

Union Calendar No. 53

110TH CONGRESS
1ST SESSION

H. R. 1257

[Report No. 110-88]

To amend the Securities Exchange Act of 1934 to provide shareholders with an advisory vote on executive compensation.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 2007

Mr. FRANK of Massachusetts (for himself, Mr. SCOTT of Georgia, Mr. RANGEL, Mr. GEORGE MILLER of California, Ms. VELÁZQUEZ, Mr. KANJORSKI, Mr. GUTIERREZ, Mr. DEFazio, Mr. CLAY, Mr. BACA, Mr. AL GREEN of Texas, Mr. COOPER, Ms. WOOLSEY, Mr. SHERMAN, Mr. ELLISON, Mr. LANTOS, Mr. ACKERMAN, Mr. MILLER of North Carolina, Mr. CLEAVER, Mr. SIRES, Mr. PERLMUTTER, and Mr. WILSON of Ohio) introduced the following bill; which was referred to the Committee on Financial Services

APRIL 16, 2007

Additional sponsors: Ms. MOORE of Wisconsin, Mr. MEEKS of New York, Mr. LYNCH, Ms. CARSON, Mr. MARSHALL, and Mrs. MALONEY of New York

APRIL 16, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

A BILL

To amend the Securities Exchange Act of 1934 to provide shareholders with an advisory vote on executive compensation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Shareholder Vote on
5 Executive Compensation Act”.

6 **SEC. 2. SHAREHOLDER VOTE ON EXECUTIVE COMPENSA-**
7 **TION DISCLOSURES.**

8 (a) AMENDMENT.—Section 16 of the Securities Ex-
9 change Act of 1934 (15 U.S.C. 78n) is amended by adding
10 at the end the following new subsection:

11 “(h) ANNUAL SHAREHOLDER APPROVAL OF EXECU-
12 TIVE COMPENSATION.—

13 “(1) IN GENERAL.—Any proxy or consent or
14 authorization under this section shall permit a sepa-
15 rate shareholder vote to approve the compensation of
16 executives as disclosed pursuant to the Commission’s
17 compensation disclosure rules (which disclosure shall
18 include the compensation discussion and analysis,
19 the compensation tables, and any related material).
20 The shareholder vote shall not be binding on the
21 board of directors and shall not be construed as
22 overruling a decision by such board.

23 “(2) SHAREHOLDER APPROVAL OF GOLDEN
24 PARACHUTE COMPENSATION.—

1 “(A) DISCLOSURE.—In any proxy solicita-
2 tion material that concerns an acquisition,
3 merger, consolidation, or proposed sale or other
4 disposition of substantially all the assets of an
5 issuer, the person making such solicitation shall
6 disclose in the proxy solicitation material, in a
7 clear and simple form in accordance with regu-
8 lations of the Commission, any agreements or
9 understandings that such person has with any
10 principal executive officers of such issuer (or of
11 the acquiring issuer, if such issuer is not the
12 acquiring issuer) concerning any type of com-
13 pensation (whether present, deferred, or contin-
14 gent) that are based on or otherwise relate to
15 the acquisition, merger, consolidation, sale, or
16 other disposition, and that have not been sub-
17 ject to a shareholder vote under paragraph (1).

18 “(B) SHAREHOLDER APPROVAL.—The
19 proxy solicitation material containing the disclo-
20 sure required by subparagraph (A) shall require
21 a separate shareholder vote to approve such
22 agreements or understandings. A vote by the
23 shareholders shall not be binding on the board
24 of directors and shall not be construed as over-
25 ruling a decision by such board.”.

1 (b) **DEADLINE FOR RULEMAKING.**—Not later than 1
2 year after the date of the enactment of this Act, the Secu-
3 rities and Exchange Commission shall issue any final rules
4 and regulations required by the amendments made by sub-
5 section (a).

6 **SECTION 1. SHORT TITLE.**

7 *This Act may be cited as the “Shareholder Vote on Ex-*
8 *ecutive Compensation Act”.*

9 **SEC. 2. SHAREHOLDER VOTE ON EXECUTIVE COMPENSA-**
10 **TION DISCLOSURES.**

11 (a) **AMENDMENT.**—*Section 16 of the Securities Ex-*
12 *change Act of 1934 (15 U.S.C. 78n) is amended by adding*
13 *at the end the following new subsection:*

14 “(h) **ANNUAL SHAREHOLDER APPROVAL OF EXECU-**
15 **TIVE COMPENSATION.**—

16 “(1) **IN GENERAL.**—*Any proxy or consent or au-*
17 *thorization for an annual or other meeting of the*
18 *shareholders occurring on or after January 1, 2009,*
19 *shall permit a separate shareholder vote to approve*
20 *the compensation of executives as disclosed pursuant*
21 *to the Commission’s compensation disclosure rules*
22 *(which disclosure shall include the compensation dis-*
23 *cussion and analysis, the compensation tables, and*
24 *any related material). The shareholder vote shall not*
25 *be binding on the board of directors and shall not be*

1 *construed as overruling a decision by such board, nor*
2 *to create or imply any additional fiduciary duty by*
3 *such board, nor shall such vote be construed to restrict*
4 *or limit the ability of shareholders to make proposals*
5 *for inclusion in such proxy materials related to execu-*
6 *tive compensation.*

7 “(2) *SHAREHOLDER APPROVAL OF GOLDEN*
8 *PARACHUTE COMPENSATION.*—

9 “(A) *DISCLOSURE.*—*In any proxy solicita-*
10 *tion material for an annual or other meeting of*
11 *the shareholders occurring on or after January 1,*
12 *2009, that concerns an acquisition, merger, con-*
13 *solidation, or proposed sale or other disposition*
14 *of substantially all the assets of an issuer, the*
15 *person making such solicitation shall disclose in*
16 *the proxy solicitation material, in a clear and*
17 *simple form in accordance with regulations of*
18 *the Commission, any agreements or under-*
19 *standings that such person has with any prin-*
20 *cipal executive officers of such issuer (or of the*
21 *acquiring issuer, if such issuer is not the acquir-*
22 *ing issuer) concerning any type of compensation*
23 *(whether present, deferred, or contingent) that*
24 *are based on or otherwise relate to the acquisi-*
25 *tion, merger, consolidation, sale, or other disposi-*

1 *tion, and that have not been subject to a share-*
2 *holder vote under paragraph (1).*

3 “(B) *SHAREHOLDER APPROVAL.—The*
4 *proxy solicitation material containing the disclo-*
5 *sure required by subparagraph (A) shall require*
6 *a separate shareholder vote to approve such*
7 *agreements or understandings. A vote by the*
8 *shareholders shall not be binding on the board of*
9 *directors and shall not be construed as over-*
10 *ruling a decision by such board, nor to create or*
11 *imply any additional fiduciary duty by such*
12 *board, nor shall such vote be construed to restrict*
13 *or limit the ability of shareholders to make pro-*
14 *posals for inclusion in such proxy materials re-*
15 *lated to executive compensation.”.*

16 (b) *DEADLINE FOR RULEMAKING.—Not later than 1*
17 *year after the date of the enactment of this Act, the Securi-*
18 *ties and Exchange Commission shall issue any final rules*
19 *and regulations required by the amendments made by sub-*
20 *section (a).*

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