000
830 COMPANIES

IN THIS REPORT...

REASONS FOR SAY ON PAY FAILURE

MAY 18, 2016

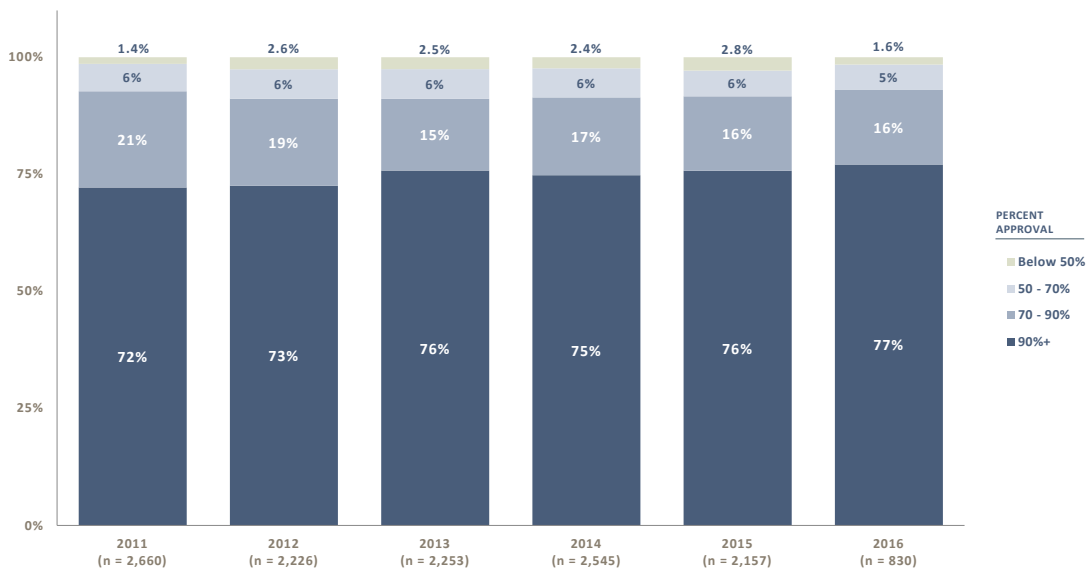
RESULTS AT A GLANCE:



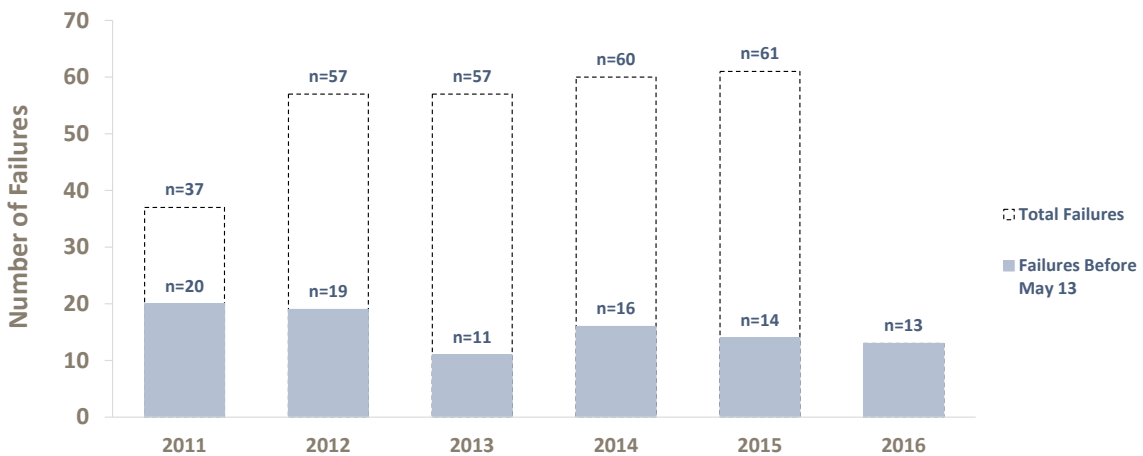
SUMMARY OF VOTE RESULTS (n=830)

- To date, 13 Russell 3000 companies (1.6%) have failed Say on Pay in 2016
Two new companies have failed since our last report – BorgWarner and Hatteras Financial.
- Average vote result to date in 2016 is 91%

SAY ON PAY VOTE RESULTS (2011-2016)



- At this point last year, 14 companies in the Russell 3000 had failed Say on Pay



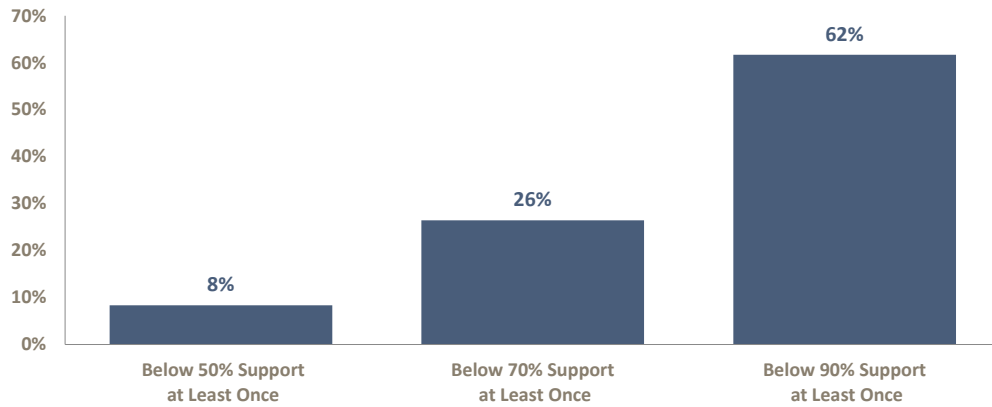
Source: Semler Brossy data and analysis; Fund Votes LLC.

Notes: As of May 13, 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 VOTE RESULTS IN EACH YEAR BETWEEN 2011 AND 2016

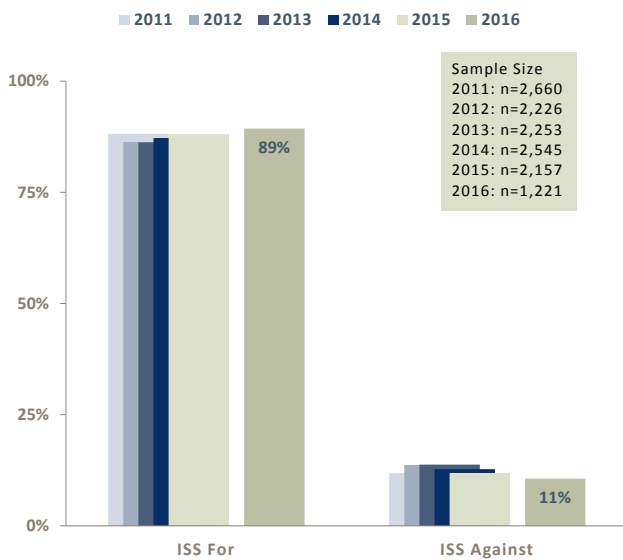
— Of Russell 3000 companies with vote results in each year between 2011 and 2016 (n=674), 8% have failed Say on Pay at least once and 26% have received vote support below 70% at least once



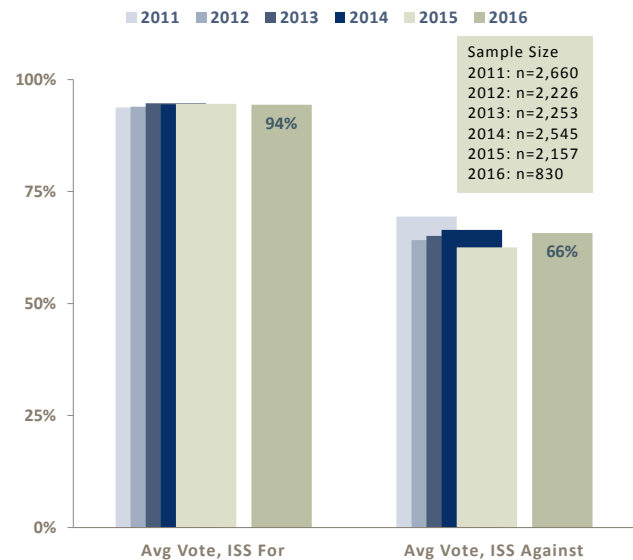
IMPACT OF ISS RECOMMENDATIONS

- ISS has recommended that shareholders vote ‘Against’ Say on Pay at 11% of companies it has assessed¹ in 2016
- Shareholder support was 28% lower at companies with an ISS ‘Against’²

ISS RECOMMENDATION BREAKDOWN¹



IMPACT ON VOTE RESULTS²



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

¹ Based on ISS’ assessment of 1,221 companies, of which 130 have received ‘Against’ from ISS; 830 companies (in total) have reported vote results.

² Reflects only those companies whose vote results have been reported.

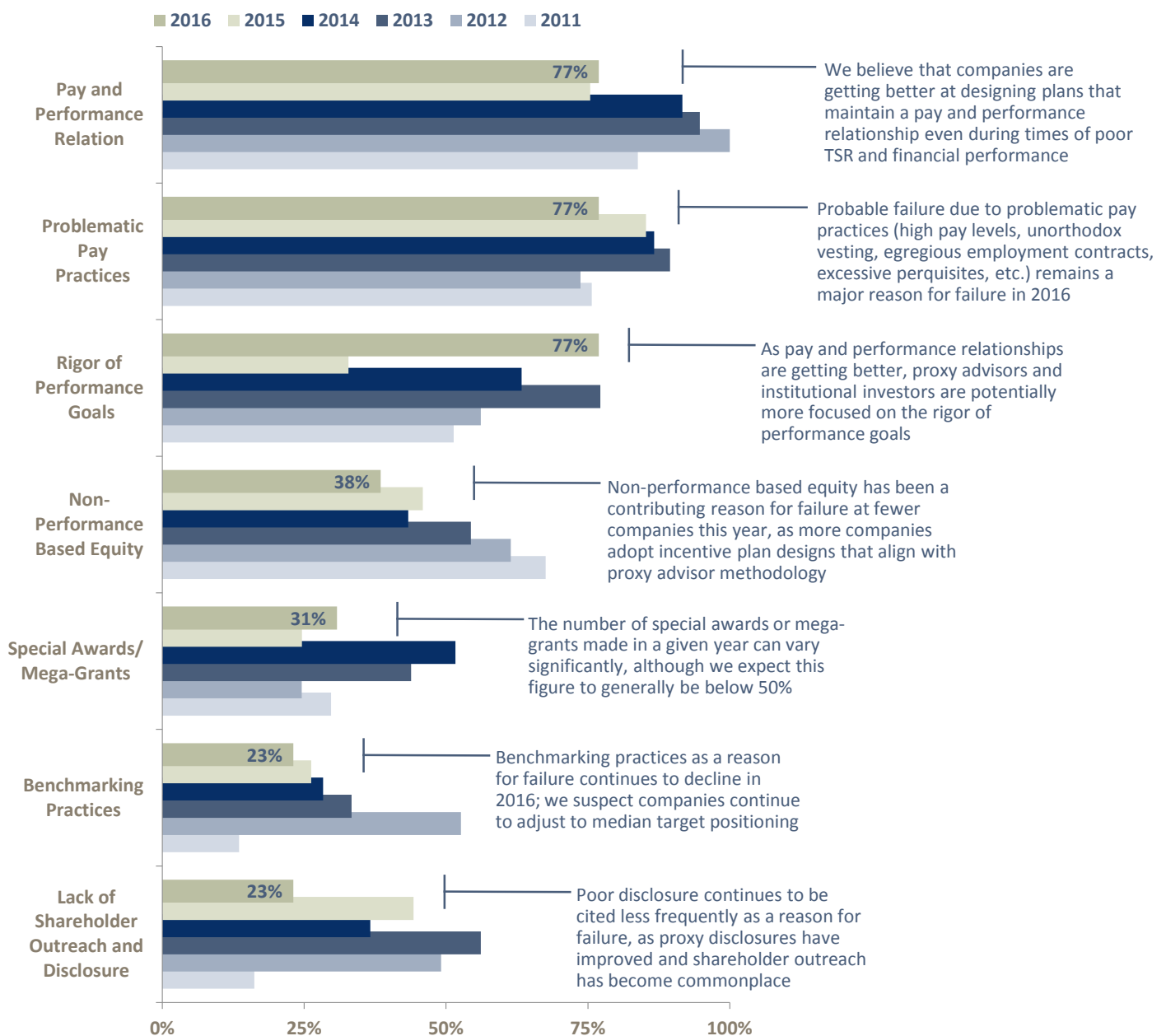
SPECIAL FEATURE: REASONS FOR SAY ON PAY FAILURE

In this report, we examine the 13 companies that have received less than 50% Say on Pay vote support thus far in 2016 to assess probable reasons for failure.

— The percentage of companies failing Say on Pay in 2016 is slightly lower than in prior years, and the probable reasons for failure have shifted since our 2015 year end report to focus more on performance goal rigor.

80% of companies that have failed Say on Pay thus far in 2016 have triggered three or more probable reasons for failure, with pay and performance relation, problematic pay practices, and rigor of performance goals being the most common reasons.

Probable Reasons for Say on Pay Failure



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

Notes: As of May 13, 2016. Represents Russell 3000 effective as of June 30, 2015.

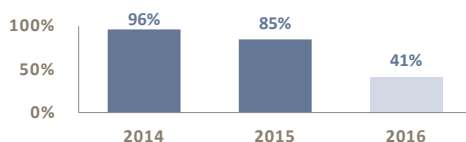
SPECIAL FEATURE: REASONS FOR SAY ON PAY FAILURE

- Four examples below illustrate that companies fail Say on Pay for a wide variety of reasons, some of which relate to program design and others that relate to disclosure or company structure.

Two of the four companies detailed below (Consolidated-Tomoka Land and Hatteras Financial) failed Say on Pay for the first time in 2016, while the two other companies (Masimo and Nuance Communications) received vote support of 50% or less in each of the last three years.

Hatteras Financial

1yr TSR: 0%
3yr TSR: -16%

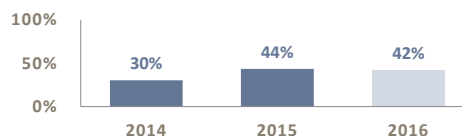


LACK OF COMPLETE DISCLOSURE

- Hatteras, an externally managed REIT, did not disclose compensation paid to its executives by the Company's external manager, where Hatteras executives are partners
- The Company disclosed fees of \$16.2MM paid to the external managing company, but not the amount ultimately disbursed as compensation to executives

Masimo

1yr TSR: 24%
3yr TSR: 95%

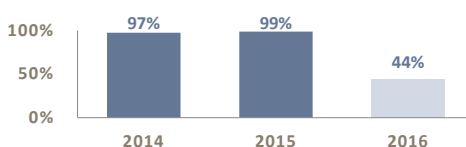


MODIFIED EMPLOYMENT AGREEMENT

- Masimo had strong TSR performance, but through a modified single-trigger amendment to the CEO employment contract, the CEO became entitled to receive nearly \$160MM upon his termination following a change-in-control
- Masimo's annual incentive plan allows for significant discretion; the Company also utilizes the same metrics in both its annual and long-term incentive plans

Consolidated-Tomoka Land

1yr TSR: -10%
3yr TSR: 36%

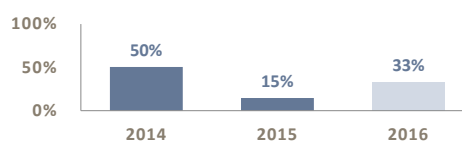


PAY LEVELS AND GOAL RIGOR

- The Company granted \$2.1MM of equity to the CEO in Feb. 2015, which exceeded the equity plan's individual award limit. The Company later cancelled portions of the grants to make the awards fall within the plan's limit
- The CEO's special performance equity award will fully vest if the Company's share price appreciates by ~26% within five-and-a-half years from the date of grant

Nuance Communications

1yr TSR: 5%
3yr TSR: -8%



INSUFFICIENT RESPONSE TO PRIOR FAILURE

- The Company only made one significant change to its compensation (a transition to fully performance-based equity grants) after the 2015 failed Say on Pay vote
- The Company also amended the CEO's employment agreement to allow him to receive severance and accelerated vesting of outstanding equity upon the non-renewal of his contract

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

Note: 1- and 3-year TSR is measured from each company's 2016 shareholder meeting.

APPENDIX: COMPANIES UNDER 50% IN 2016

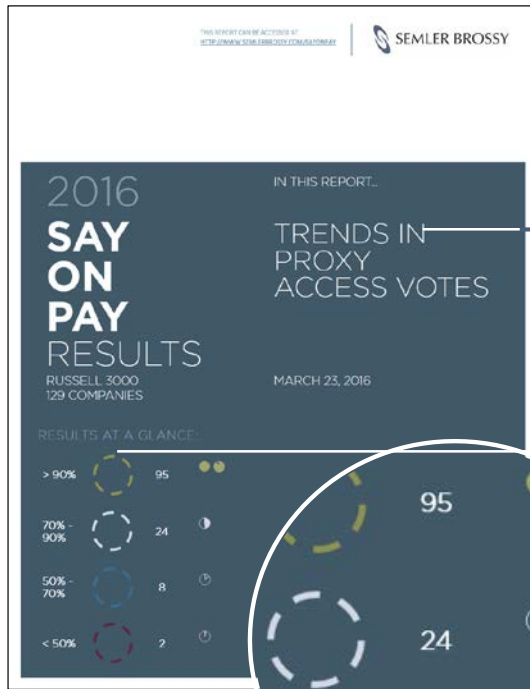
2016 Failed Say on Pay Vote Results¹
Russell 3000, n=13

Company	Meeting Date	GICS Industry	S&P 500	FYE 2015 Revenue (\$MM)	Say on Pay Vote Results			TSR (as of FYE 2015)			Number of Failures
					2016 ▼	2015	YOY	1-Yr	3-Yr	5-Yr	
Motorcar Parts of America, Inc.	03/24/16	Auto Components		\$302	48%	77%	-29%	8%	189%	334%	1
FMC Corp.	04/26/16	Chemicals	X	\$3,277	46%	91%	-46%	-31%	-29%	2%	1
VeriFone Systems, Inc.	03/24/16	Electronic Equipment Instruments & Components		\$2,000	45%	83%	-38%	-18%	2%	-11%	2
Consolidated-Tomoka Land Co.	04/27/16	Real Estate Management & Development		\$43	44%	99%	-55%	-5%	73%	84%	1
Masimo Corp.	04/20/16	Health Care Equipment & Supplies		\$623	42%	44%	-1%	58%	98%	50%	5
Hatteras Financial Corp.	05/04/16	Real Estate Investment Trusts (REITs)		\$280	41%	85%	-44%	-21%	-26%	-22%	1
M.D.C. Holdings, Inc.	03/29/16	Household Durables		\$1,890	40%	87%	-47%	1%	-22%	6%	2
BorgWarner, Inc.	04/27/16	Auto Components	X	\$8,025	40%	88%	-48%	-21%	26%	22%	1
Tetra Tech, Inc.	03/03/16	Commercial Services & Supplies		\$1,719	40%	59%	-19%	0%	-3%	24%	1
Cepheid	04/26/16	Biotechnology		\$531	39%	93%	-54%	-33%	11%	58%	1
Exelon Corp.	04/26/16	Electric Utilities	X	\$28,325	38%	83%	-44%	-24%	8%	-16%	1
Nuance Communications, Inc.	01/27/16	Software		\$1,931	33%	15%	18%	8%	-34%	4%	3
Wolverine World Wide, Inc.	04/21/16	Textiles Apparel & Luxury Goods		\$2,692	30%	99%	-69%	-43%	-16%	10%	1

¹ As of May 13, 2016.

Source: Semler Brossy data and analysis; Fund Votes 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.

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