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January 27, 2011

**Re: Say on Pay**

Dear Clients and Other Friends:

On January 25, 2011, the U.S. Securities and Exchange Commission ("SEC") adopted rules regarding shareholder advisory votes on executive compensation and golden parachute arrangements under §951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). These rules follow proposed rules issued by the SEC last fall and will require added disclosure in upcoming public company proxy materials.

The SEC rules cover three separate shareholder advisory votes:

1. Say on Pay Vote. Shareholders must be allowed to vote on whether to approve the compensation of named executive officers as disclosed in the proxy materials.
2. Say on Frequency Vote. Shareholders must be allowed to vote at least once every six years on whether the say on pay vote should occur every one, two or three years.
3. Say on Parachutes Vote. In proxy materials issued in connection with a business combination, shareholders must be allowed to vote on whether to approve so-called golden parachute compensation payable in connection with the business combination. However, golden parachute arrangements previously disclosed in connection with a say on pay vote need not be voted on again in connection with the business contribution.

Under the rules, none of the shareholder votes are binding on the board of directors or the public company. However, the compensation discussion and analysis section of the company's subsequent proxy material is required to disclose how the say on pay vote results affected compensation policy.

Small publicly traded companies – generally defined as a public company with a market capitalization of less than \$75 million – were granted a reprieve. The SEC will give them until 2013 to comply.

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The rules do not set forth specific language required for say on pay solicitations. We have sample language for inclusion in upcoming proxy materials.

If you have questions on say on pay rules or would like to discuss proxy statement language for say on pay, please contact us.

Very truly yours,

Jule M. Hannaford IV

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