

“Say on Pay” at the Bay Area Tech 120 – A First Look at 2014

With the traditional annual meeting season drawing to a close, it's time to take a look at this year's results for the non-binding shareholder advisory vote on the compensation of a company's named executive officers (the so-called “Say-on-Pay Vote”) required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. 2014 was notable as the initial year for companies that opted in 2011 to hold their Say-on-Pay Vote on a triennial basis to conduct their first vote in the past three years.

As we have done since 2011, Compensia has been monitoring the Say-on-Pay Vote results for the most prominent

technology companies headquartered in the San Francisco Bay Area (primarily in Silicon Valley). We call this group, which consists of the largest companies in the computer/hardware, internet/software, and semiconductor sectors (but excluding companies that conducted their initial public offering in 2013), the Bay Area Tech 120. (The companies comprising the Bay Area Tech 120 are listed on the Exhibit to this article.)

This Thoughtful Pay Alert summarizes our findings as of June 30, 2014, based on the results of their 2014 annual meeting of shareholders as disclosed by the Bay Area Tech 120 companies. These results are reflected in the Exchange Act reports of these companies as filed with the Securities

Four Things That Technology Companies Should Know About the 2014 Say-on-Pay Votes

- Once again, this year's results are consistent with prior year patterns.** As in 2013, the vast majority of Bay Area Tech 120 companies have seen their shareholders overwhelmingly support the compensation of their named executive officers. To date, of the 68 technology companies that have held a Say-on-Pay vote, 95.6% have seen their shareholders approve the compensation of their named executive officers, while 4.4% have had their vote fail. Consistent with the patterns reflected in the Russell 3000, nearly 70% of the Bay Area Tech 120 companies that have held Say-on-Pay Votes to date have received more than 90% support. So far, only nine Bay Area Tech 120 companies (13.2%) have received less than 70% support.
- The Level of Support in 2014 is Consistent With Prior Years' Support Levels.** The Bay Area Tech 120 companies that held their fourth Say-on-Pay Vote in 2014 have received average support of 88.1%, compared to 87.4% average support for the same group of companies in 2013, 87.8% average support in 2012, and 88.9% average support in 2011 – a negligible decline of 1.0% since the Say-on-Pay Vote requirement was enacted.
- Each Year's Say-on-Pay Vote Continues to Stand on Its Own Merits.** We continue to see dramatic fluctuations in the level of support for Say-on-Pay Votes from year-to-year. To date, six Bay Area Tech 120 companies that received more than 90% support in 2013 saw this support drop by at least 23% in 2014 (including one company that saw its support decline by just over 65%). As we first saw in 2012, a successful vote in one year is no guarantee of the same result in the next year. On the other hand, Bay Area Tech 120 companies that received less than 70% support for their Say-on-Pay Vote in 2013 have seen this support increase by an average of over 26% in 2014.
- Companies That Fail the Say-on-Pay Vote Continue to Reverse This Result in Following Year.** The one Bay Area Tech 120 company that failed its Say-on-Pay Vote in 2013 and has held its 2014 Annual Meeting of Shareholders saw support increase by 35% in 2014. This result was largely attributable to (a) improved financial performance (leading to a favorable vote recommendation from the major proxy advisory firms) and (b) increased shareholder engagement resulting in significant compensation program changes.

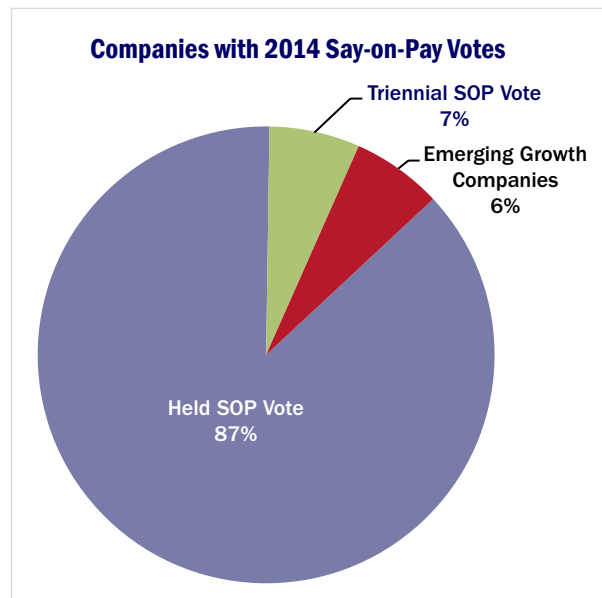
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and Exchange Commission. We intend to update this report later this year to report our findings for annual meetings of shareholders conducted this fall.

For the Say-on-Pay results of companies in the life sciences sector, see our companion Thoughtful Pay Alert, “Say on Pay” at the Life Sciences 80 – A First Look at 2014.

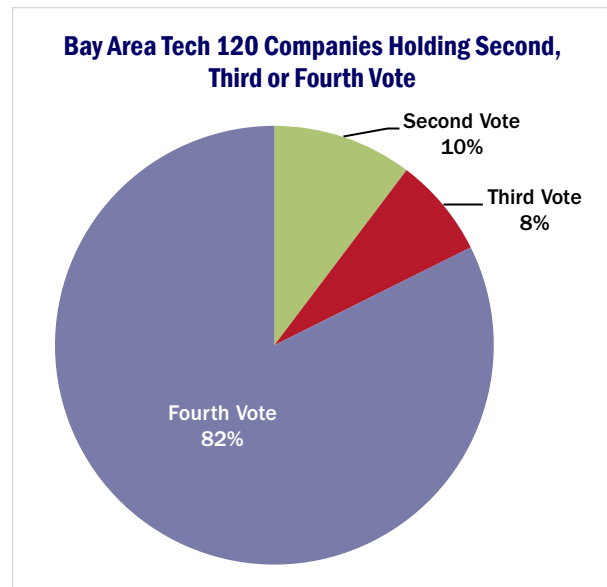
Companies Reviewed

As of June 30, 2014, 78 of the companies in the Bay Area Tech 120 (65%) had held their 2014 annual meeting of shareholders and reported the results of the various votes conducted at the meeting. Of these companies, 68 conducted a Say-on-Pay Vote at the meeting. (The remaining 10 companies either decided to hold their Say-on-Pay Vote on a triennial basis (five companies) and, therefore, held no vote in 2014 or qualified as “emerging growth companies” as created under the Jumpstart Our Business Startups (“JOBS”) Act (five companies) which are not required to conduct a Say-on-Pay vote.)



Of the 68 companies that have held a Say-on-Pay Vote in 2014, seven companies held their second shareholder advisory vote on executive pay (including five companies – Avago Technologies, Google, NetSuite, Super Micro Computer, and Zhone Technologies – that elected in 2011

to hold triennial votes) and five companies (Dolby Laboratories, Ellie Mae, Jive Software, Sanmina, and Zynga) held their third shareholder advisory vote. The remaining 56 companies held their fourth Say-on-Pay Vote. So far, no company has held its first Say-on-Pay Vote in 2014.



2014 Say-on-Pay Results

Average Level of Support

Overall, the average level of support for the 68 Bay Area Tech 120 companies conducting Say-on-Pay Votes so far in 2014 has been 87.9%. In the case of the 56 companies which held their fourth Say-on-Pay Vote in 2014, average support was 88.1%, compared to 87.4% average support for the same group of companies in 2013, 87.8% average support in 2012, and 88.9% average support in 2011 – a virtually negligible decline of 1.0% over the four-year period.

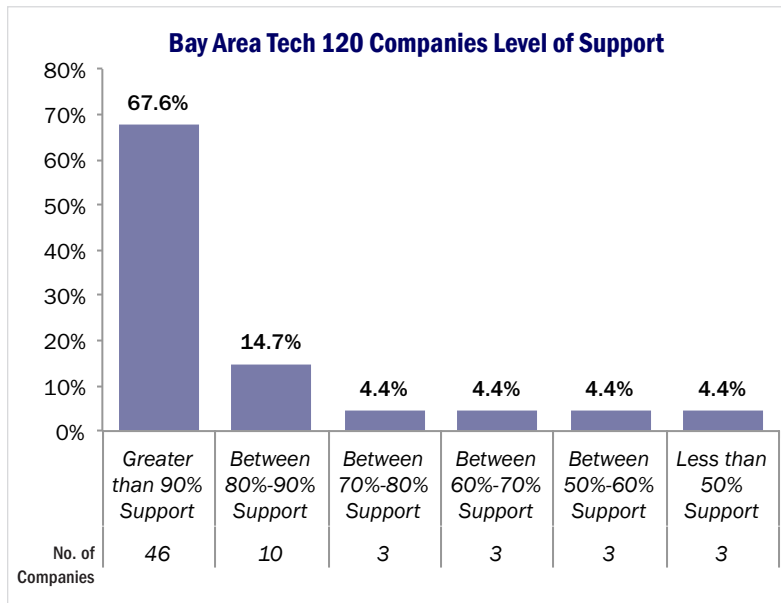
Support Among “Triennial” Companies

In the case of the five companies which held their first “triennial” Say-on-Pay Vote in 2014, average support was 87.0%. This is slightly lower than the 91% support recorded by the Russell 3000 companies holding their initial triennial vote in 2014.

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Actual Level of Support

The actual support for the 68 Bay Area Tech 120 companies conducting Say-on-Pay Votes so far in 2014 has been as follows:



While the decided majority of companies continue to receive strong support for the compensation of their named executive officers in 2014 – which is consistent with the pattern established in the Russell 3000, it is notable that 34 of these companies received more than 95% support from their shareholders, including five companies that received near unanimous approval of their executive compensation program with more than 99% of the votes cast on the Say-on-Pay proposal voted in favor of the proposal.

Unsuccessful Say-on-Pay Proposals

To date in 2014, three Bay Area Tech 120 companies, Riverbed Technology, Rovi, and Splunk, have failed to receive a majority of the votes cast in favor of their Say-on-Pay proposal.

At Riverbed Technology, 26.8% of the votes cast supported the company’s named executive officer compensation, while 73.2% of the votes were cast against (or abstained on) the proposal. This follows a vote of 92.3% for the proposal and 7.7% against (or abstained on) the proposal in

2013 – a swing of 65.5% of the votes cast on the Say-on-Pay vote. As has become common in instances where a company receives an unfavorable recommendation on its executive compensation program, Riverbed Technology filed supplemental proxy materials to expand the explanation and analysis of its key executive pay decisions during fiscal 2013, but to no avail.

In the case of Rovi, 39.8% of the votes cast supported the company’s named executive officer compensation, while 60.2% of the votes were cast against (or abstained on) the proposal. In 2013, only 53.2% of the votes cast on the company’s Say-on-Pay proposal supported the compensation of its named executive officers, explaining why the company saw only a 13.4% year-over-year decrease in support.

Finally, at Splunk, only 38.8% of the votes cast on the company’s Say-on-Pay proposal were voted in favor of the compensation of its named executive officers, with 61.2% of the votes cast on the proposal voted against their compensation. In 2013, the company

received just over 98% support for its named executive officer compensation (98.4%). The decline in support of nearly 60%, which was fueled, in part, by an unfavorable Say-on-Pay Vote recommendation from Institutional Shareholder Services, is the second largest registered by a Bay Area Tech 120 company so far this year.

Year-Over-Year Vote Fluctuations

Of the 56 companies that have now held four votes, 32 received more support (an average of 9.8%, with a median increase of 2.7%) in 2014 compared to 2013, while 23 saw support for their executive compensation program decline (by an average of 12.0%, with a median decrease of 6.1%). One company (PMC-Sierra) received the same level of support for its executive compensation program in 2013 and 2014 (which also is the same level of support that it received in 2012 as well).

As has been the case each year since 2012, a notable number of companies experienced a significant vote swing on their Say-on-Pay proposal between 2013 and 2014. So far, five companies have seen support for their executive compensa-

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tion program decrease by over 30% in a single year. In each instance, the company received an “against” recommendation on its Say-on-Pay proposal from ISS; most often, because of a perceived misalignment of pay and performance.

Companies That Received Less Than 70% Support in 2013 Generally Improved in 2014

With two exceptions (Rovi and Shutterfly), companies that received less than 70% support in 2013 increased their support in 2014; often by a significant margin – an average of 26.4%. For example, Apple improved its vote result by nearly 35% from 2013 to 2014, while eBay saw the support for its executive compensation program increase by 33.4% during the same period. Similarly, OpenTable, which failed the Say-on-Pay Vote in 2013, improved the support for its named executive officer compensation from just over 47% last year to 81.9% this year.

Companies that Received More Than 90% Support in 2013 Generally Stable in 2014

As in prior years, a number of the Bay Area Tech 120 companies (23) that received more than 90% support in 2013 saw support for their executive compensation program decline in 2014. The average amount of this decline (13.1%) was largely influenced by the fact that six companies experienced decreases in excess of 20% (including one that declined by over 65% and another company that declined by nearly 60%).

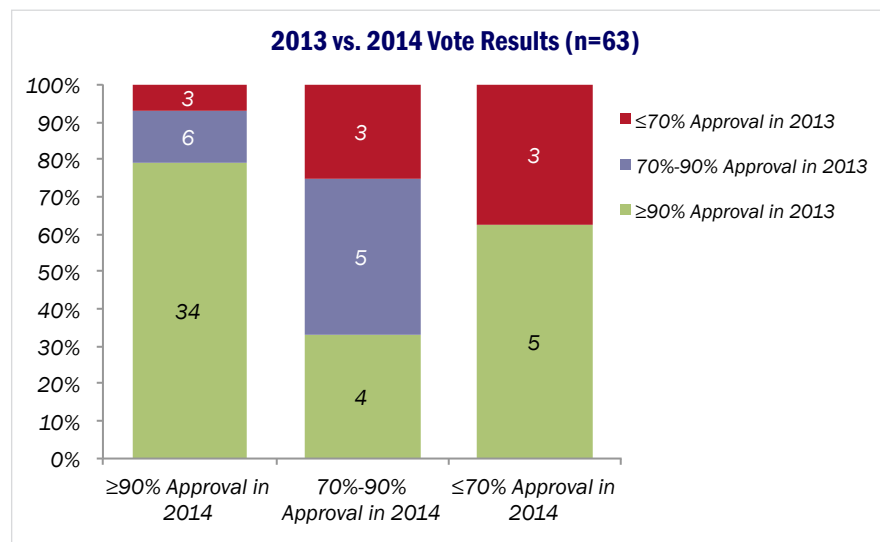
Perhaps more interestingly, however, 19 of the Bay Area Tech 120 companies that received more than 90% support in 2013 actually saw this support increase in 2014 (by an average of 1.4%) – a truly remarkable result given the limited amount of room to garner additional votes in favor of their executive compensation program. Further, of the companies that saw support for their Say-on-Pay proposal decrease in 2014, the decline for seven of these companies was 1% or less.

Company with Failed Vote in 2013 Registers Success in 2014

To this point, only one of the two companies in the Bay Area Tech 120 (OpenTable and Oracle) that failed their Say-on-Pay Votes in 2013 has held its 2014 annual meeting of shareholders. And, as noted above, this company – OpenTable – saw a significant increase in the support of its executive compensation program with 81.9% of the votes cast on its Say-on-Pay proposal voted in favor of the compensation of its named executive officers – an increase of approximately 35% from the 2013 vote.

As disclosed in its definitive proxy statement, OpenTable invested significant time and effort in engaging with its shareholders on their corporate governance and executive compensation concerns. This dialogue resulted in a number of changes to the company’s executive compensation program, including the adoption of a new peer group, the amendment of its insider trading policy to prohibit hedging by executive officers and directors, and potential elimination of the “evergreen” provision in the company’s equity compensation plan. In addition, the company provided in its Compensation Discussion and Analysis a detailed summary of its shareholder outreach efforts, as well as the feedback received on its executive compensation policies and practices.

Perhaps as significant, the financial and/or operational performance of the company was up in 2014, thereby side-stepping the risk of a “pay for performance” disconnect and an unfavorable



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vote recommendation from one or more of the major proxy advisory firms.

Final Observations

While the experience of the Bay Area Tech 120 companies with the Say-on-Pay Vote largely tracks that of the companies in the Russell 3000, it's interesting to note that, for nearly half of the Bay Area Tech 120 that already have held their annual meeting of shareholders this year, this vote has been a non-event with support firmly lodged in the 90% range for each of the first four years of the requirement. Thus, as long as a technology company's financial performance as measured by total shareholder return is in the top half of its industry sector, it is unlikely to face a real threat of a failed vote. Although the presence of a problematic compensation policy or program feature could alter this outcome, as a practical matter most major technology

companies no longer have such a feature in their executive compensation program.

Need Assistance?

Compensia has extensive experience in helping companies draft the executive compensation disclosure in the proxy materials for their annual meetings of shareholders and analyze the potential impact on the Dodd-Frank Act shareholder advisory votes on their executive compensation programs. If you would like assistance in preparing your executive compensation disclosure for the required shareholder advisory vote on executive compensation, or if you have any questions on the subjects addressed in this Thoughtful Pay Alert, please feel free to contact Mark A. Borges. ■

About Compensia

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Exhibit

Bay Area Tech 120 – 2014 Shareholder Advisory Vote on Executive Compensation

	2013 Say-on-Pay Vote Support	2014 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Actuate	98.7 - 1.3	96.5 - 3.5	-2.2
Adobe Systems	81.2 - 18.8	90.7 - 9.3	9.5
Advent Software	99.0 - 1.0	99.4 - 0.6	0.4
Advanced Micro Devices	85.8 - 14.2	70.9 - 29.1	-14.9
Alpha & Omega Semiconductor			
Altera	92.8 - 7.2	95.5 - 4.5	2.7
Ambarella	EGC	EGC	---
Apple	61.1 - 38.9	95.7 - 4.3	34.6
Applied Materials	96.2 - 3.8	89.5 - 10.5	-6.7
Applied Micro Circuits			
Aruba Networks			
Atmel	89.7 - 10.3	88.8 - 11.2	-0.9
Audience	EGC	EGC	---
Autodesk	64.7 - 35.3	88.0 - 12.0	23.3
Avago Technologies	Triennial	65.1 - 34.9	---
Brocade Communications	97.8 - 2.2	97.9 - 2.1	0.1
Cadence Design Systems	98.2 - 1.8	90.6 - 9.4	-7.6
Calix	96.3 - 3.7	98.8 - 1.2	2.5
Cavium Networks	95.5 - 4.5	63.1 - 36.9	-32.4
Cisco Systems			
Coherent	88.1 - 11.9	97.7 - 2.3	9.6
Cypress Semiconductor	52.6 - 47.4	84.4 - 15.6	31.8
Dolby Laboratories	97.0 - 3.0	96.6 - 3.4	-0.4
DSP Group	70.4 - 29.6	98.2 - 1.8	27.8
eBay	59.7 - 40.3	93.1 - 6.9	33.4
Electronic Arts			
Electronics for Imaging	96.2 - 3.8	98.9 - 1.1	2.7
Ellie Mae	89.7 - 10.3	94.0 - 6.0	4.3
Equinix	99.1 - 0.9	98.8 - 1.2	-0.3
Exar			
Extreme Networks			
Facebook	93.4 - 6.6	Triennial	---
Fairchild Semiconductor	99.2 - 0.8	98.0 - 2.0	-1.2

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	2013 Say-on-Pay Vote Support	2014 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Fair Isaac	96.7 – 3.3	98.5 – 1.5	1.8
Finisar			
FormFactor	90.1 – 9.9	96.7 – 3.3	6.6
Fortinet	98.1 – 1.9	99.2 – 0.8	1.1
Google	Triennial	91.9 – 9.1	---
Guidewire Software			
Harmonic			
Hewlett Packard	75.8 – 24.2	90.2 – 9.8	14.4
Imperva	Triennial	Triennial	---
Infinera	97.7 – 2.3	96.8 – 3.2	-0.9
Infoblox			
Informatica	95.9 – 4.1	58.2 – 41.8	-37.7
Integrated Device Technology			
Integrated Silicon Solutions	97.3 – 2.7	98.3 – 1.7	1.0
Intel	68.2 – 31.8	94.4 – 5.6	26.2
Intersil	98.2 – 1.8	98.5 – 1.5	0.3
Intuit			
InvenSense			
iPass	94.7 – 5.3	71.1 – 28.9	-23.6
IXYS			
JDS-Uniphase			
Jive Software	83.2 – 16.8	90.5 – 9.5	7.3
Juniper Networks	93.9 – 6.1	85.7 – 14.3	-8.2
KLA-Tencor			
Lam Research			
Linear Technology			
LinkedIn	EGC	EGC	---
Logitech International			
Marvell Technology Group			
Maxim Integrated Products			
Micrel	96.3 – 3.7	97.9 – 2.1	1.6
Monolithic Power Systems	73.5 – 26.5	89.8 – 10.2	16.3
Move	97.9 – 2.1	98.4 – 1.6	0.5
Nanometrics	97.8 – 2.2	96.1 – 3.9	-1.7
NetApp			
Netflix	95.9 – 4.1	96.6 – 3.4	0.7

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	2013 Say-on-Pay Vote Support	2014 Say-on-Pay Vote Support	Year-Over-Year Change in Support
NETGEAR	99.0 - 1.0	99.1 - 0.9	0.1
Netsuite	Triennial	82.7 - 17.3	---
nVIDIA	96.8 - 3.2	98.0 - 2.0	1.2
Oclaro			
OmniVision Technologies			
OpenTable	47.3 - 52.7	81.9 - 18.1	34.6
Oplink Communications			
Oracle			
Palo Alto Networks			
Pandora Media	Triennial	Triennial	---
Pericom Semiconductor			
Plantronics			
PLX Technology			
PMC-Sierra	99.1 - 0.9	99.1 - 0.9	---
Polycom	59.1 - 40.9	69.4 - 30.6	10.3
Power Integrations	95.5 - 4.5	95.9 - 4.1	0.4
Proofpoint	97.9 - 2.1	Triennial	---
Quantum			
QuinStreet			
Rambus	91.2 - 8.8	91.6 - 8.4	0.4
Riverbed Technology	92.3 - 7.7	26.8 - 73.2	-65.5
Rovi	53.2 - 46.8	39.8 - 60.2	-13.4
Ruckus Wireless	EGC	EGC	---
Salesforce.com	82.5 - 17.5	75.4 - 24.6	-7.1
SanDisk	95.2 - 4.8	95.8 - 4.2	0.6
Sanmina	99.2 - 0.8	98.0 - 2.0	-1.2
Shoretel			
Shutterfly	54.6 - 45.4	50.1 - 49.9	-4.5
Sigma Designs			
Silicon Graphics			
Silicon Image	98.2 - 1.8	97.5 - 2.5	-0.7
Splunk	98.4 - 1.6	38.8 - 61.2	-59.6
Super Micro Computer	Triennial	98.1 - 1.9	---
Symantec			
Synaptics			
Synopsys	98.5 - 1.5	98.1 - 1.9	-0.4

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	2013 Say-on-Pay Vote Support	2014 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Tessera Technologies	70.9 – 29.1	86.5 – 13.5	15.6
TIBCO Software	95.8 – 4.2	58.1 – 41.9	-37.7
Tivo			
Trimble Navigation	92.2 – 7.8	91.2 – 8.8	-1.0
Trulia	99.7 – 0.3	Triennial	---
Ubiquiti Networks			
Ultra Clean Holdings	94.7 – 5.3	95.9 – 4.1	1.2
Ultratech			
VMware	98.9 – 1.1	92.8 – 7.2	-6.1
Workday	EGC	EGC	---
Xilinx			
Yahoo!	92.7 – 6.3	91.5 – 8.5	-1.2
Yelp	99.9 – 0.1	99.6 – 0.4	-0.3
Zhone Technologies	Triennial	97.2 – 2.8	---
Zynga	95.2 – 4.8	89.8 – 10.2	-5.4