

February 1, 2017

## 2016 Shareholder Activism Review

### Key Annual Metrics:

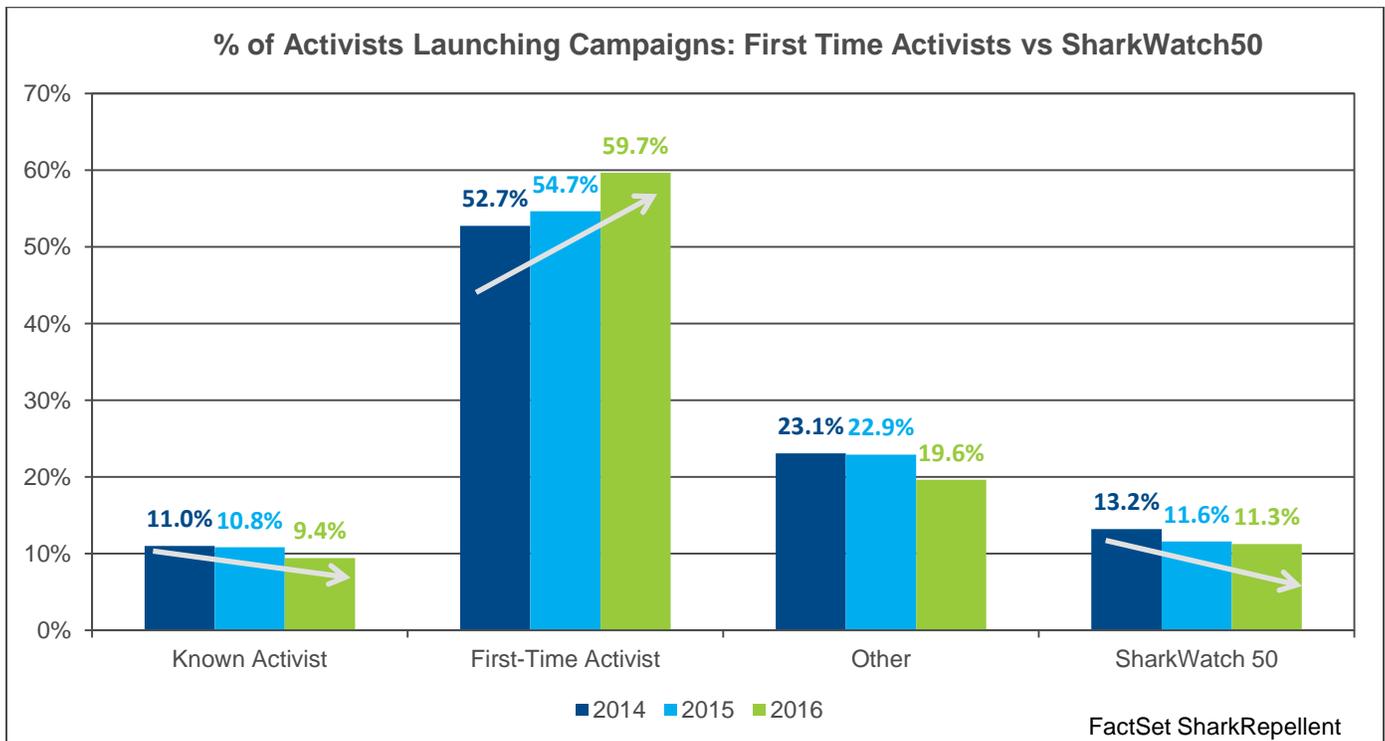
- In 2016, there were 319 high impact activist campaigns against U.S. incorporated companies, which marked the third highest annual count since 2009, after 2015 (377 campaigns) and 2014 (344 campaigns).
- The percentage of campaigns against targeted firms with markets caps >\$10b dropped to 5% (from 8% in 2015), while the percentage against targets with markets caps <\$1b jumped to 75% (from 71% in 2015).
- Companies in the Finance and Healthcare groups were activists' top targets during the year. Campaigns in these groups made up 22% and 12.8% of the activist campaigns launched in 2016, respectively.
- In 2014, "First-Time Activists" represented approximately 53% of activists launching campaigns during the year. That number increased to nearly 55% in 2015, and then jumped to approximately 60% by the end of 2016.
- The push for board seats represented 18.5% of the total demands by activists, more than any other demand. Demands related to compensation and capital structure have increased over the past two years.
- The number of proxy fights for board seats reached its highest level since 2009, at 101 contests.
- 48 proxy fights were formally settled (or withdrawn after the company made material concessions), which marked the highest number in any year since FactSet began tracking proxy fights in 2001.
- Morgan Stanley was the top financial adviser in 2016, ranked by the number of situations in which the firm advised either an activist investor or a targeted company. Olshan Frome Wolosky LLP was the top legal adviser.
- OKAPI Partners was the top proxy solicitor in 2016, ranked by the number of disclosed activist situations in which the firm was hired by either an activist or targeted company.
- Elliott Management launched ten activist campaigns in 2016, making it the top activist investor by campaign volume.
- Of campaigns that ended in 2016, the activist situation between Brigade Capital Management and Axiall Corporation was the top performing campaign when measuring the price performance of the target from three days prior to announcement date to end date.
- Citron Research's public short of Facebook in June was the largest activist campaign announced during the year.
- Of U.S. incorporated companies in the S&P 1500, 31% had a classified board at the end of 2016, compared to 31.5% in 2015. Only 4.9% of U.S. incorporated companies in the S&P 1500 had poison pills at the end of the year, compared to 6.2% at the end of 2015.
- The number of U.S. incorporated S&P 1500 companies adding a proxy access provision soared to 108 in 2015, and then jumped 77% to 191 companies in 2016.
- Proxy access, political issues, and environmental issues were the top shareholder proposals in 2016.
- Of FactSet SharkRepellent's coverage universe of approximately 4,000 companies, only 40 companies (1.5%) have failed Say on Pay votes in 2016, compared to 66 companies (2.5%) in 2015.

## Topic #1

### First-Time Activists Continue to Increase Their Presence

It was another strong year for shareholder activism in 2016. Activists launched 319 high impact campaigns against U.S. incorporated companies, which marked the third highest annual count since 2009, after 2015 (377 campaigns) and 2014 (344 campaigns). High impact activism refers to activist situations that involve market-moving objectives: board control, board representation, to maximize shareholder value, to remove officer(s)/director(s), or a public short/bear raid.

It is no longer just the big names like Pershing Square, Icahn Associates, and Starboard Value who are pursuing activist investing. In fact, over the past few years, these well-known activist investors have actually made up a decreasing percentage of the total number of activists launching campaigns. FactSet used the SharkWatch 50 list to highlight this trend. The SharkWatch 50 is a compilation of the fifty most significant activist investors as chosen by FactSet. Inclusion in the group is based upon a number of factors, including the number of publicly disclosed activist campaigns waged (with an emphasis on recent activity), as well as the ability to affect change at targeted companies. In 2014, the SharkWatch 50 represented 13.2% of activists who launched campaigns against U.S. incorporated companies during the year. At the end of 2016, this group made up only 11.3% of activists who announced campaigns. Looking at campaign volume, a SharkWatch 50 member was a dissident (or part of the dissident group) in over 41% of activist campaigns during 2014 and 2015, compared to just 31% in 2016.



A similar trend can be seen when analyzing “Known Activists”. FactSet defines Known Activists as non-SharkWatch 50 activists that have launched five or more high impact campaigns since inception. Examples of Known Activists are BLR Capital Partners, SpringOwl Associates, and Atlantic Investment Management. In 2014, Known Activists represented 11% of activists who launched campaigns during the year. At the end of 2016, this percentage dropped to 9.4%.

On the other end of the spectrum, “First-Time Activists” have made up a growing portion of the total activists announcing campaigns. FactSet defines First-Time Activists as activists who have previously not been involved in a public high impact activist situation. In 2014, First-Time Activists represented approximately 53% of activists launching campaigns during the year. That number increased to nearly 55% in 2015, and then jumped to approximately 60% by the end of 2016. Examples of First-Time Activists in 2016, along with the company they targeted, were Newtyn Management and CSW Industrials, Potrero Capital Research and Datawatch Corp., and venBio Select Advisor and Immunomedics.

The targeted companies of these campaigns tend to have smaller market values. Looking at activist campaigns for each of the last three years, the median market cap of the target for First-Time Activists has been lower than the median market cap of the target for Known Activists and SharkWatch 50 activists. One of the reasons for this is that First-Time Activists typically have lower equity assets under management. With lower amounts of equity assets, it is difficult to influence change at large or mega caps given the amount of funds required to accumulate a meaningful stake. Keep in mind that this may not always be the case.

One of the most interesting campaigns of the year occurred in early January, when First-time Activists Altimeter Capital Management and PAR Capital Management disclosed a combined 5.5% stake in United Continental Holdings, as well as their intent to nominate six candidates for election to the airliner’s board. In the end, a settlement was made and the activists were granted two board seats.

When most people hear the word activism in the context of investing, they tend to immediately think of names like Carl Icahn, Bill Ackman, or Dan Loeb. While there will certainly be some highly publicized campaigns announced by one of these names against a large or mega cap stock in the future, it will also be important to monitor the growing number of institutions engaging in activist investing for the first time.

## Topic #2

### Who Were the Top Advisers in Activist Situations in 2016?

Morgan Stanley was the top financial adviser in 2016, ranked by the number of situations in which the firm advised either an activist investor or a targeted company. Morgan Stanley advised the target company of an activist for 18 campaigns during the year, which slightly beat out Goldman Sachs, who was the financial adviser for 17 activist campaigns. Goldman Sachs was the top adviser in 2015, with the firm assisting the target on 24 occasions. Both financial services firms were involved in highly publicized activist campaigns in 2016. Morgan Stanley advised specialty pharma company, Depomed, as activist investor Starboard Value attempted to gain control of the Board of Directors. The proxy fight was eventually settled with Depomed granting three board seats to Starboard. Goldman Sachs was the financial adviser to Chico's FAS, as the clothing retailer engaged in a proxy fight initiated by Barington Companies Investors. The activist ended up withdrawing its proxy fight for two board seats. Additionally, both Morgan Stanley and Goldman Sachs are advisors to Chipotle Mexican Grill in its ongoing campaign with Pershing Square.

As shown in the league tables below, these banks were financial advisers to the target company rather than the activist in almost every campaign in 2016. Typically, most banks have stayed away from working with the activist, as it could deter the target company from hiring the adviser for business in the future.

2016: Top Financial Advisers			
2016			
Financial Advisers	Advised an Activist	Advised a Company	Total
Morgan Stanley	0	18	18
Goldman Sachs	0	17	17
Evercore Partners	0	9	9
J.P. Morgan Chase & Co.	0	7	7
Houlihan Lokey Howard & Zukin	1	4	5
FactSet SharkRepellent			

2015: Top Financial Advisers			
2015			
Financial Advisers	Advised an Activist	Advised a Company	Total
Goldman Sachs	0	24	24
J.P. Morgan Chase & Co.	0	14	14
Morgan Stanley	0	13	13
Houlihan Lokey Howard & Zukin	5	5	10
Credit Suisse	0	9	9
FactSet SharkRepellent			

On the legal side, Olshane Frome Wolosky LLP was the top legal adviser in 2016, ranked by the number of situations in which the firm advised either an activist investor or a targeted company. The law firm advised the activist on 83 occasions during the year, compared to 91 in 2015. Schulte Roth & Zabel was second on the list, with the law firm advising the activist on 20 occasions in 2016. When it comes to advising the target of an activist, Vinson & Elkins LLP led the way, with the law firm working with the target in 19 situations during the year.

<b>2016: Top Legal Advisers</b>			
<b>2016</b>			
<b>Law Firms</b>	<b>Advised an Activist</b>	<b>Advised a Company</b>	<b>Total</b>
Olshan Frome Wolosky LLP	83	0	83
Schulte Roth & Zabel	20	0	20
Vinson & Elkins LLP	0	19	19
Kleinberg, Kaplan, Wolff & Cohen	14	0	14
Cadwalader Wickersham & Taft	7	6	13
Morgan Lewis & Bockius LLP	1	12	13
FactSet SharkRepellent			

OKAPI Partners was the top proxy solicitor in 2016, ranked by the number of disclosed activist situations in which the firm was hired by either the activist or the target company. OKAPI Partners was retained by company management on 3 occasions and retained by the activist on 23 occasions (26 in total). Innisfree M&A Incorporated was the top proxy solicitor ranked by the number of times the firm worked with the target of an activist. It also came in second overall with the firm being hired by management 16 times and the activist 4 times (20 in total).

<b>2016: Top Proxy Solicitors</b>			
<b>2016</b>			
	<b>Proxy Solicitor (Company)</b>	<b>Proxy Solicitor (Activist)</b>	<b>Total</b>
OKAPI Partners LLC	3	23	26
Innisfree M&A Incorporated	16	4	20
D.F. King & Co., Inc.	9	5	14
Morrow & Co., Inc.	7	7	14
MacKenzie Partners, Inc.	10	3	13
Georgeson Inc.	7	3	10
InvestorCom, Inc.	0	9	9
FactSet SharkRepellent			

Looking at proxy fights that had meeting dates in 2016, D.F. King & Co and Innisfree M&A Incorporated received the two largest disclosed proxy solicitor fees. Both of these were dissident fees. D.F. King & Co was retained by Canadian Pacific Railway, as the firm made an unsolicited bid to acquire Norfolk Southern Corporation. The disclosed dissident fee paid for this proxy fight was \$2 million. Innisfree M&A Incorporated was hired by Sanofi, as the company launched an unsolicited, non-binding proposal to acquire Medivation. The disclosed dissident fee paid was \$1 million.

Dissident Proxy Solicitor  
Company Proxy Solicitor

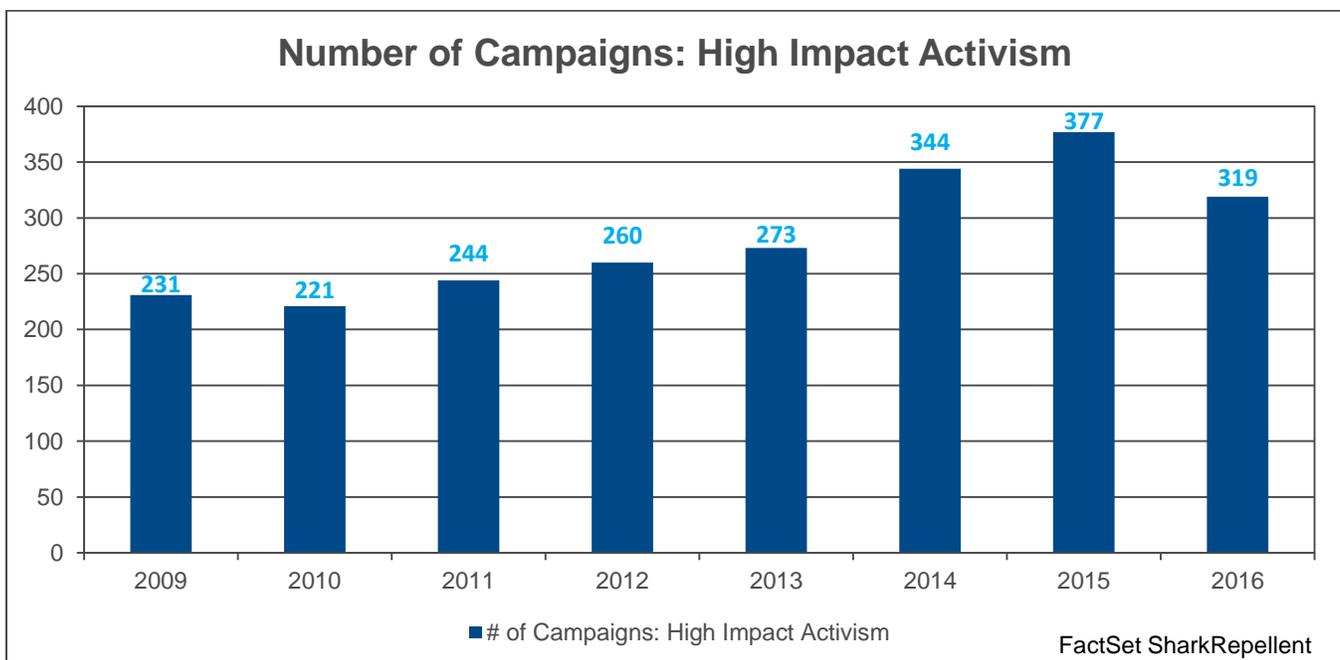
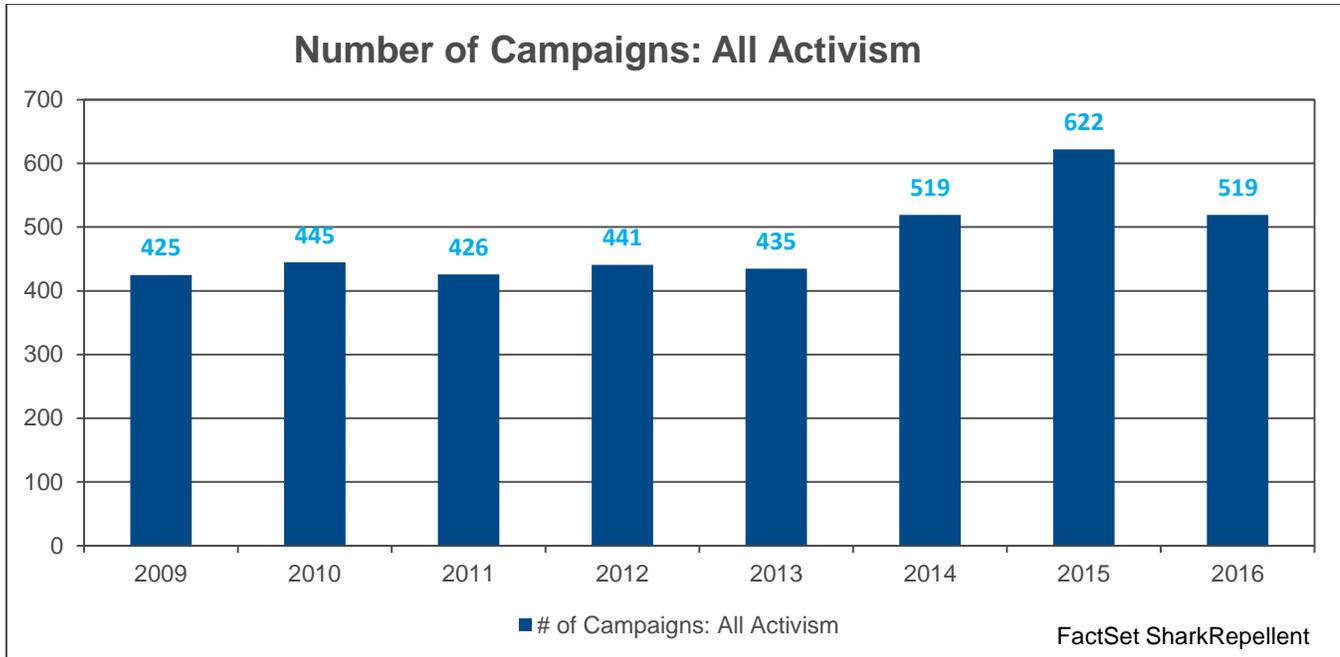
### 2016: Largest Disclosed Proxy Solicitor Fees

Company	Dissident	Proxy Solicitor	Fee ('000)	Proxy Fight Winner
Norfolk Southern Corporation	Canadian Pacific Railway Limited	D.F. King & Co., Inc.	\$2,000	Withdrawn
Medivation, Inc.	Sanofi	Innisfree M&A Incorporated	\$1,000	Settled/Concessions Made
Puma Biotechnology, Inc.	Fredric N. Eshelman	OKAPI Partners LLC	\$900	Management
Axiall Corporation	Westlake Chemical Corporation	MacKenzie Partners, Inc.	\$725	Withdrawn
Chico's FAS, Inc.	Barington Companies Investors LLC	Innisfree M&A Incorporated	\$600	Withdrawn

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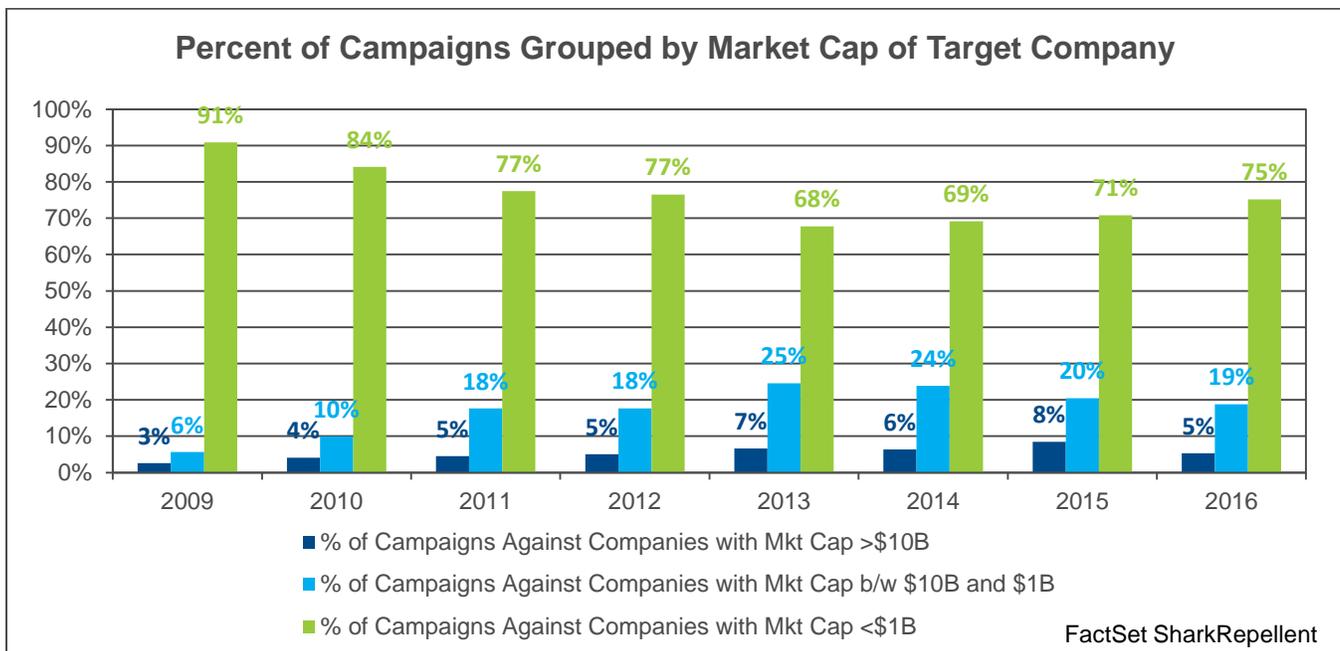
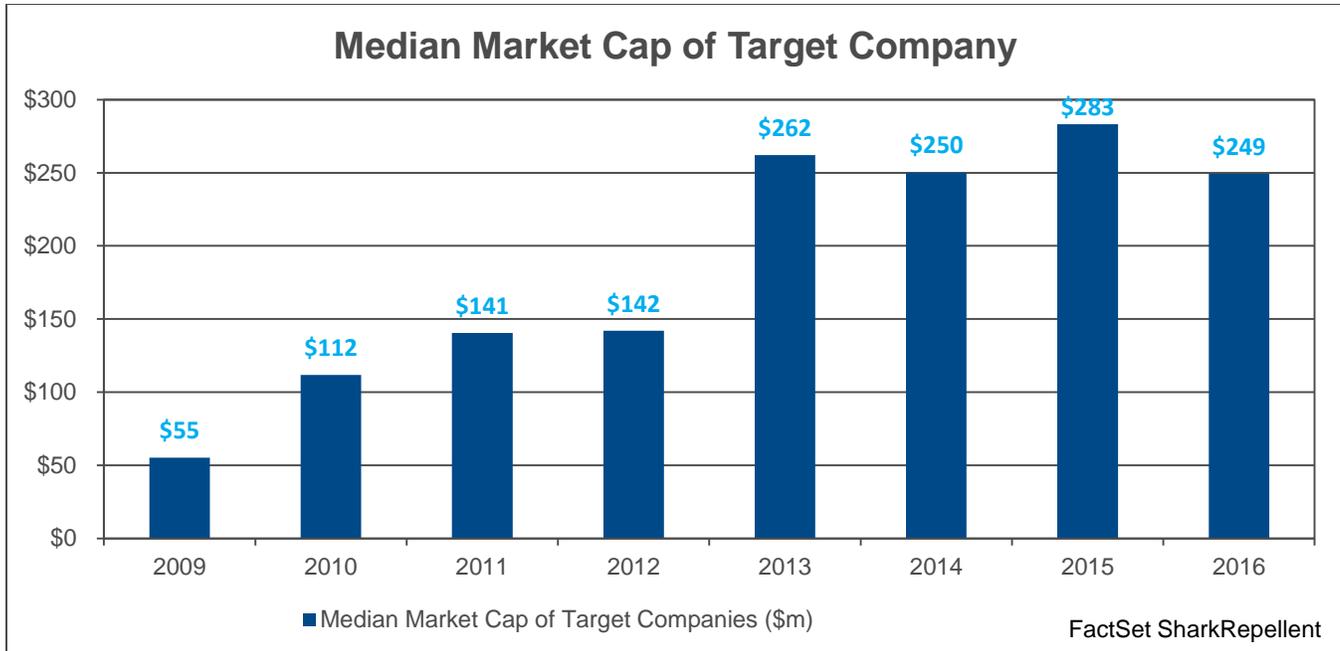
## Activist Campaign Volume

There were 519 activist campaigns during 2016, which matched the second highest total since 2009, after the record-breaking year for shareholder activism in 2015 (622 campaigns). Looking only at high impact activism, there were 319 campaigns in 2016, which represented a 15% decline from the 377 campaigns in 2015. FactSet defines high impact activism as campaigns in which an objective is: board control, board representation, to maximize shareholder value, to remove officer(s)/director(s), or a public short/bear raid. **Any further mention of activist campaigns in the rest of the report will refer to high impact activism, unless otherwise stated.**



## Size of Target Companies

In 2015, activists chased large and mega caps in record numbers, with 32 campaigns being launched against U.S. companies with market caps >\$10 billion, making up 8% of total campaign volume for the year. In 2016, this percentage dropped to 5%. Activists instead continued doing what they have always done in the past, which is focus on small caps. During this past year, 75% of activist campaigns involved firms with market caps <\$1 billion, which represented an uptick from 71% in 2015. The median market cap of the target of a campaign fell from \$283 million in 2015 to \$249 million in 2016.

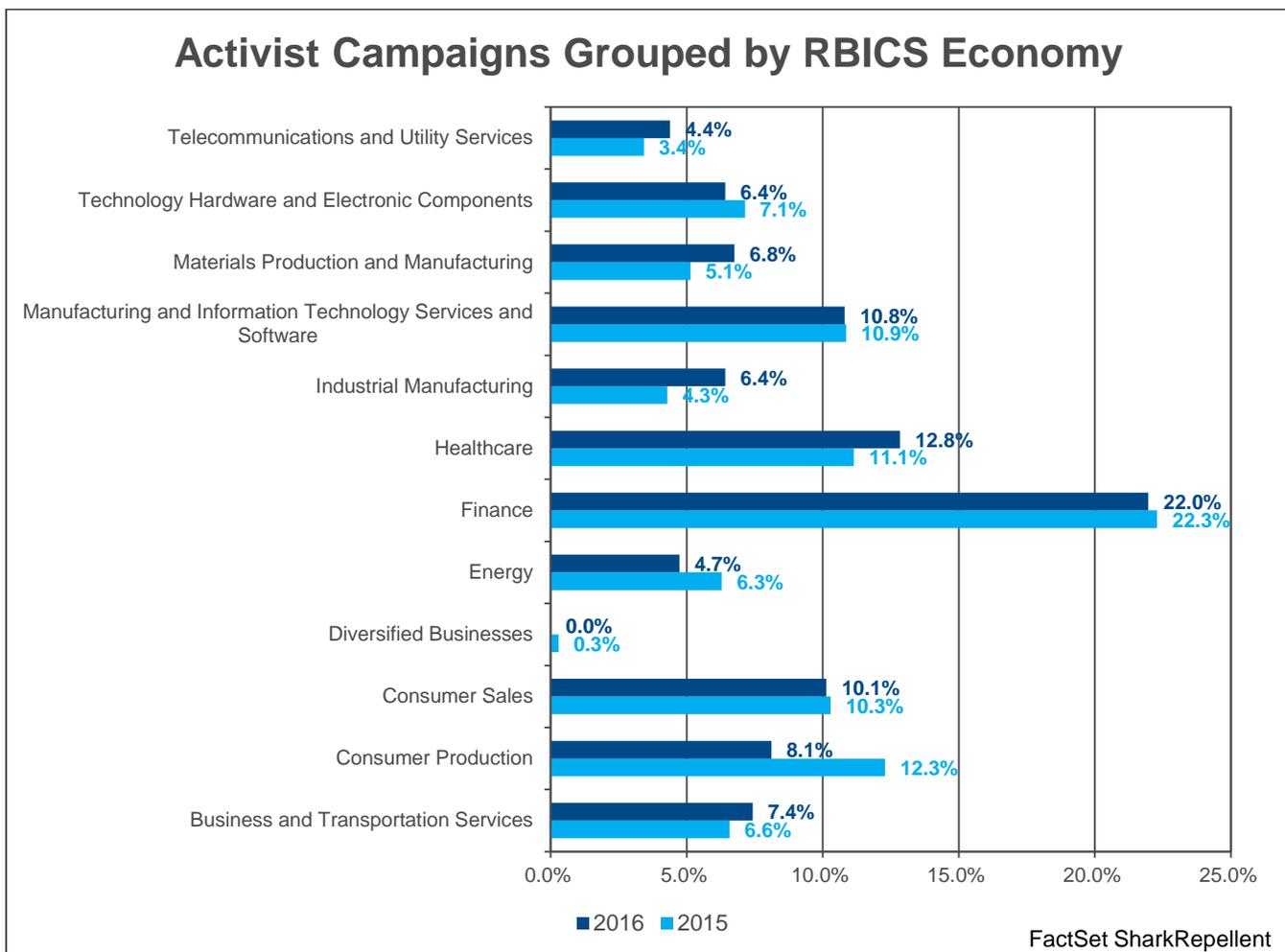


## Sector Breakdown

This chart displays activist campaigns grouped by the FactSet Revere Business Industry Classification System (RBICS) of the target company. RBICS is a comprehensive structured taxonomy that classifies companies using a bottom-up approach first according to the products and services they sell rather than a top-down approach.

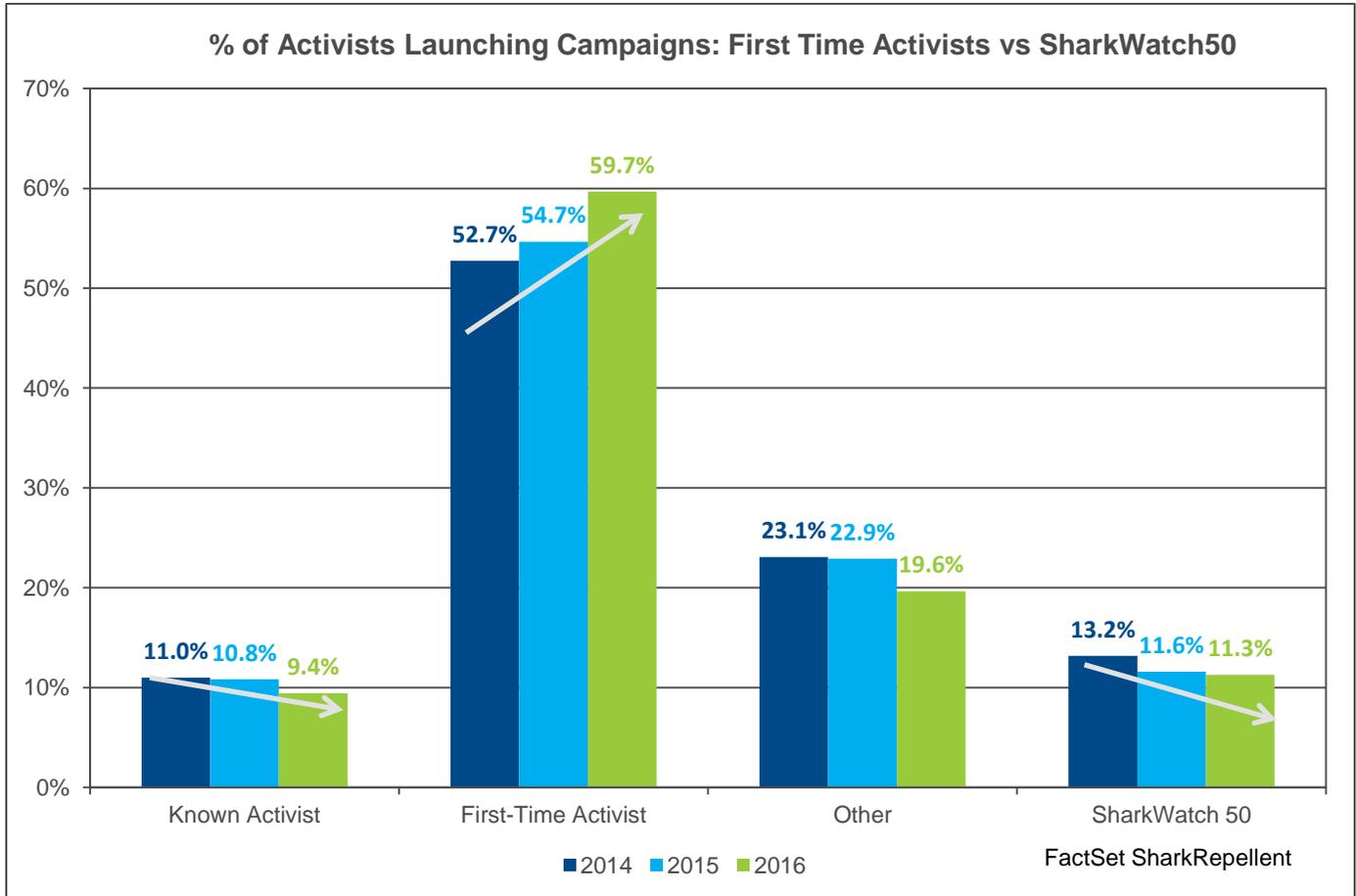
The Finance economy represented 22% of activist campaigns in 2016, which was more than any other group. This percentage was essentially even with the number in 2015. Within the Finance economy, the Real estate sector saw a jump in activist campaigns. The sector made up 9.8% of all campaigns this past year, compared to only 6.3% in 2015. ValueAct’s engagement with the management and board of commercial real estate investment management service firm, CBRE Group, was one of the notable campaigns in this sector. On the other end of the spectrum, there was a decline in the count of campaigns targeted at banks in 2016 (4.1% in 2016 from 6% in 2015). In 2015, activists launched a number of campaigns against smaller regional banks, but that number dropped in 2016.

The Consumer Production economy experienced a large year-over-year drop in terms of campaign volume. In 2015, the group represented 12.3% of all activist campaigns, but that percentage fell to 8.1% in 2016. Back in 2015, activists seemed to really target the underlying Consumer Products and Services sector. Some of those well-publicized activist campaigns in the sector were: Pershing Square and Mondelez, JANA and ConAgra, and Ancora and Shutterfly. Campaign volume fell to 11 in 2016 (from 25 in 2015) in this group.



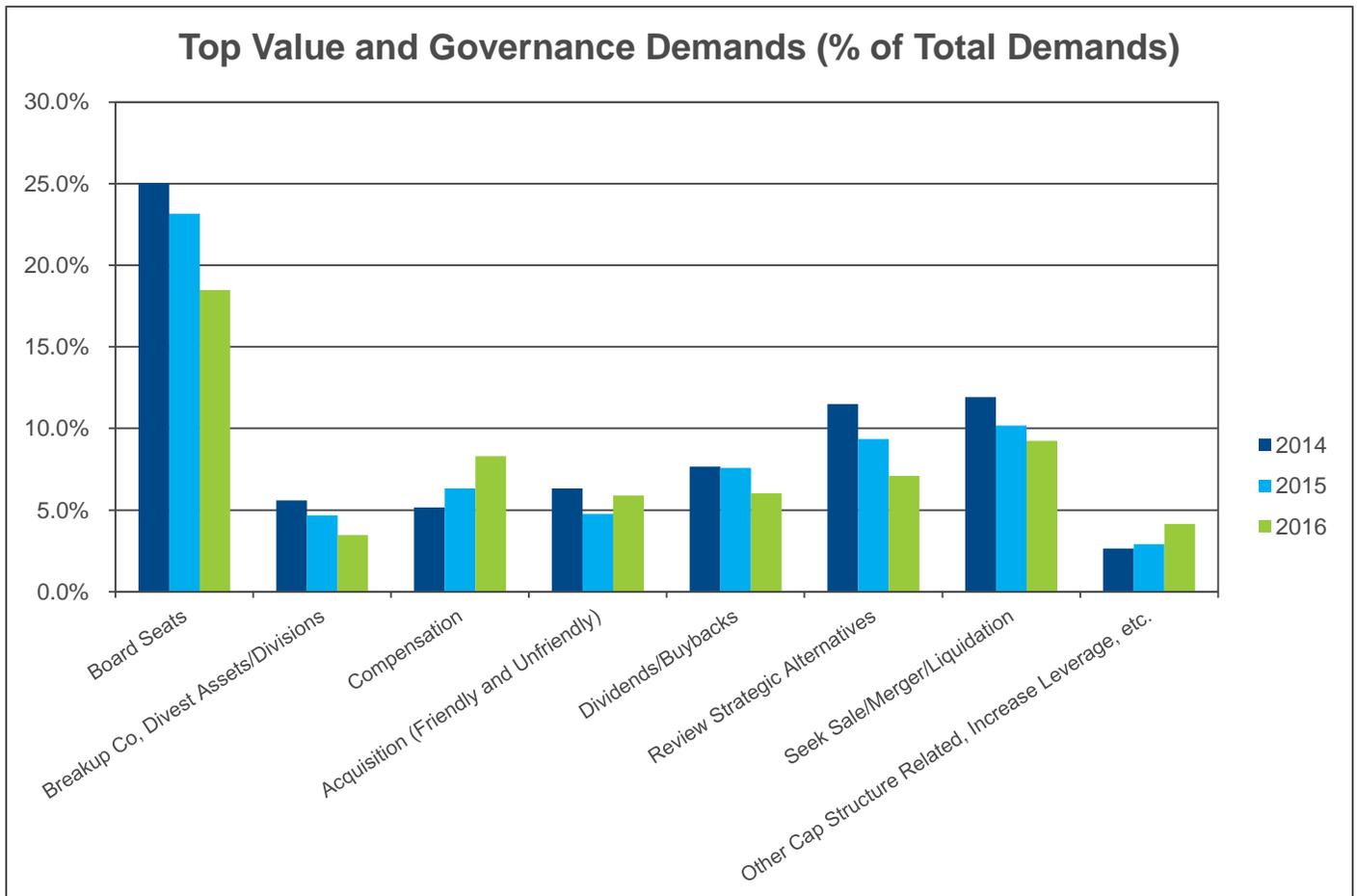
## First-Time Activists versus SharkWatch 50

In 2014, the SharkWatch 50 represented 13.2% of activists who launched campaigns against U.S. incorporated companies during the year. At the end of 2016, this group made up only 11.3% of activists who announced campaigns. In 2014, “First-Time Activists” represented approximately 53% of activists launching campaigns during the year. That number increased to nearly 55% in 2015, and then jumped to approximately 60% by the end of 2016.



## Value and Governance Demands\*

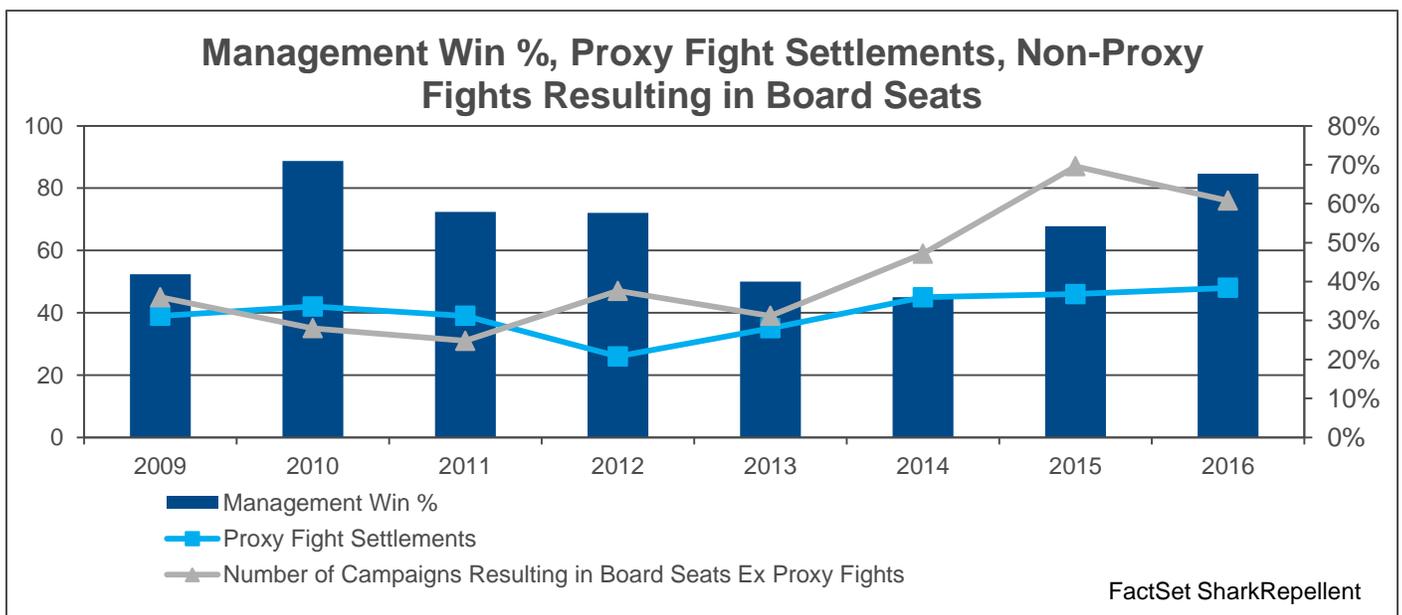
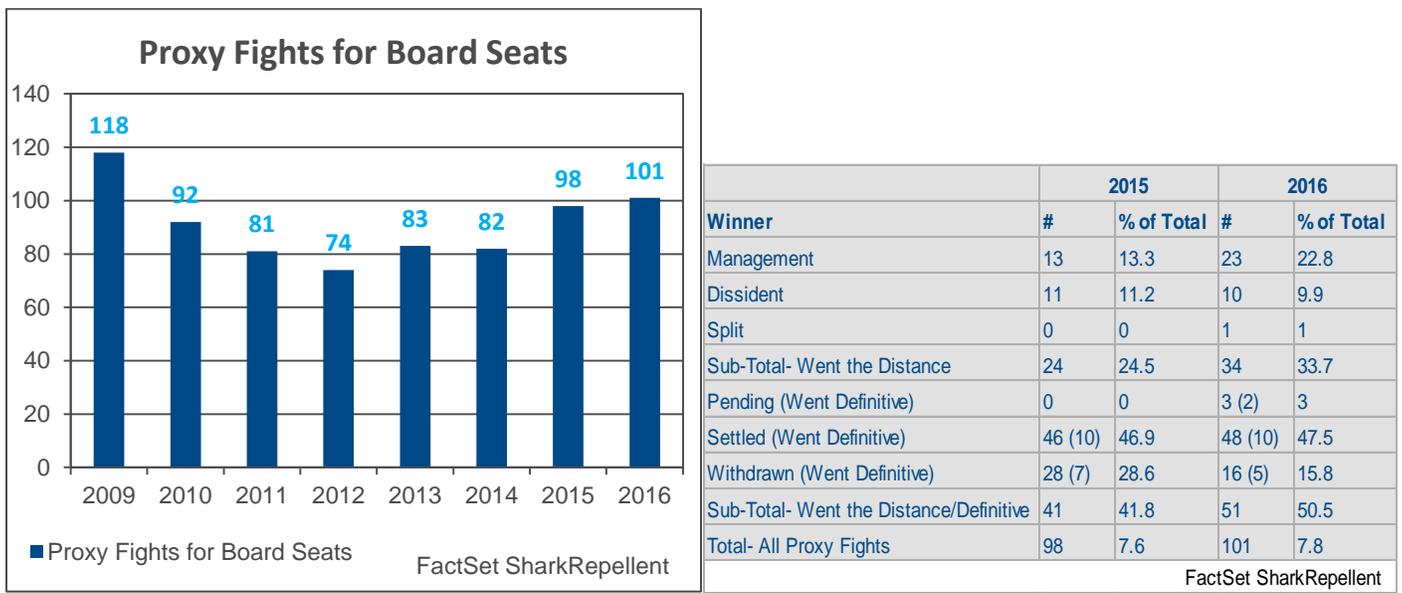
The top demand sought by activist investors in 2016 was board seats. This has also been the case historically, as attaining seats on the Board of Directors is the best way for the activist to ensure their agenda is considered. The push for board seats has made up about 18.5% of the total demands so far this year. Returning cash via buybacks and dividends wasn't a primary demand on activists' agendas in 2016. It made up 6% of the total demands this year, which was a drop from 7.6% in 2015 and 7.7% in 2014. Many companies are initiating a dividend or starting a repurchase program on their own, making it unnecessary for activists to push for this. Two demands on the rise have been compensation and capital structure. Compensation-related demands represented 8.3% of total demands this year, which was an increase from 6.3% in 2015 and just 5.2% in 2014. Egregious executive pay practices combined with an underperforming stock could very easily lead to an activist knocking on the door. Capital structure-related demands made represented 4.1% of total demands in 2016, which was an uptick from 2.9% in 2015 and 2.7% in 2014.



\*Demands that are fund specific are excluded. Also excluded are demands related to removing takeover defenses, social/environments/political issues, and other governance enhancements.

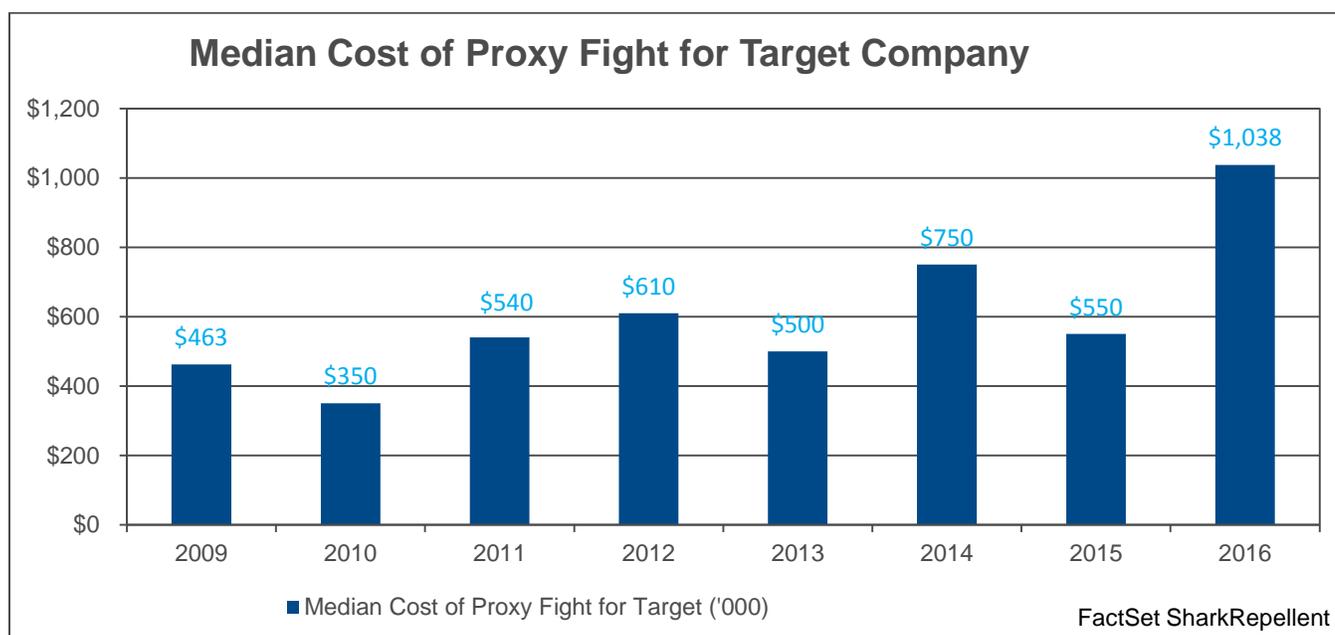
## Proxy Fights

In 2016, the number of proxy fights for board seats reached its highest level since 2009, at 101 contests. The 34 proxy fights that went the distance also marked the highest total since 2009. The company win rate for those board seat proxy contests that went to a shareholder vote stood at approximately 68%, which marked an increase from the win rate in 2015 (54%). Proxy fight settlements have risen every year since 2013. During 2016, 48 proxy fights were formally settled (or withdrawn after the company made material concessions), which marked the highest number in any year since FactSet began tracking proxy fights in 2001. Additionally, many companies are still choosing to grant board seats to activists before the campaign evolves into a proxy fight situation. In 2016, 76 non-proxy fight activist campaigns resulted in at least one board seat, which was the second highest count on record after 2015 (87). It would appear that companies are more willing to grant seats to activist investors than ever before. At the same time, they are getting better and better at picking their battles.



## Costs of Proxy Fights

A proxy fight can lead to significant costs for the target company if it ends up going to a vote. These costs include fees associated with proxy solicitation, consulting, and more. Looking at proxy fights in 2016, the median cost for the target company was approximately \$1 million, which was nearly double the median cost in 2015. The fight between Barington and women's retailer, Chico's FAS, had the largest disclosed company cost at \$5.9 million.



Most Expensive Proxy Fights				
Primary Ticker	Company Name	Dissident Group	End Date	Company Estimated Fight Costs ('000)
CHS	Chico's FAS, Inc.	Barington Companies Investors LLC	7/15/2016	\$5,900
BHE	Benchmark Electronics, Inc.	Engaged Capital LLC	5/11/2016	\$5,000
IRBT	iRobot Corporation	Red Mountain Capital Partners LLC	5/25/2016	\$3,800
FARM	Farmer Bros. Co.	Save Farmer Bros.	12/8/2016	\$3,700
AMBC	Ambac Financial Group, Inc.	Canyon Capital Advisors LLC	5/13/2016	\$3,000
GDOT	Green Dot Corporation	Harvest Capital Strategies LLC	5/23/2016	\$2,600
RTIX	RTI Surgical, Inc.	Krensavage Asset Management LLC	5/26/2016	\$2,500
AI	Arlington Asset Investment Corp.	Clinton Group, Inc., Imation Corp.	6/9/2016	\$2,350
FSFR	Fifth Street Senior Floating Rate Corp.	Ironsides Partners LLC	4/12/2016	\$1,900
FISI	Financial Institutions, Inc.	Clover Partners LP	6/3/2016	\$1,800

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## Financial and Legal Advisers

2016: Top Financial Advisers			
2016			
Financial Advisers	Advised an Activist	Advised a Company	Total
Morgan Stanley	0	18	18
Goldman Sachs	0	17	17
Evercore Partners	0	9	9
J.P. Morgan Chase & Co.	0	7	7
Houlihan Lokey Howard & Zukin	1	4	5
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2015: Top Financial Advisers			
2015			
Financial Advisers	Advised an Activist	Advised a Company	Total
Goldman Sachs	0	24	24
J.P. Morgan Chase & Co.	0	14	14
Morgan Stanley	0	13	13
Houlihan Lokey Howard & Zukin	5	5	10
Credit Suisse	0	9	9
FactSet SharkRepellent			

2016: Top Legal Advisers			
2016			
Law Firms	Advised an Activist	Advised a Company	Total
Olshan Frome Wolosky LLP	83	0	83
Schulte Roth & Zabel	20	0	20
Vinson & Elkins LLP	0	19	19
Kleinberg, Kaplan, Wolf & Cohen	14	0	14
Cadwalader Wickersham & Taft	7	6	13
Morgan Lewis & Bockius LLP	1	12	13
FactSet SharkRepellent			

2015: Top Legal Advisers			
2015			
Law Firms	Advised an Activist	Advised a Company	Total
Olshan Frome Wolosky LLP	92	0	92
Wachtell Lipton Rosen & Katz	0	28	28
Schulte Roth & Zabel	26	0	26
Latham & Watkins LLP	0	14	14
Vinson & Elkins LLP	0	14	14
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## Proxy Solicitors

2016: Top Proxy Solicitors			
2016			
	Proxy Solicitor (Company)	Proxy Solicitor (Activist)	Total
OKAPI Partners LLC	3	23	26
Innisfree M&A Incorporated	16	4	20
D.F. King & Co., Inc.	9	5	14
Morrow & Co., Inc.	7	7	14
MacKenzie Partners, Inc.	10	3	13
Georgeson Inc.	7	3	10
InvestorCom, Inc.	0	9	9
FactSet SharkRepellent			

2015: Top Proxy Solicitors			
2015			
	Proxy Solicitor (Company)	Proxy Solicitor (Activist)	Total
MacKenzie Partners, Inc.	19	6	25
OKAPI Partners LLC	6	16	22
Innisfree M&A Incorporated	7	7	14
D.F. King & Co., Inc.	7	6	13
InvestorCom, Inc.	1	10	11
Georgeson Inc.	9	0	9
Morrow & Co., Inc.	1	2	3
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Dissident Proxy Solicitor  
Company Proxy Solicitor

2016: Largest Disclosed Proxy Solicitor Fees				
Company	Dissident	Proxy Solicitor	Fee ('000)	Proxy Fight Winner
Norfolk Southern Corporation	Canadian Pacific Railway Limited	D.F. King & Co., Inc.	\$2,000	Withdrawn
Medivation, Inc.	Sanofi	Innisfree M&A Incorporated	\$1,000	Settled/Concessions Made
Puma Biotechnology, Inc.	Fredric N. Eshelman	OKAPI Partners LLC	\$900	Management
Axiall Corporation	Westlake Chemical Corporation	MacKenzie Partners, Inc.	\$725	Withdrawn
Chico's FAS, Inc.	Barington Companies Investors LLC	Innisfree M&A Incorporated	\$600	Withdrawn
FactSet SharkRepellent				

## Top Activists by Campaign Volume

Elliott Management launched ten activist campaigns in 2016 making it the top activist investor by campaign volume during the year. This marked an increase from the 8 campaigns launched in 2015. Elliott Management is a member of FactSet's SharkWatch 50, which represents a compilation of the 50 most significant activist investors. Inclusion in the SharkWatch 50 is based upon a number of factors, including the number of publicly disclosed activist campaigns waged, with an emphasis on recent activity, as well as the ability to affect change at target companies.

The most recent activist campaign launched by Elliott Management was against IT and business consulting company, Cognizant Technology Solutions, back in late November. Elliott disclosed a letter to the board outlining a value-enhancement plan to help the firm achieve a value of \$80 to \$90 plus per share by the end of 2017. The campaign is still ongoing.

Top Activists by Campaign Volume	
Activist	2016
Elliott Management Corp	10
Bulldog Investors LLC	7
Land & Buildings Investment Management LLC	6
Clinton Group Inc	6
ValueAct Capital Management LP	5
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Top Activists by Campaign Volume	
Activist	2015
Bulldog Investors LLC	11
GAMCO Asset Management, Inc.	11
Elliott Management Corp	8
Starboard Value LP	7
Ancora Advisors LLC	7
FactSet SharkRepellent	

## Top Performing Campaigns (3 Days before Announcement to Campaign End)

The list below shows the top ten best performing activist campaigns in 2016. The list displays activist campaigns that ended in 2016 and ranks them by the target company's performance three days prior to the announcement date of the campaign to the end date of the campaign. Campaigns that involved target companies with market caps less than \$100m were excluded.

Top Performing Activist Campaigns in 2016 (3 Days Prior to Announce Date to End Date)						
Primary Ticker	Company Name	Dissident Group	Announce Date	Primary Campaign Type	End Date	TR of Target: 3 days prior to Announce Date to End Date (%)
AXLL	Axiall Corporation	Brigade Capital Management LP	2/1/2016	Maximize Shareholder Value	6/10/2016	238.4
CWEI	Clayton Williams Energy, Inc.	Ares Management LLC	6/28/2016	Maximize Shareholder Value	8/29/2016	117.9
HTWR	HeartWare International, Inc.	Hudson Executive Capital LP	1/15/2016	Maximize Shareholder Value	6/28/2016	117.2
CDK	CDK Global, Inc.	Sachem Head Capital Management LP	10/27/2014	Maximize Shareholder Value	7/22/2016	109.1
ANGI	Angie's List, Inc.	TCS Capital Management LLC	7/29/2015	Board Representation	3/1/2016	103.6
AMED	Amedisys, Inc.	North Tide Capital LLC	12/2/2014	Maximize Shareholder Value	8/15/2016	91.0
CAB	Cabela's Incorporated	Elliott Management Corporation	10/28/2015	Maximize Shareholder Value	10/3/2016	88.0
MFRM	Mattress Firm Holding Corp.	Berkshire Partners Holdings LLC	2/9/2016	Board Representation	8/8/2016	84.0
MFRM	Mattress Firm Holding Corp.	40 North Management LLC	2/8/2016	Board Representation	9/14/2016	82.8
PCMI	PCM, Inc.	Firoz LaljiNajma Lalji	3/13/2014	Maximize Shareholder Value	8/4/2016	70.2
DEPO	Depomed, Inc.	Starboard Value LP	4/7/2016	Board Control	10/17/2016	65.6

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## Largest Activist Campaigns by Market Cap of Target

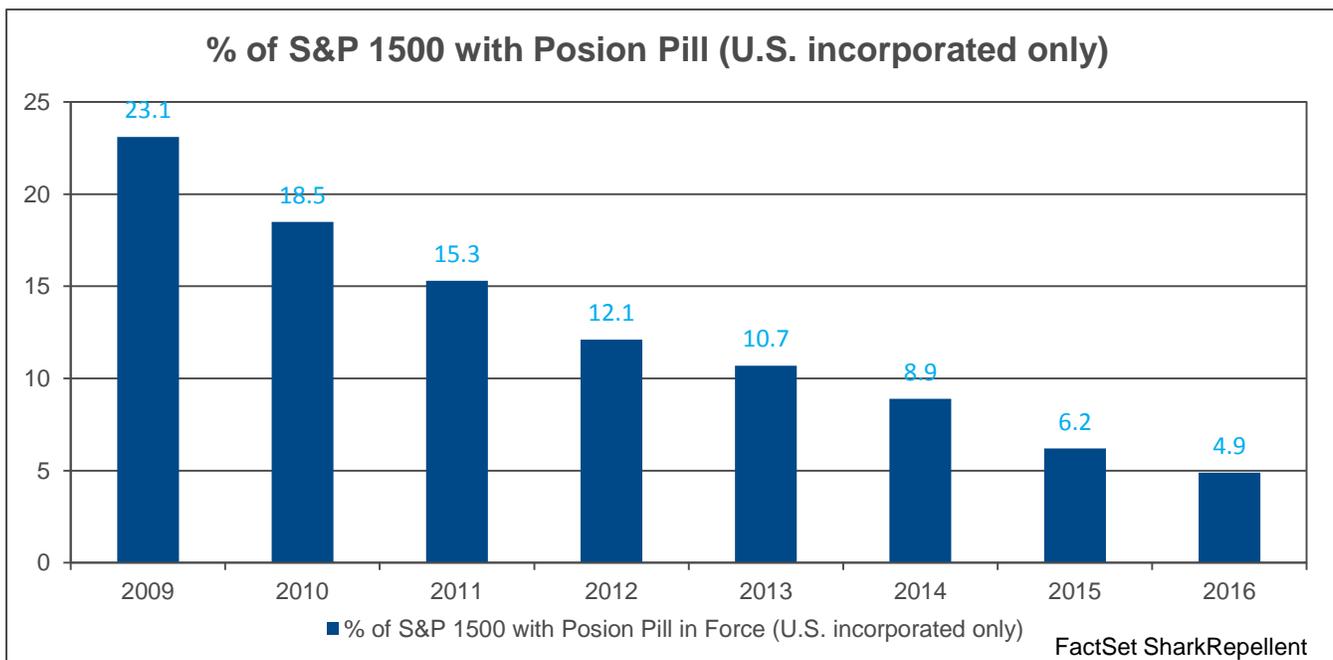
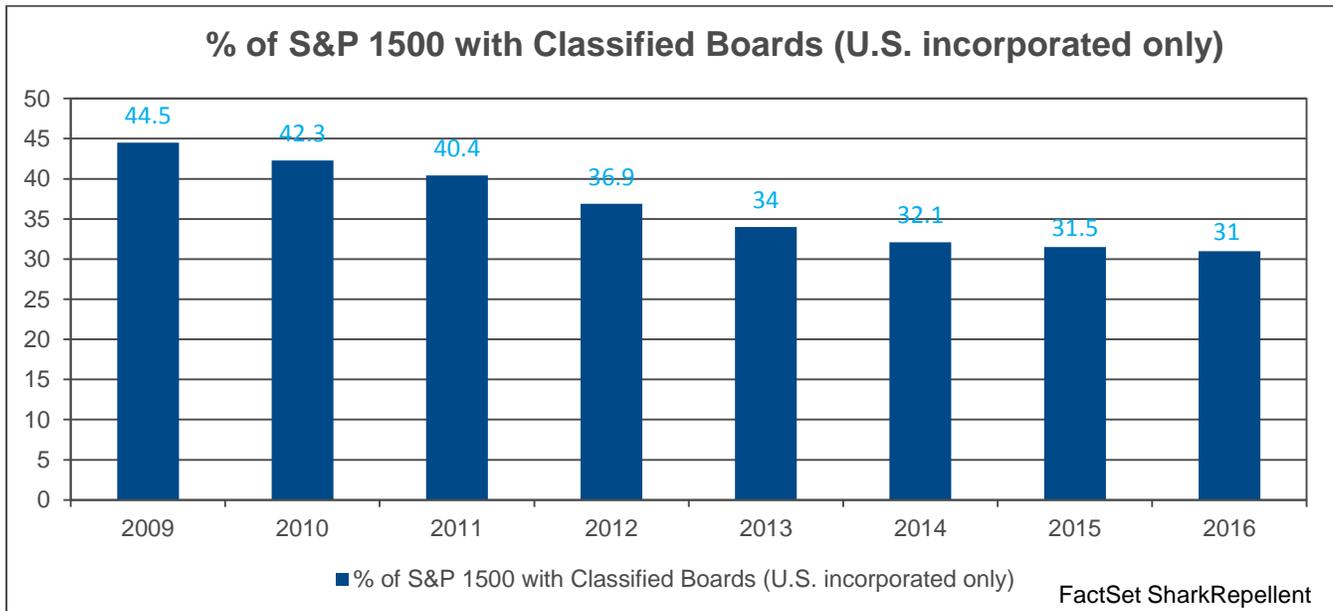
The list below shows the top ten activist campaigns in 2016 by the market cap of the targeted company at the time of the campaign.

Top Activist Campaigns by Market Cap of Target					
Primary Ticker	Company Name	Dissident Group	Announce Date	Primary Campaign Type	Market Cap at time of Campaign(\$m)
FB	Facebook, Inc.	Citron Research	6/13/2016	Public Short Position/Bear Raid	\$333,533
JNJ	Johnson & Johnson	Artisan Partners LP	1/28/2016	Maximize Shareholder Value	\$282,671
ABBV	AbbVie, Inc.	Elliott Management Corporation	8/5/2016	Maximize Shareholder Value	\$107,647
MS	Morgan Stanley	ValueAct Capital Management LP	8/15/2016	Maximize Shareholder Value	\$55,934
CTSH	Cognizant Technology Solutions	Elliott Management Corporation	11/28/2016	Maximize Shareholder Value	\$32,301
HCN	Welltower, Inc.	UNITE HERE	9/1/2016	Maximize Shareholder Value	\$27,453
STJ	St. Jude Medical, Inc.	Muddy Waters LLC	8/25/2016	Public Short Position/Bear Raid	\$23,303
MPC	Marathon Petroleum Corporation	Elliott Management Corporation	11/21/2016	Maximize Shareholder Value	\$22,868
DISH	DISH Network Corporation	Kerrisdale Advisers LLC	5/11/2016	Public Short Position/Bear Raid	\$22,092
UAL	United Continental Holdings, Inc.	Altimeter/PAR Capital Management	1/26/2016	Board Representation	\$16,932

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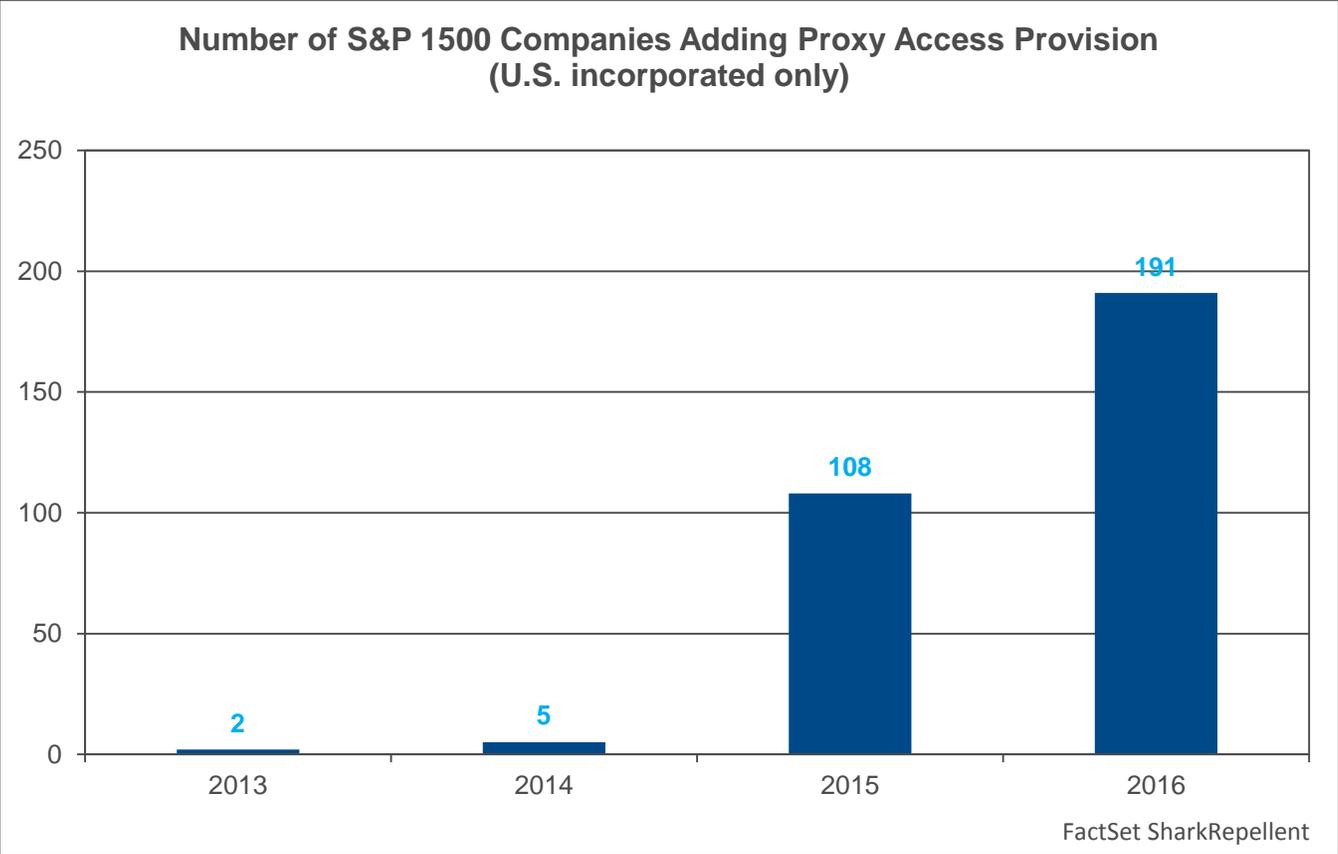
## Corporate Governance Trends

The trend of fewer and fewer companies having classified (staggered) boards and poison pills in force continued in 2016. Of U.S. incorporated companies in the S&P 1500, 31% had a classified board at the end of 2016 compared to 31.5% in 2015. Only 4.9% of U.S. incorporated companies in the S&P 1500 had poison pills at the end of the year compared to 6.2% at the end of 2015.



## Proxy Access

Proxy access is a charter, bylaw, or default state statute that allows director candidates nominated by shareholders to be included in the company's proxy materials. Proxy access allows a shareholder to nominate directors without having to incur the expenses associated with a proxy fight including preparing, filing and disseminating their own proxy materials. The number of U.S. incorporated S&P 1500 companies adding a proxy access provision soared to 108 in 2015 and then jumped 77% to 191 companies in 2016. Additionally, proxy access was the top shareholder proposal in 2015 and 2016.



## Shareholder Proposals

Similar to 2015, proxy access was the top shareholder proposal in 2016. The “For” votes that the proxy access proposal received as a percent of the Yes/No (For/For + Against) averaged 50.1%, which was a decline from 54.7% in 2015. New York City Retirement Systems was the leading proponent of this proposal for both years. Political issues, environmental issues, and the desire to separate the Chairman and CEO positions were some of the other top shareholder proposals this past year. Compared to 2015, there were upticks in shareholder proposals regarding labor issues and the aim to change the voting requirement to elect directors to a majority vote from a plurality.

Shareholder Proposal	2016 Total	2016 Average For (% Yes / No)	2015 Total	2015 Average For (% Yes / No)	Leading Proponent (2016)
Shareholder Nominee in Company Proxy (Proxy Access)	84	50.1	91	54.7	New York City Retirement Systems
Political Issues	72	26.1	71	27.5	New York State Common Retirement Fund
Environmental Issues	67	24.4	59	19.9	New York State Common Retirement Fund
Separate Chairman and CEO Positions/Independent Chairman	47	28.8	64	29.2	John Chevedden
Eliminate Supermajority Requirements	24	42.3	17	45.3	John Chevedden
Vote on/Limit Severance Agreements ("golden parachutes")	23	30.2	44	32.8	International Brotherhood of Teamsters
Change Vote Req to Elect Directors to Majority from Plurality	21	73.4	11	65.8	California State Teachers Retirement System
Labor Issues	21	12.5	11	12.0	Holy Land Principles, Inc.
Allow for or Decrease Requirement to Call Special Meetings	19	41.8	20	43.7	John Chevedden
Human Rights	19	9.9	17	12.5	National Center for Public Policy Research
Return Capital to Shareholders (Dividends, Buybacks)	19	3.7	3	28.4	Jonathan Kalodimos
Allow for or Decrease Requirement to Act by Written Consent	17	41.3	36	39.4	John Chevedden
Sustainability Report	14	28.6	18	29.7	Calvert Investment Management, Inc.
Eliminate Dual Class Structure (Unequal Voting)	12	27.5	12	34.9	John Chevedden
Require Equity be Retained by Execs/Dir for Specified Period	12	17.6	11	23.3	International Brotherhood of Electrical Workers
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## Say on Pay

Section 951 of the Dodd-Frank Act requires public companies with meetings on or after 1/21/2011 to provide a separate non-binding say on pay vote to approve the compensation of executive officers as disclosed in the company's proxy statement at least once every three years. Of FactSet SharkRepellent's coverage universe of approximately 4,000 companies\*, only 40 companies (1.5%) have failed say on pay votes in 2016, compared to 66 companies (2.5%) in 2015. Oracle, Exelon, General Growth Properties, Palo Alto Networks, and BorgWarner were the largest of these 40 companies. Shareholder support was in line with a year ago: an average of 89.9% of votes cast supported pay practices in 2016 versus 90% in 2015. For the subset of companies holding a say on pay frequency vote, boards recommending an annual vote increased to 75.4% in 2016, from 70.7% in 2015. With Dodd-Frank requiring a say on frequency vote at least once every six years, FactSet expects thousands of companies to have it on their 2017 annual meeting agenda.

Dodd-Frank "Say on Pay" Proposal Scorecard -- 2016 Results			Dodd-Frank "Say on Pay" Proposal Scorecard -- 2015 Results		
Advisory Vote on Compensation ("Say on Pay")			Advisory Vote on Compensation ("Say on Pay")		
Result	# of Companies	% of Total	Result	# of Companies	% of Total
Pass	2,569	97.8	Pass	2,572	97.1
Fail	40	1.5	Fail	66	2.5
Failed But Received a Majority of Yes/No Votes	1	0.0	Failed But Received a Majority of Yes/No Votes	3	0.1
Sub-Total (Voted On)	2,609	99.4	Sub-Total (Voted On)	2,638	99.6
Pending/Results Never Disclosed	14	0.5	Pending/Results Never Disclosed	7	0.3
Not Voted On	3	0.1	Not Voted On	3	0.1
Total (All Proposals)	2,626	100.0	Total (All Proposals)	2,648	100.0

Average Vote Results – Votes For		%	Average Vote Results – Votes For		%
% Shares Outstanding		68.4	% Shares Outstanding		68.6
% Yes/No		90.8	% Yes/No		90.9
% Votes Cast including Abstentions		89.9	% Votes Cast including Abstentions		90.0

Say on Pay Frequency Proposals							
Frequency	Board Recommendation		Received Most Votes		Both*		Average Votes For**
	#	% of Total	#	% of Total	#	% of Total	
1 Year (Annual)	107	75.4	112	81.2	105	80.8	78.0
2 Years (Biennial)	2	1.4	2	1.4	1	0.8	2.3
3 Years (Triennial)	32	22.5	24	17.4	24	18.5	18.9
No Recommendation/Abstain	1	0.7	0	0.0	0	0.0	0.9

\* Companies where the frequency recommended by the board received the most votes.  
\*\* Average votes for specified frequency based on all votes cast for the four choices.

2016

Say on Pay Frequency Proposals							
Frequency	Board Recommendation		Received Most Votes		Both*		Average Votes For**
	#	% of Total	#	% of Total	#	% of Total	
1 Year (Annual)	106	70.7	106	73.6	99	73.3	71.7
2 Years (Biennial)	2	1.3	3	2.1	2	1.5	2.8
3 Years (Triennial)	41	27.3	34	23.6	33	24.4	24.1
No Recommendation/Abstain	1	0.7	1	0.7	1	0.7	1.4

\* Companies where the frequency recommended by the board received the most votes.  
\*\* Average votes for specified frequency based on all votes cast for the four choices.

2015

\*Data is based on SharkRepellent coverage universe of approximately 4,000 companies (which includes the Dow, Nasdaq 100, Fortune 500, S&P 1500, and Russell 3000). Non-U.S. companies that were part of an index are included. Shareholder meetings held 01/01/2016 through 12/31/2016.

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