

## “Say on Pay” at the Bay Area Tech 120 – A First Look at 2015

Now that the traditional annual meeting season has drawn 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. So far, 2015 has been notable for the high number of companies that have received over 90% support for their Say-on-Pay proposal (67.0%) and the relatively low number of companies (8.3%) that have either failed the vote or registered significant opposition from shareholders.

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 consist of the largest companies in the computer/

hardware, internet/software, and semiconductor sectors (but excluding companies that conducted their initial public offering in 2014), 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 July 15, 2015, based on the results of their 2015 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 and Exchange Commission. We intend to update this report later this year to report our findings for annual meetings of shareholders conducted this fall.

### Companies Reviewed

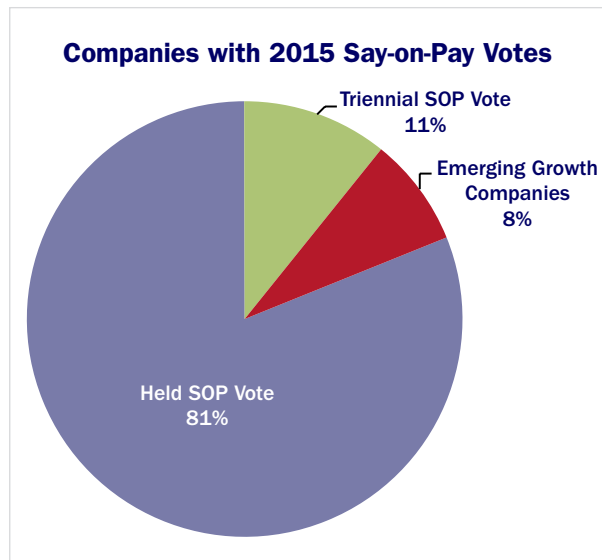
As of July 15, 2015, 74 of the companies in the Bay Area Tech 120 (61.7%) had held their 2015 annual meeting of

#### Four Things That Technology Companies Should Know About the 2015 Say-on-Pay Votes

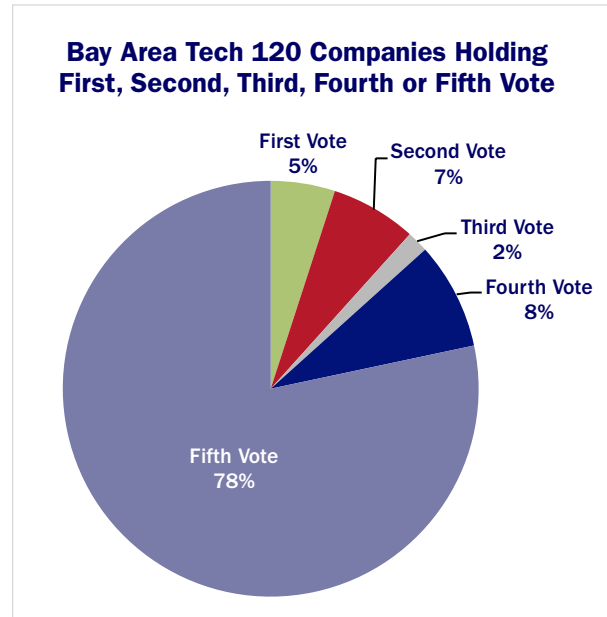
- Support for executive compensation programs continues to be strong.** Consistent with the past four years, the majority of Bay Area Tech 120 companies that have held their 2015 Annual Meeting of Shareholders have seen their shareholders approve the compensation of their named executive officers. To date, of the 60 technology companies that have held a Say-on-Pay Vote, 97.0% have registered a favorable vote, while only two companies (3.0%) have had their vote fail. This is in line with the results experienced by the Russell 3000, where 97.5% of the companies have seen their Say-on-Pay proposal approved.
- Level of support is consistent with prior years' support levels.** The average level of support among the Bay Area Tech 120 companies that have held their 2015 Annual Meeting of Shareholders has been 89.9% (compared to 91.0% support in the Russell 3000). Similarly, shareholder support for the Bay Area Tech 120 companies that have held their fifth Say-on-Pay Vote this year has been slightly higher, coming in at nearly 91%.
- Dramatic Vote Fluctuations Continue to be Possible.** Even with the relative year-over-year stability seen from most companies, shareholder support for a Say-on-Pay proposal can change almost overnight. To date, four Bay Area Tech 120 companies that received more than 90% support in 2014 saw this support drop by at least 20% in 2015. Similarly, four Bay Area Tech 120 companies that received less than 70% support in 2014 saw support increase by an average of nearly 42% in 2015.
- Companies That Fail Say-on-Pay Vote Continue to Reverse Result in Following Year.** The one Bay Area Tech 120 company that failed its Say-on-Pay Vote in 2014 and has held its 2015 Annual Meeting of Shareholders saw support increase by just over 44% in 2015.

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shareholders and reported the results of the various votes conducted at the meeting. Of these companies, 60 conducted a Say-on-Pay Vote at the meeting. (The remaining 14 companies have either decided to hold their Say-on-Pay Vote on a triennial basis (eight companies) and, therefore, held no vote in 2015 or qualified as “emerging growth companies” as established under the Jumpstart Our Business Startups (“JOBS”) Act (six companies) which are not required to conduct a Say-on-Pay Vote.)



Of the 60 companies holding Say-on-Pay Votes in 2015, three companies held their first shareholder advisory vote on their named executive officer compensation (Ambarella, Ruckus Wireless, and Workday), four companies held their second shareholder advisory vote (including two companies – Imperva and Pandora Media - that elected in 2012 to hold triennial votes), one company (Yelp) held its third shareholder advisory vote, and five companies (Dolby Laboratories, Ellie Mae, Jive Software, Sanmina, and Zynga) held their fourth shareholder advisory vote. The remaining 47 companies held their fifth Say-on-Pay Vote.



2015 Say-on-Pay Results

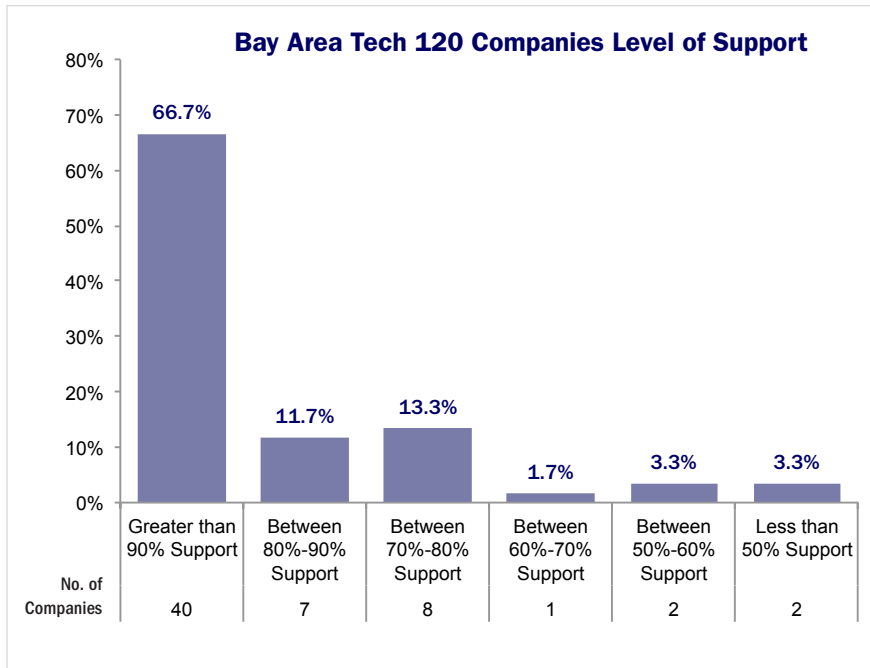
Average Level of Support

Overall, the average level of support for the 60 Bay Area Tech 120 companies conducting Say-on-Pay Votes so far in 2015 has been 89.9%. In the case of the 47 companies which held their fifth Say-on-Pay Vote in 2015, average support was nearly 91.0%, compared to 89.5% average support for the same group of companies in 2014, 85.9% average support in 2013, 88.5% average support in 2012, and 87.9% average support in 2011 – a relatively consistent result (with a slight (3%) dip in the middle of this period).

Actual Level of Support

The actual support for the 60 Bay Area Tech 120 companies conducting Say-on-Pay Votes so far in 2015 has been as follows:

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While the decided majority of companies continue to receive strong support for the compensation of their named executive officers in 2015, it is notable that 30 of these companies received 95% or more support from their shareholders, including five companies that received near unanimous approval of their named executive officer compensation with 99% or more of the votes cast on the Say-on-Pay proposal voted in favor of the proposal.

**Unsuccessful Say-on-Pay Proposals**

To date this year, only two Bay Area Tech 120 companies, Marvell Technology Group and Shutterfly, have failed to receive a majority of the votes cast in favor of their Say-on-Pay proposal.

At Marvell, 43.9% of the votes cast supported the company’s named executive officer compensation, while 56.1% of the votes were cast against (or abstained on) the proposal. This follows a vote of 60.1% for the proposal and 39.9% against (or abstained on) the proposal in 2014 – a decrease of 16.2% of the votes cast on the Say-on-Pay Vote.

In the case of Shutterfly, only 21.9% of the votes cast supported the company’s named executive officer compensation, while 78.1% of the votes were cast against (or abstained on) the proposal. This follows years of only 50.1% support

(in 2014) and 54.6% support (in 2013) on the company’s Say-on-Pay proposal.

**Year-Over-Year Vote Fluctuations**

Of the 47 companies that have now held five votes, 21 received more support (an average of 8.3%, with a median increase of 2.0%) in 2015 compared to 2014, while 25 saw support for their executive compensation program decline (by an average of 7.8%, with a median decrease of 2.2%). One company (Equinix) received the same level of support in 2014 and 2015.

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 2014 and 2015.

So far, five companies have seen support for their executive compensation program decrease by over 20% in a single year.

**One-Third of Companies That Received Less Than 70% Support in 2014 Improved in 2015**

Interestingly, only four of the 11 companies that received less than 70% support in 2014 increased their support in 2015; although in case by a significant margin – an average of 41.9%. For example, Rovi improved its vote result by just over 44% from 2014 to 2015, while Cavium saw the support for its named executive officer compensation increase by nearly 36% during the same period (from 63.1% in 2014 to 98.9% in 2015). Similarly, Splunk, which failed the Say-on-Pay Vote in 2014, improved the support for its named executive officer compensation from 38.8% to 98.4% in 2015 – an increase of nearly 60%.

Of the remaining seven companies, three (Avago Technologies, Inphi, and Immersion) did not hold a vote this year and two (Riverbed Technology and Informatica) were or are in the process of being acquired. As described above, the other two – Marvell Technology Group and Shutterfly – failed their 2015 Say-on-Pay vote.

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**Most Companies that Received More Than 90% Support in 2014 Remained Stable in 2015**

As in prior years, a number of the Bay Area Tech 120 companies (24) that received more than 90% support in 2014 saw support for their executive compensation program decline in 2015. The average amount of this decline (6.7%) was largely influenced by the fact that four companies experienced decreases in excess of 20% (including one that declined by nearly 27%).

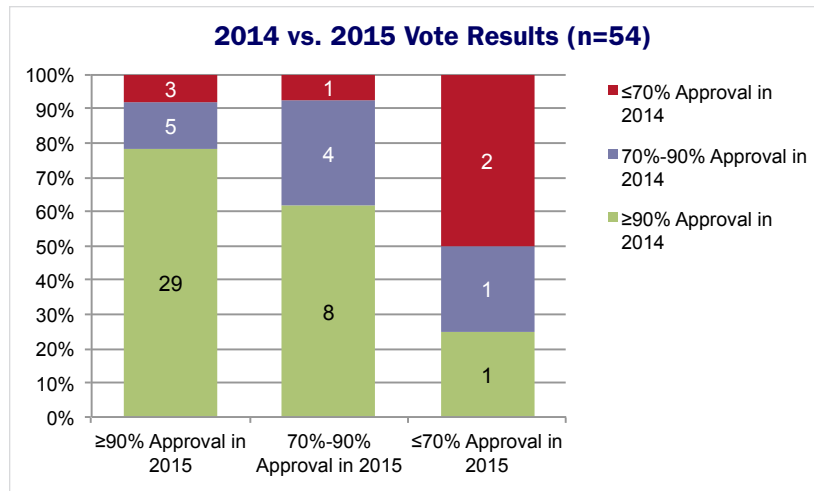
Just as notable, 13 of the Bay Area Tech 120 companies that received more than 90% support in 2014 actually saw this support increase in 2015 (by an average of 2.1%) – a truly remarkable result given the limited amount of room to garner additional votes in favor of their executive compensation program. In fact, one company – Fortinet – saw support for its executive compensation program increase from 99.2% to 99.5%. Further, of the companies that saw support for their Say-on-Pay proposal decrease in 2015, the decline for 11 of these companies was less than 2.0%.

program with 84.1% of the votes cast on its Say-on-Pay proposal voted in favor of the compensation of its named executive officers – an increase of just over 44% from the 2014 vote. Riverbed Technology, which was acquired earlier this year by NetApp, did not hold a Say-on-Pay Vote this year.

**Final Observations**

While the experience of the Bay Area Tech 120 companies with the Say-on-Pay Vote continues to track the results from prior years, it’s notable that, for two-thirds of the Bay Area Tech 120 that already have held their annual meeting of shareholders this year, this vote was a non-event. Further, for the companies that have now held five Say-on-Pay Votes, support for their executive compensation program has (with just a few exceptions) largely remained strong year-over-year, as reflected by their average annual support in or above the 90th percentile.

As with the broader corporate community, as long as a technology company’s financial performance (as measured by total shareholder return) is in the top half of its industry sector, and absent a specific problematic compensation decision or policy, it shouldn’t encounter any significant issues in obtaining a favorable Say-on-Pay Vote. Of course, an integral piece of this equation is an effective shareholder engagement philosophy. By identifying potential concerns well in advance, technology companies should be able to address these matters before they ripen into a full-fledged problem and threaten continued support for your executive compensation program.



**One Company with Failed Vote in 2014 Registers Success in 2015**

To this point, two companies in the Bay Area Tech 120 that failed their Say-on-Pay Votes in 2014 (Riverbed Technology and Rovi) have held their 2015 annual meeting of shareholders. And, as noted above, Rovi experienced a significant increase in the support of its executive compensation

**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 named executive officer compensation. If you would like assistance in preparing your executive compensation disclosure for the required shareholder advisory vote on executive com-

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pensation, or if you have any questions on the subjects addressed in this Thoughtful Pay Alert, please feel free to contact Mark A. Borges. ■

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## About Compensia

Compensia, Inc. is a management consulting firm that provides executive compensation advisory services to Compensation Committees and senior management.

### Silicon Valley

125 S. Market Street  
Suite 1000  
San Jose, California 95113  
408.876.4025

**Timothy J. Sparks, President**  
tsparks@compensia.com  
408.876.4024

**Thomas G. Brown**  
tbrown@compensia.com  
408.876.4023

**Susan Gellen**  
sgellen@compensia.com  
408.907.4302

**Tom LaWer**  
tlawer@compensia.com  
408.907.4309

### San Francisco

1550 Bryant Street  
Suite 740  
San Francisco, California 94103  
415.462.2990

**Mark H. Edwards, Chairman**  
medwards@compensia.com  
415.462.2985

**Mark A. Borges**  
mborges@compensia.com  
415.462.2995

**Erik Beucler**  
ebeucler@compensia.com  
408.907.4314

**Amanda Feyerabend**  
afeyerabend@compensia.com  
415.462.2988

### Southern California

**Ralph Barry**  
rbarry@compensia.com  
858.603.2288

**Mathew T. Quarles**  
mquarles@compensia.com  
323.919.7338

### Pacific Northwest

**Jason Borrevik**  
jborrevik@compensia.com  
408.876.4035

**Greg Loehmann**  
gloehmann@compensia.com  
408.907.4319

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Exhibit

Bay Area Tech 120 – 2015 Shareholder Advisory Vote on Executive Compensation

	2014 Say-on-Pay Vote Support	2015 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Adobe Systems	90.7 – 9.3	91.8 – 8.2	1.1
Advent Software	99.4 – 0.6	Merger Pending	---
Advanced Micro Devices	70.9 – 29.1	70.7 – 29.3	-0.2
Altera	95.5 – 4.5	68.7 – 31.3	-26.8
Ambarella	EGC	92.5 – 7.5	---
Apple	95.7 – 4.3	73.7 – 26.3	-22.0
Applied Materials	89.5 – 10.5	84.9 – 15.1	-4.6
Applied Micro Circuits			
Aruba Networks			
Atmel	88.8 – 11.2	94.7 – 5.3	5.9
Audience	EGC	Tender Offer	---
Autodesk	88.0 – 12.0	88.3 – 11.7	0.3
Avago Technologies	65.1 – 34.9	Triennial	---
Brocade Communications	97.9 – 2.1	97.8 – 2.2	-0.1
Cadence Design Systems	90.6 – 9.4	97.9 – 2.1	7.3
Calix	98.8 – 1.2	93.8 – 6.2	-5.0
Cavium Networks	63.1 – 36.9	98.9 – 1.1	35.8
Cisco Systems			
Coherent	97.7 – 2.3	97.3 – 2.7	-0.4
Cypress Semiconductor	84.4 – 15.6	97.2 – 2.8	12.8
Dolby Laboratories	96.6 – 3.4	94.5 – 5.5	-2.1
DSP Group	98.2 – 1.8	96.5 – 3.5	-1.7
eBay	93.1 – 6.9	94.5 – 5.5	1.4
Electronic Arts			
Electronics for Imaging	98.9 -1.1	78.0 – 22.0	-20.9
Ellie Mae	94.0 – 6.0	90.3 – 9.7	-3.7
Equinix	98.8 – 1.2	98.8 – 1.2	0.0
Exar			
Extreme Networks			
Facebook	Triennial	Triennial	---
Fairchild Semiconductor	98.0 – 2.0	97.0 – 3.0	-1.0
Fair Isaac	98.5 – 1.5	96.9 – 3.1	-1.6
FireEye	EGC	EGC	---

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	2014 Say-on-Pay Vote Support	2015 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Finisar			
FormFactor	96.7 – 3.3	98.2 – 1.8	1.5
Fortinet	99.2 – 0.8	99.5 – 0.5	0.3
Google	91.9 – 9.1	Triennial	---
Guidewire Software			
Harmonic	95.8 – 4.2	96.8 – 3.2	1.0
Hewlett Packard	90.2 – 9.8	95.2 – 4.8	5.0
Immersion	63.4 – 36.6	Triennial	---
Imperva	Triennial	55.8 – 44.2	---
Infinera	96.8 – 3.2	95.9 – 4.1	-0.9
Infoblox			
Informatica	58.2 – 41.8	Merger	---
Inphi	50.6 – 49.4	Triennial	---
Integrated Device Technology			
Integrated Silicon Solutions	98.3 – 1.7	Merger Pending	---
Intel	94.4 – 5.6	95.0 – 5.0	0.6
Intersil	98.5 – 1.5	98.7 – 1.3	0.2
Intuit			
InvenSense			
IXYS			
JDS -Uniphase			
Jive Software	90.5 – 9.5	79.2 – 20.8	-11.3
Juniper Networks	85.7 – 14.3	95.6 – 4.4	9.9
KLA-Tencor			
Lam Research			
Linear Technology			
LinkedIn	EGC	75.5 – 24.5	---
Logitech International			
Marin Software	EGC	EGC	---
Marketo	EGC	EGC	---
Marvell Technology Group	60.1 – 39.9	43.9 – 56.1	-16.2
Maxim Integrated Products			
Micrel	97.9 – 2.1	Merger Pending	---
Monolithic Power Systems	89.8 – 10.2	99.1 – 0.9	9.3
Nanometrics	96.1 – 3.9	95.1 – 4.9	-1.0
NetApp			

“Say on Pay” at the Bay Area Tech 120 – A First Look at 2015 (continued)

	2014 Say-on-Pay Vote Support	2015 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Netflix	96.6 - 3.4	97.7 - 2.3	1.1
NETGEAR	99.1 - 0.9	98.6 - 1.4	-0.5
Netsuite	82.7 - 17.3	Triennial	---
Nimble Storage			
nVIDIA	98.0 - 2.0	98.3 - 1.7	0.3
Oclaro			
OmniVision Technologies			
Oracle			
Palo Alto Networks			
Pandora Media	Triennial	98.1 - 1.9	---
Pericom Semiconductor			
Plantronics			
PMC-Sierra	99.1 - 0.9	99.0 - 1.0	-0.1
Polycom	69.4 - 30.6	97.3 - 2.7	27.9
Power Integrations	95.9 - 4.1	94.5 - 5.5	-1.4
Proofpoint	Triennial	Triennial	---
Qualys	EGC	EGC	---
Quantum			
QuinStreet			
Rambus	91.6 - 8.4	97.3 - 2.7	5.7
Riverbed Technology	26.8 - 73.2	Acquired	---
Rocketfuel	EGC	EGC	---
Rovi	39.8 - 60.2	84.1 - 15.9	44.3
Ruckus Wireless	EGC	72.0 - 28.0	---
Salesforce.com	75.4 - 24.6	52.4 - 47.6	-23.0
SanDisk	95.8 - 4.2	81.1 - 18.9	-14.7
Sanmina	98.0 - 2.0	73.9 - 26.1	-24.1
Shoretel			
Shutterfly	50.1 - 49.9	21.9 - 78.1	-28.2
Sigma Designs			
Silicon Graphics			
Silicon Image	97.5 - 2.5	Tender Offer	---
Splunk	38.8 - 61.2	98.4 - 1.6	59.6
Super Micro Computer	98.1 - 1.9	Triennial	---
Symantec			
Synaptics			



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**“Say on Pay” at the Bay Area Tech 120 – A First Look at 2015 (continued)**

	2014 Say-on-Pay Vote Support	2015 Say-on-Pay Vote Support	Year-Over-Year Change in Support
Synopsys	98.1 - 1.9	96.7 - 3.3	-1.4
Tessera Technologies	86.5 - 13.5	78.6 - 21.4	-7.9
Tivo			
Trimble Navigation	91.2 - 8.8	89.0 - 11.0	-2.2
Ubiquiti Networks			
Ultra Clean Holdings	95.9 - 4.1	89.3 - 10.7	-6.6
Ultratech			
Violin Memory			
VMware	92.8 - 7.2	94.8 - 5.2	2.0
Workday	EGC	99.8 - 0.2	---
Xilinx			
Xoom	EGC	EGC	---
Yahoo!	91.5 - 8.5	85.2 - 14.8	-6.3
Yelp	99.6 - 0.4	95.0 - 5.0	-4.6
Zynga	89.8 - 10.2	90.1 - 9.9	0.3