

Agenda

How Different Types of Activists Interact with Companies

How Activists are Targeting Compensation in Today's Campaigns

Dealing with Activist Shareholders

Q & A



SEMLER BROSSY

CAMBERVIEW
PARTNERS

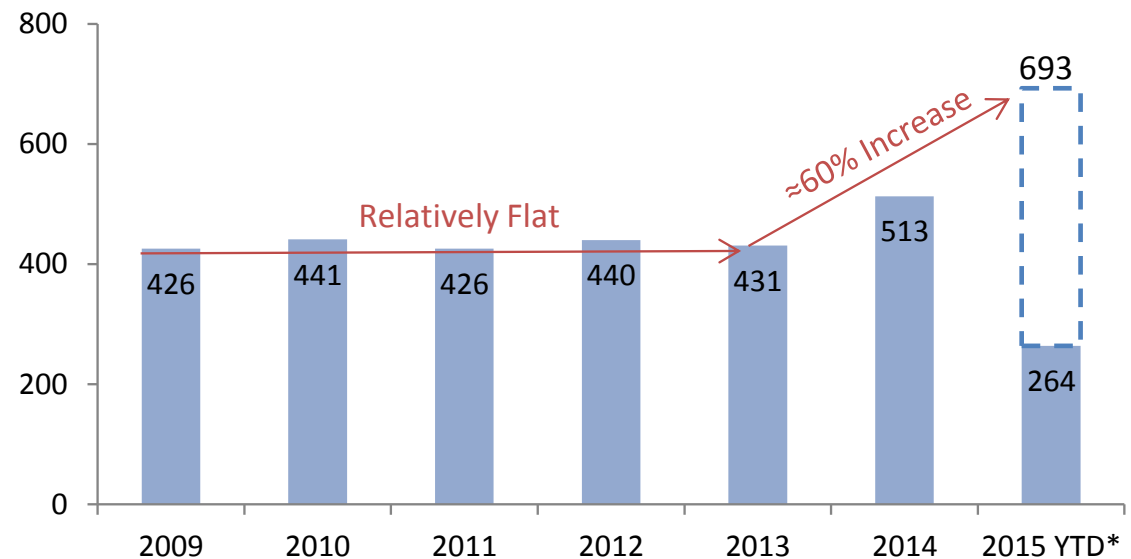
How Different Types of Activists Interact with Companies

Prevalence of Activist Campaigns

The number of Activist Campaigns is increasing dramatically.

- From 2009 to 2013, activist campaigns were relatively flat, averaging 433 per year
- In the first four months of 2014, FactSet identified 176 campaigns
- In the first four months of 2015, FactSet identified 237 campaigns; an increase of 35%
- If this trend holds for the rest of 2015, the total number of campaigns will rise 60% in the last two years

Number of Activist Campaigns



Source: FactSet SharkWatch Database.

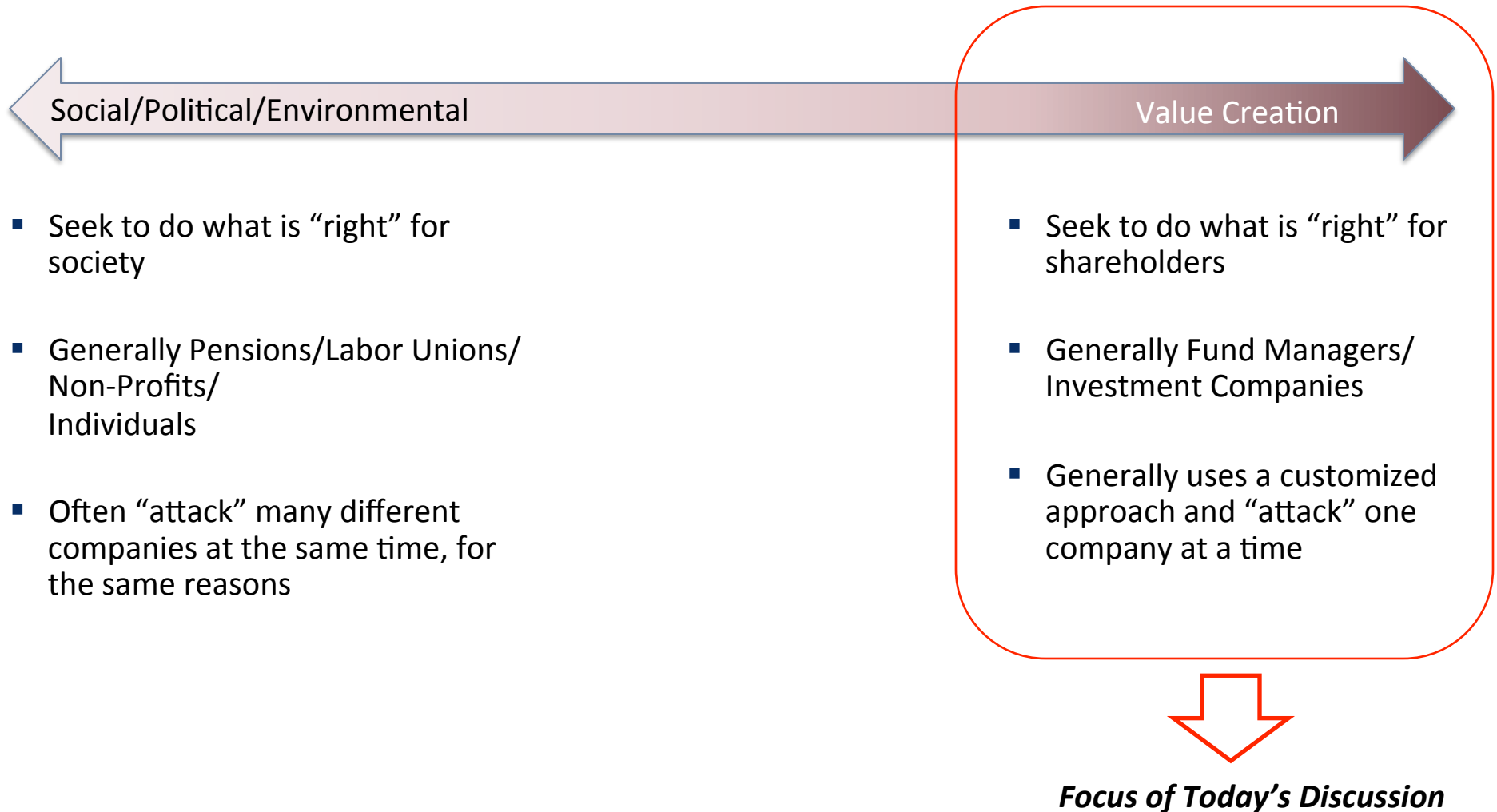
* Through May 7, 2015.



How Different Types of Activists Interact with Companies

Goal Orientation

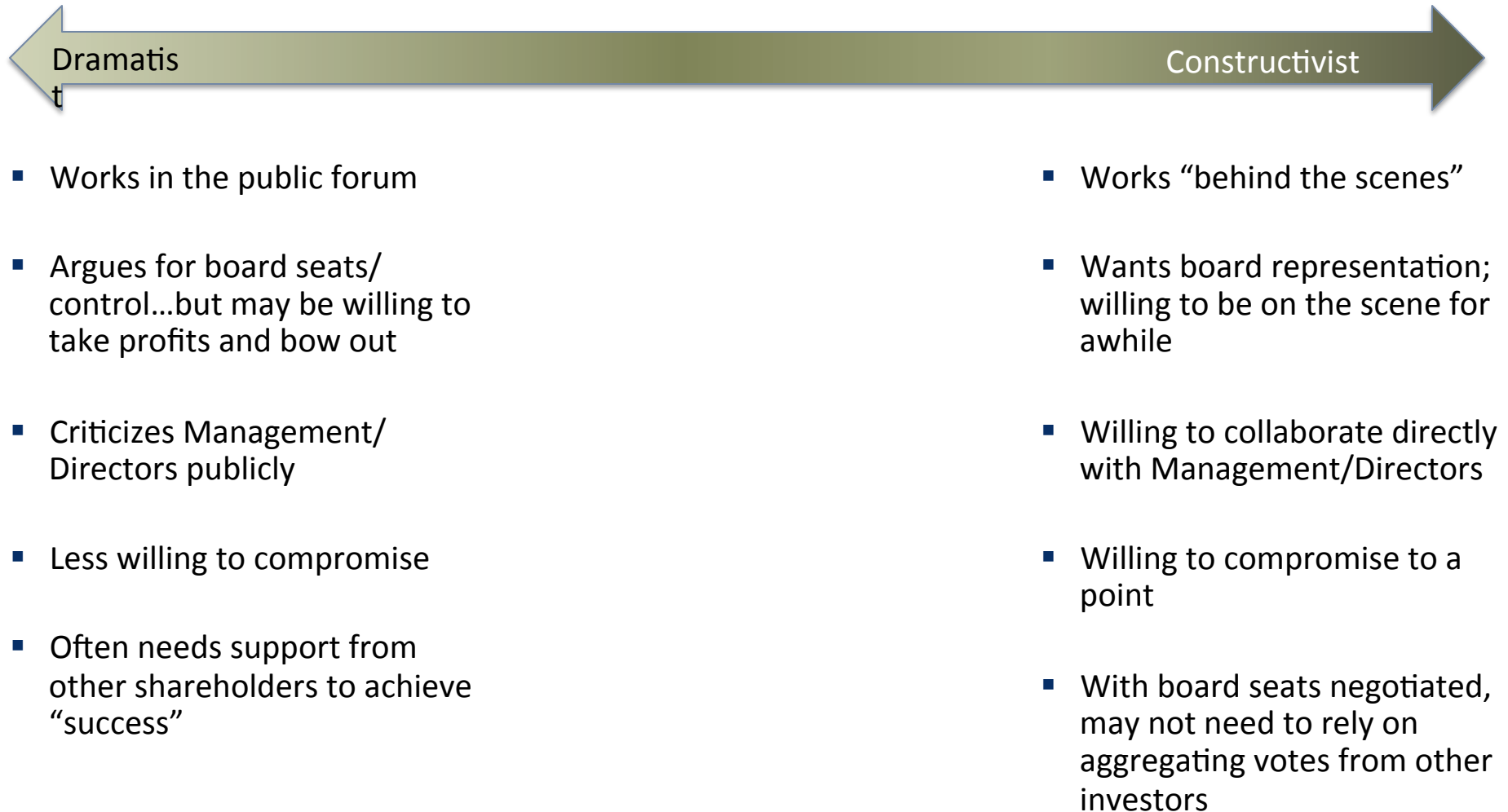
Shareholder Activists come in many forms, with many different agendas.



How Different Types of Activists Interact with Companies

Communication/Interaction Orientation

Shareholder Activists utilize a range of approaches.



How Different Types of Activists Interact with Companies

Prevalence of Activist Campaign Types

Activist Shareholders utilize a range of campaign types.

- Over the last few years, the two most prevalent campaigns have been “Maximizing Shareholder Value” and seeking “Board Representation”

Primary Campaign Type	Total Campaigns		
	2013	2014	2015 YTD *
Maximize Shareholder Value	102	164	39
Board Representation	93	117	77
13D Filer - No Publicly Disclosed Activism	48	61	17
Vote For a Stockholder Proposal	60	36	83
Board Control	35	35	11
Hostile/Unsolicited Acquisition	9	30	8
Vote/Activism Against a Merger	31	16	3
Public Short Position/Bear Raid	3	13	2
Vote Against a Management Proposal	18	11	6
Support Dissident Group in Proxy Fight	12	11	4
Enhance Corporate Governance	8	10	9
Remove Director(s), No Dissident Nominee to Fill Vacancy	5	5	1
Remove Officer(s)	3	3	1
Vote For a Management Proposal/Support Management	4	1	3
Total	431	513	264

Source: FactSet SharkWatch Database.

* Through May 7, 2015.

How Different Types of Activists Interact with Companies

Prevalence of Activist Campaign Tactics

To achieve their objectives, Activist Shareholders utilize a range of tactics.

- Over the last few years, approximately:
 - 80-95% of all campaigns utilized one of five main tactics, with
 - 50% of all Activist tactics taking the form of a public letter to the Board/Management or to other Stockholders

Dissident Tactic	Total Campaigns		
	2013	2014	2015 YTD *
Publicly Disclosed Letter to Board/Management	173	171	68
Letter to Stockholders	100	91	97
Nominate Slate of Directors	93	83	44
Unsolicited Offer	15	38	10
Propose Precatory Proposal	55	32	86
Threaten Proxy Fight	24	26	8
Call Special Meeting	12	15	1
Hostile Offer	5	11	2
Lawsuit	25	10	5
Propose Binding Proposal	14	5	2
Take Action by Written Consent	11	5	0
Tender Offer Launched	3	5	0
Tender Offer Stake Only	1	0	0
Total	531	492	323

→ *Non-binding shareholder proposal*

Source: FactSet SharkWatch Database.

* Through May 7, 2015.

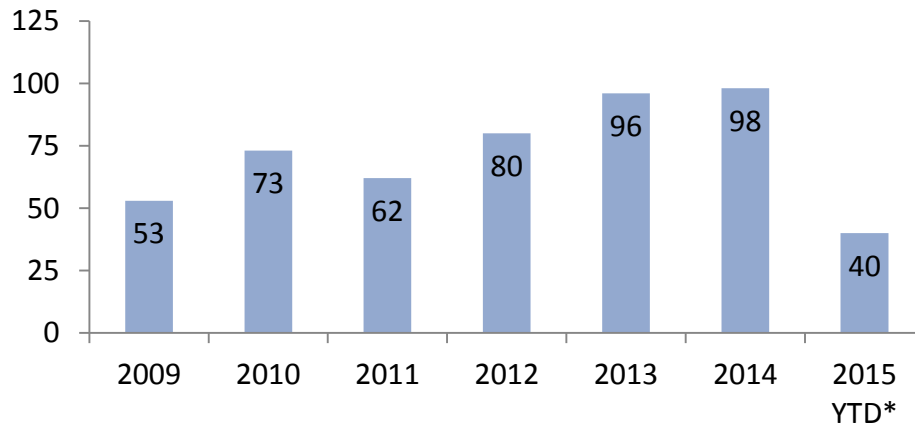
How Different Types of Activists Interact with Companies

Activists Gaining Board Seats

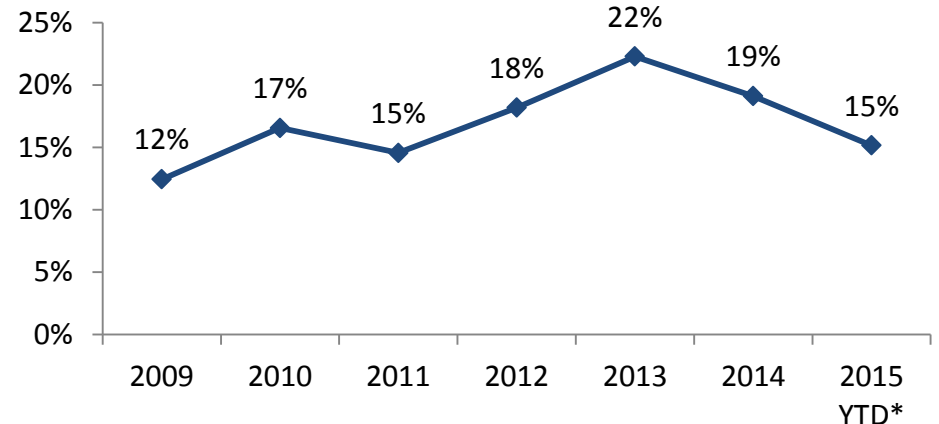
Only a small number of Activist Campaigns result in Board Seats for the Activist and/or Activist designees.

- That said, the pressure of an alternative slate may lead to other proactive changes by the company

Number of Campaigns Resulting in Board Seats



Percent of Total Campaigns Resulting in Board Seats



How Activists are Targeting Compensation in Today's Campaigns

Activist Shareholders cite a number of different compensation issues:

Pay Delivery

- Magnitude of Pay
- Non-Performance-Based Compensation
- Mega Grants
- Retention Grants

Incentive Design

- Disconnect Between Pay and Performance
- Ineffective/Misguided Goals
- Incentive Metrics/Design
- Lack of TSR Metrics

Peripheral Issues

- “Cherry Picked” Peer Group
- Severance Packages
- Management/Board Stock Ownership
- Stock Sales

Governance

- Poor Grades Received from ISS and/or Glass Lewis
- “Friendly” Directors / Lack of Accountability
- Poor Say on Pay Results

How Activists are Targeting Compensation in Today's Campaigns

Questions to Ask When Targeted

The following are key questions a Company should ask when an Activist Shareholder commences a campaign against the Company:

- **What is the Activist trying to achieve?**
 - True change at the company? or
 - Short- to intermediate-term price fluctuations?

- **What tactic is the Activist using?**
 - Is there room for dialogue/compromise? or
 - Is it a “take it or leave it” approach?

- **Why is compensation being cited?**
 - To grab headlines? or
 - Due to genuine concerns with design or practices?

- **What are the risks/costs to the Company?**
 - Should the Company fight? or
 - Should the Company compromise and move on?

Question to Consider: Do Activist Shareholders cite compensation issues due to a true concern, or do they cite them to gain Public, Proxy Advisor. and/ or Institutional Investor support for their campaigns?

Dealing with Activist Shareholders

Potential Company Actions

The following are key actions Companies can take to pre-empt and/or respond to Activist Shareholder concerns regarding compensation.

- Continue to enhance CD&A disclosures, going beyond the legal minimum.
- Focus on the design attributes. Highlight the positives, and minimize/eliminate features considered negative in today's environment.
- Focus communication on current/future strategy and how the pay strategy interrelates; do not get caught up in the past.
- Link objective goals to value creation. If possible, focus on how goals push performance, not deliver pay. Make this link transparent in all communications.
- Change the program design, if warranted. If the compensation program has not evolved with the company strategy, it may be time to overhaul the programs.

Dealing with Activist Shareholders

Considerations After the Campaign

The following are key compensation considerations for Companies after an Activist Campaign ends.

- Determine how to integrate new Board and Committee members.
- Revisit/make explicit the Company's compensation philosophy.
- Communicate with other key Shareholders to ensure all viewpoints are considered.
- Determine key individuals who may need to be stabilized given environmental uncertainty.

