"Say on Pay" at the Bay Area Tech 120 – A Final Look at 2014

Now that 2014 has drawn to a close, it's time to take a look at the 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. The fourth year of Say-on-Pay, 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 monitored 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 December 31, 2014, based on the results of the 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 and Exchange Commission.

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

1. **2014's Results Remain Consistent with Prior Year Patterns.** As in 2013, the vast majority of Bay Area Tech 120 companies saw their shareholders overwhelmingly support their executive compensation programs. Of the 106 technology companies that held a Say-on-Pay vote, 95.3% saw their shareholders approve the compensation of their named executive officers, while 4.7% had their vote fail. Consistent with the patterns reflected in the Russell 3000, nearly 67% of the Bay Area Tech 120 companies received more than 90% support. Only 13 Bay Area Tech 120 companies (12.3%) received less than 70% support.

2. **The Level of Support was Consistent with Prior Years' Support Levels.** The 88 Bay Area Tech 120 companies that held their fourth Say-on-Pay Vote in 2014 received average support of 87.5%, compared to 88.1% average support for the same group of companies in 2013, 86.8% average support in 2012, and 88.8% average support in 2011 – a negligible decline of 1.3% since the Say-on-Pay Vote requirement was enacted.

3. **The Say-on-Pay Vote for Each Year Stands on Its Own Merits.** We continue to see dramatic fluctuations in the level of support for Say-on-Pay Votes from year-to-year. Thirty-seven Bay Area Tech 120 companies that received more than 90% support in 2013 saw this support drop by nearly 12% in 2014 (including one company that saw its support decline by just over 65%). As has been the case since 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 18.1% in 2014.

4. **Companies That Fail the Say-on-Pay Vote Can Reverse This Result in the Following Year.** One Bay Area Tech 120 company that failed its Say-on-Pay Vote in 2013 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 one or more significant compensation program changes.

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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 Final Look at 2014.
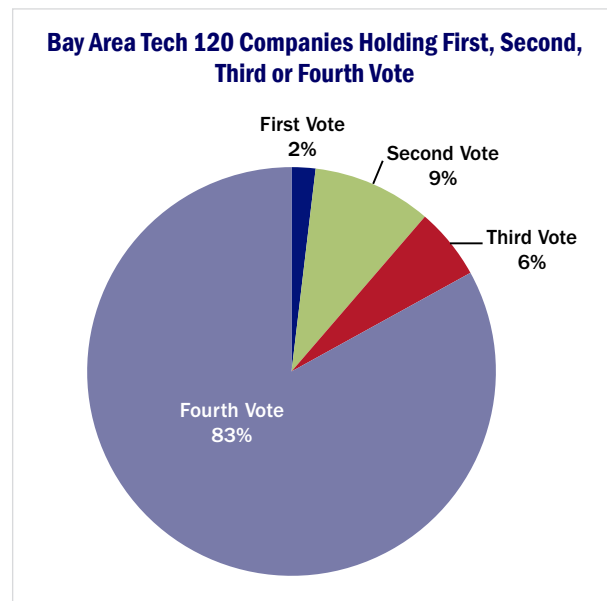
Companies Reviewed

As of December 31, 2014, 117 of the companies in the Bay Area Tech 120 (97.5%) had held their 2014 annual meeting of shareholders and reported the results of the various votes conducted at the meeting. With respect to the three remaining companies, two were acquired during the year and one (Intuit) will hold its annual meeting of shareholders in January.

Of the companies that held an annual meeting in 2014, 106 conducted a Say-on-Pay Vote at the meeting. The remaining 11 companies either decided to hold their Say-on-Pay Vote on a triennial basis (six companies) and, therefore, held no vote in 2014 or qualified as "emerging growth companies" under the Jumpstart Our Business Startups ("JOBS") Act (five companies) which are not required to conduct a Say-on-Pay vote.

Of the 106 companies holding Say-on-Pay Votes in 2014, 10 companies held their second shareholder advisory vote on executive pay (including six companies – Alpha & Omega Semiconductor, Avago Technologies, Google, NetSuite, Super Micro Computer, and Zhone Technologies – that elected in 2011 to hold triennial votes) and six companies (Dolby Laboratories, Ellie Mae, Extreme Networks, Jive Software, Sanmina, and Zynga) held their third shareholder

advisory vote. Two companies – Guidewire Software and Infoblox – held their first Say-on-Pay vote in 2014. The remaining 88 companies held their fourth Say-on-Pay Vote.

2014 Say-on-Pay Results

Bay Area Tech 120 Companies Holding First, Second, Third or Fourth Vote

First Vote 2%
Second Vote 9%
Third Vote 6%
Fourth Vote 83%

Average Level of Support

Overall, the average level of support for the 106 Bay Area Tech 120 companies conducting Say-on-Pay Votes in 2014 was 86.8%. In the case of the 88 companies which held their fourth Say-on-Pay Vote in 2014, average support was 87.5%, compared to 88.1% average support for the same group of companies in 2013, 86.8% average support in 2012, and 88.8% average support in 2011 – a virtually negligible decline of 1.3% over the four-year period.

Support among "Triennial" Companies

In the case of the six companies which held their first "triennial" Say-on-Pay Vote in 2014, average support was 89.1%. This is slightly lower than the 91% support recorded by the Russell 3000 companies holding their initial triennial vote in 2014.
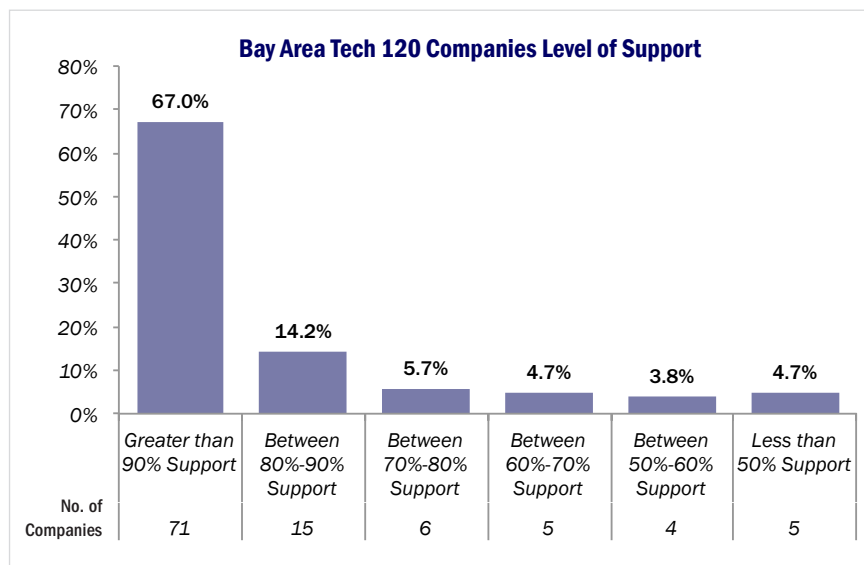

Companies with 2014 Say-on-Pay Votes

Triennial SOP Vote 5%
Emerging Growth Companies 4%
Held SOP Vote 91%
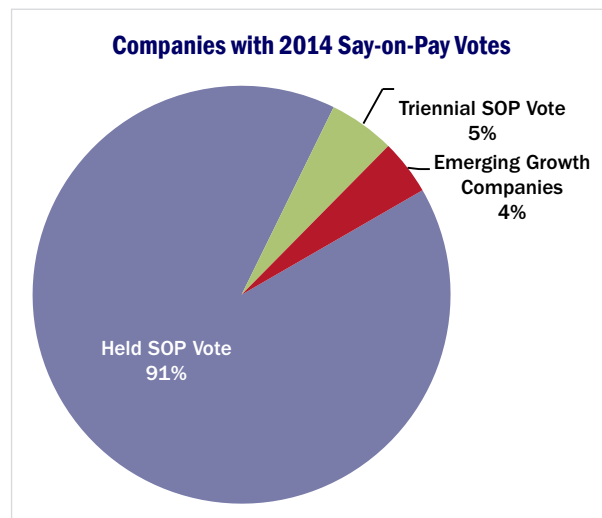
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Actual Level of Support

The actual support for the 106 Bay Area Tech 120 companies conducting a Say-on-Pay Vote in 2014 was as follows:

While the decided majority of companies continued 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 54 of these companies received more than 95% support from their shareholders, including eight companies that received near unanimous approval of the executive compensation program with more than 99% of the votes cast on the Say-on-Pay proposal voted in favor of the proposal.

Bay Area Tech 120 Companies Level of Support

	Greater than 90% Support	Between 80%-90% Support	Between 70%-80% Support	Between 60%-70% Support	Between 50%-60% Support	Less than 50% Support
%	67.0%	14.2%	5.7%	4.7%	3.8%	4.7%
No. of Companies	71	15	6	5	4	5

Unsuccessful Say-on-Pay Proposals

Five Bay Area Tech 120 companies, Applied Micro Circuits, Oracle, Riverbed Technology, Rovi, and Splunk, failed to receive a majority of the votes cast in favor of their Say-on-Pay proposal in 2014.

At Applied Micro Circuits, 33.2% of the votes cast supported the company's named executive officer compensation, while 66.8% of the votes were cast against (or abstained on) the proposal. This follows a vote of 85.6% for the proposal and 14.4% against (or abstained on) the proposal in 2013 – a swing of 52.4% of the votes cast on the proposal. This is the second failed Say-on-Pay vote for the company,

which saw only 42% of the votes cast support its executive compensation program in 2012.

In the case of Oracle, 45.8% of the votes cast were cast in favor of the company's named executive officer compensation, while 54.2% of the votes were cast against (or abstained on) the proposal. This was a slight increase in support from 2013, when just over 43% of the votes cast were voted in favor of the executive compensation program, but still less than majority support.

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 experiences criticism of 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, all 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 a year-over-year decrease in support of only 13.4% was enough to lead to a failed vote.

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

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Institutional Shareholder Services, was the second largest registered by a Bay Area Tech 120 company this year.

Year-Over-Year Vote Fluctuations

Of the 88 companies that have now held four votes, 47 received more support (an average of 8.4%, with a median increase of 2.2%) in 2014 compared to 2013, while 39 saw support for their executive compensation program decline (by an average of 12.0%, with a median decrease of 5.5%). Two companies (IXYS and PMC-Sierra) received the same level of support for their executive compensation programs in 2013 and 2014.

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. Seven companies saw support for their executive compensation 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; typically, 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 23.5%. 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% to 81.9%.

Majority of Companies that Received More Than 90% Support in 2013 Experienced a Slight Decline in 2014
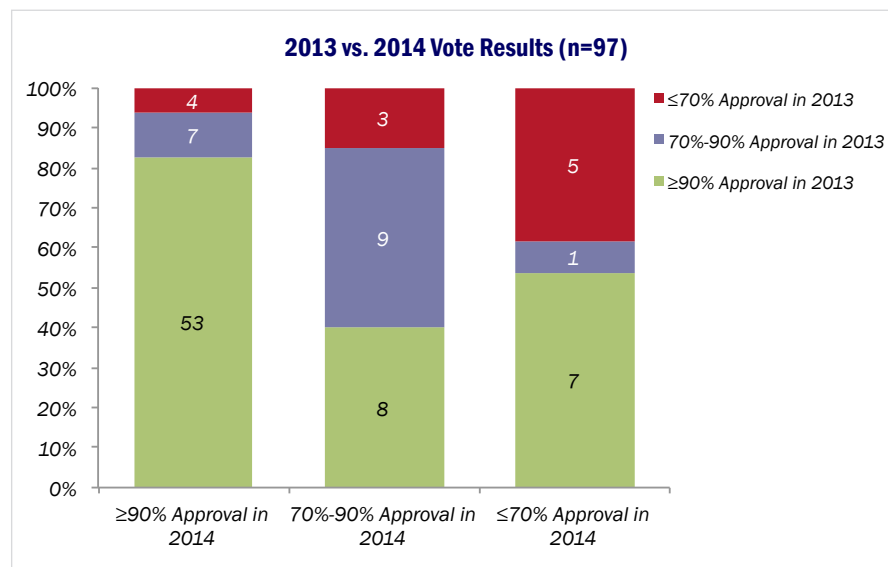
As in prior years, numerous Bay Area Tech 120 companies (37) that received more than 90% support in 2013 saw support for their executive compensation program decline in 2014. The average amount of this decline (11.9%) was largely influenced by the fact that 10 companies experienced decreases in excess of 20% (including one that declined by over 65% and another company that declined by nearly 60%).

Perhaps just as interesting, however, 27 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 1.5%) – 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 11 of these companies was 1% or less).

One Company with Failed Vote in 2013 Registers Success in 2014

One of the two companies in the Bay Area Tech 120 that failed its Say-on-Pay Votes in 2013 – OpenTable – saw a significant increase in the support of its executive compensation program in 2014 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

2013 vs. 2014 Vote Results (n=97)

Legend:
- ≤70% Approval in 2013
- 70%-90% Approval in 2013
- ≥90% Approval in 2013

Bar 1 (≥90% Approval in 2014): 53 (≥90%), 7 (70%-90%), 4 (≤70%)
Bar 2 (70%-90% Approval in 2014): 8 (≥90%), 9 (70%-90%), 3 (≤70%)
Bar 3 (≤70% Approval in 2014): 7 (≥90%), 1 (70%-90%), 5 (≤70%)

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

Final Observations

With the experience of the Bay Area Tech 120 companies with the Say-on-Pay Vote largely tracking that of the companies in the Russell 3000, we note that, for nearly half of the Bay Area Tech 120, this vote has begun to resemble a routine 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 features in their executive compensation program; thereby making their probable vote result easier to predict.

Need Assistance?

Compensia has extensive experience in helping companies draft their executive compensation disclosure for their annual meetings of shareholders and analyze the potential impact of the Say-on-Pay Vote on their executive compensation program. If you would like assistance in preparing your executive compensation disclosure for the required Say-on-Pay Vote , 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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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	Triennial	99.6 – 0.4	---
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	85.6 – 14.4	33.2 – 66.8	-52.4
Aruba Networks	97.1 – 2.9	99.0 – 1.0	1.9
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	92.9 – 7.1	90.7 – 9.3	-2.2
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	92.6 – 7.4	54.5 – 45.5	-38.1
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	97.9 – 2.1	97.8 – 2.2	-0.1
Extreme Networks	94.0 – 6.0	91.8 – 8.2	-2.2
Facebook	93.4 – 6.6	Triennial	---
Fairchild Semiconductor	99.2 – 0.8	98.0 – 2.0	-1.2

"Say on Pay" at the Bay Area Tech 120 – A Final Look at 2014 (continued)

	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	95.6 – 4.4	74.4 – 25.6	-21.2
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	EGC	98.9 – 1.1	---
Harmonic	94.4 – 5.6	95.8 – 4.2	1.4
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	EGC	98.8 – 1.2	---
Informatica	95.9 – 4.1	58.2 – 41.8	-37.7
Integrated Device Technology	98.2 – 1.8	97.4 – 2.6	-0.8
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	Triennial	Triennial	---
iPass	94.7 – 5.3	71.1 – 28.9	-23.6
IXYS	98.1 – 1.9	98.1 – 1.9	0.0
JDS Uniphase	95.7 – 4.3	70.1 – 29.9	-25.6
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	98.5 – 1.5	98.9 – 1.1	0.4
Lam Research	82.4 – 15.6	96.4 – 3.6	14.0
Linear Technology	82.9 – 17.1	88.8 – 11.2	5.9
LinkedIn	EGC	EGC	---
Logitech International	83.3 – 16.7	81.2 – 18.8	-2.1
Marvell Technology Group	58.5 – 41.5	60.1 – 39.9	1.6
Maxim Integrated Products	71.4 – 28.6	82.8 – 17.2	11.4
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	97.3 – 2.7	95.6 – 4.4	-1.7
Netflix	95.9 – 4.1	96.6 – 3.4	0.7

"Say on Pay" at the Bay Area Tech 120 – A Final Look at 2014 (continued)

	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	97.6 – 3.4	92.1 – 7.9	-5.5
OmniVision Technologies	97.2 – 2.8	97.5 – 2.5	0.3
OpenTable	47.3 – 52.7	81.9 – 18.1	34.6
Oplink Communications			
Oracle	43.1 – 56.9	45.8 – 54.2	2.7
Palo Alto Networks	99.7 – 0.3	68.1 – 31.9	-31.6
Pandora Media	Triennial	Triennial	---
Pericom Semiconductor	98.2 – 1.8	97.7 – 2.3	-0.5
Plantronics	94.9 – 5.1	93.3 – 6.7	-1.6
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	99.0 – 1.0	97.0 – 3.0	-2.0
QuinStreet	96.3 – 3.7	96.7 – 3.3	0.4
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	95.8 – 4.2	98.0 – 2.0	2.2
Shutterfly	54.6 – 45.4	50.1 – 49.9	-4.5
Sigma Designs	98.8 – 1.2	98.0 – 2.0	-0.8
Silicon Graphics	82.3 – 17.7	89.9 – 10.1	7.6
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	97.4 – 2.6	76.0 – 24.0	-21.4
Synaptics	93.1 – 6.9	97.7 – 2.3	4.6
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	56.4 – 43.6	93.2 – 6.8	36.8
Trimble Navigation	92.2 – 7.8	91.2 – 8.8	-1.0
Trulia	99.7 – 0.3	Triennial	---
Ubiquiti Networks	Biennial	99.3 – 0.7	---
Ultra Clean Holdings	94.7 – 5.3	95.9 – 4.1	1.2
Ultratech	96.3 – 3.7	80.1 – 19.9	-16.2
VMware	98.9 – 1.1	92.8 – 7.2	-6.1
Workday	EGC	EGC	---
Xilinx	93.7 – 6.3	95.7 – 4.3	2.0
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

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