

110TH CONGRESS  
1ST SESSION

# S. 1181

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

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IN THE SENATE OF THE UNITED STATES

APRIL 20, 2007

Mr. OBAMA introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## 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:

1       “(h) ANNUAL SHAREHOLDER APPROVAL OF EXECU-  
2 TIVE COMPENSATION.—

3               “(1) IN GENERAL.—Any proxy or consent or  
4 authorization for an annual or other meeting of the  
5 shareholders occurring on or after January 1, 2009,  
6 shall permit a separate shareholder vote to approve  
7 the compensation of executives as disclosed pursuant  
8 to the Commission’s compensation disclosure rules  
9 (which disclosure shall include the compensation dis-  
10 cussion and analysis, the compensation tables, and  
11 any related material). The shareholder vote shall not  
12 be binding on the board of directors and shall not  
13 be construed as overruling a decision by such board,  
14 nor to create or imply any additional fiduciary duty  
15 by such board, nor shall such vote be construed to  
16 restrict or limit the ability of shareholders to make  
17 proposals for inclusion in such proxy materials re-  
18 lated to executive compensation.

19               “(2) SHAREHOLDER APPROVAL OF GOLDEN  
20 PARACHUTE COMPENSATION.—

21               “(A) DISCLOSURE.—In any proxy sollicita-  
22 tion material for an annual or other meeting of  
23 the shareholders occurring on or after January  
24 1, 2009, that concerns an acquisition, merger,  
25 consolidation, or proposed sale or other disposi-

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

15               “(B)    SHAREHOLDER    APPROVAL.—The  
16          proxy solicitation material containing the disclo-  
17          sure required by subparagraph (A) shall require  
18          a separate shareholder vote to approve such  
19          agreements or understandings. A vote by the  
20          shareholders shall not be binding on the board  
21          of directors and shall not be construed as over-  
22          ruling a decision by such board, nor to create  
23          or imply any additional fiduciary duty by such  
24          board, nor shall such vote be construed to re-  
25          strict or limit the ability of shareholders to

1           make proposals for inclusion in such proxy ma-  
2           terials related to executive compensation.”.

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

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