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**Bill to Mandate Shareholder Advisory Vote  
On Executive Compensation Gathers Momentum**

On March 28 the House Financial Services Committee approved the "Shareholder Vote on Executive Compensation Act" (H.R. 1257) by a narrow vote of 37-29, largely along party lines. The bill is expected to go to the full House after Congress returns from Easter recess in April. Congressman Barney Frank (D-MA), the proponent of the bill, expects full House approval. Prospects in the Senate are less certain at this point.

The "Shareholder Vote on Executive Compensation Act," a.k.a. the "Say on Pay Act," has two separate parts. The first is an annual requirement for public companies to submit the compensation of their executives as disclosed in the proxy statement to their shareholders for approval each year. The bill expressly states that the executive compensation being approved would be as disclosed in "...the compensation discussion and analysis, the compensation tables, and any related material."

The second is a requirement that any proxy solicitation for shareholder approval of a change in control (CIC) of the company include opportunity for a separate vote by shareholders approving any "golden parachute" agreements or understandings in place for principal executive officers that would be triggered by or in connection with a change in control, unless the arrangements had previously been subject to a shareholder vote under the first requirement above. (Translation – if the "golden parachute" arrangements remain unchanged from what was disclosed previously, no separate vote would be required. But if new or enhanced arrangements have been negotiated, then a separate shareholder vote would have to be included in the CIC proxy.)

It is important to note that shareholder votes required by the "Shareholder Vote on Executive Compensation Act" are advisory votes, not binding on the company. But a negative vote is likely to be taken very seriously by the board of directors and compensation committee. Shareholder votes would not be mandated until 2009 under the Act.

There is a significant momentum behind this bill from a wide variety of investor and shareholder advocacy groups. Shareholder proposals have been included in more than 60 companies' 2007 proxies advocating shareholder votes on executive pay. One company, Aflac, has already announced it will voluntarily do so in 2009. A working group of big companies, led by Pfizer, and institutional investors, has met to consider guidelines for how businesses could give shareholders an advisory vote on executive pay without being forced to do so through legislation.

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General questions about this letter can be addressed to Fred Cook in our New York office at 212-986-6330 or by email at [fwcook@fwcook.com](mailto:fwcook@fwcook.com). Copies of this letter and other related materials are available on our website, [www.fwcook.com](http://www.fwcook.com).