

Early Golden Parachute Shareholder Vote Results

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Section 951(b)(2) of Dodd-Frank requires companies to hold a non-binding shareholder vote on executive severance packages (golden parachutes) in connection with M&A transactions that are presented for shareholder approval. Shareholder votes on golden parachutes have been required since April 25, 2011. [Pearl Meyer & Partners recently completed a study](#) on the outcomes of such shareholder votes held between April 25, 2011 and September 26, 2011.

According to the Pearl Meyer study, during this period, 37 companies included golden parachute disclosure and votes in their merger proxies, 24 of which to date have publicly disclosed the results of the golden parachute vote. Each golden parachute vote received support of a majority of shareholders, with the median vote equal to 91% approval. Interestingly, Pearl Meyer noted that the median support for the related merger transactions was 99%. The study shows that shareholders are generally voting in favor of golden parachutes where the shareholders approve of the related merger transaction, but at slightly lower rates.

Pearl Meyer also noted that ISS issued reports on 32 of the 37 transactions. Four of ISS's reports contained a negative recommendation for the golden parachute votes. Of the golden parachute votes that did not receive ISS support, according to the Form 8-Ks filed reporting the results of such votes, a majority of shareholders still approved each golden parachute vote (albeit by a percentage somewhat below the median – approval votes ranged from 57% to 95%). Based on this early data, it appears that while ISS may have the ability to sway shareholder votes to some extent, the shareholders' votes on golden parachutes are closely linked with shareholders' views regarding the related merger transaction. The "say on golden parachutes" vote therefore may not greatly affect a company's decision(s) with respect to the golden parachute payments offered to executives and officers.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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