

Waddell & Reed Takes Rare Step to Alter Result of Say-on-Pay Proposal; Move Highlights Need for Proxy Reform

BOSTON, July 29, 2009— At the annual stockholder meeting of Waddell & Reed Financial on April 8th, the proposal asking that shareowners be given a “say on pay” received over 50 percent support from investors. But in the company’s Form 10-Q filing submitted to the Securities & Exchange Commission yesterday, support among the company’s investors for say-on-pay is recorded as 48.5 percent. More than three months after the annual meeting, the company is proclaiming a majority of its shareowners do not favor a say on pay.

“Shareholders will be mystified by what happened. To our knowledge, it is unprecedented territory to go back and recount votes for a shareholder proposal, and management makes no mention of its pursuits to do so via the courts,” stated Dawn Wolfe, Associate Director of Social Research at Boston Common Asset Management.

In the intervening months between the stockholder meeting and its quarterly filing, Waddell & Reed Financial continued its active opposition to say-on-pay, culminating in a June 12th argument to the Delaware court it should be allowed to retroactively count approximately 3.2 million additional votes, more than 2 months after the close of the polls.

The votes in question were not accurately accounted for prior to the deadline as the result of a software error. Boston Common Asset Management was the lead sponsor of the proposal requesting a non-binding 'yes' or 'no' vote on the company's executive compensation report for the second consecutive year.

“The technical glitch exposed in this case is a prime example of the imperfections in our current proxy voting system,” stated Wolfe. “It is unfortunate whenever a shareholder vote is not counted, and we applaud the attention SEC Chair Schapiro has placed on improving the process in the future.”

Votes are routinely missed due to technological and human errors endemic to the proxy voting process. The Court of the Chancery of the State of Delaware granted Waddell & Reed’s petition to reopen the polls and count the specific block of votes identified by the it’s proxy solicitor as omitted on June 12th. The majority of those votes were cast against the proposal according to Waddell & Reed.

“The opaqueness of the process may have concealed many similar errors that led to missed votes at other proxy voting agencies and vote execution services,” stated Wolfe. However, only those votes closely tracked by Waddell’s proxy solicitor will be counted in a reopening of the polls. All other missed votes not receiving the benefit of this special treatment will remain unaccounted for.

“It is unfortunate that Waddell & Reed has taken this step,” stated Wolfe. “As a shareowner, Boston Common encouraged management to engage and discuss the opportunity the proposal provided for Waddell to enhance its corporate governance reputation, as did their direct peer Ameriprise Financial which has voluntarily adopted say-on-pay.”

"It is rare for a company to seek to count missed votes after the close of the annual meeting," stated Rich Ferlauto, Director, Corporate Governance and Pension Investment at the American Federation of State, County and Municipal Employees (AFSCME). "Companies have used the courts to change the outcome of contested Director elections or mergers, but Waddell & Reed appears to stand alone in pursuing this course of action for a precatory shareholder proposal."

Generally, when votes are missed the proxy voting agent informs the shareholder and attempts to correct the problem so it does not recur. When votes are missed, the issuer is often unaware.

"It's obvious the company feels quite strongly that being able to record a marginally lower level of support than they announced at the annual meeting is somehow significant. It is significant to discussions of proxy voting integrity, but Waddell is missing the big picture of what is significant for its shareowners," stated Wolfe.

"Whether slightly more or slightly less than 50% of investors support the proposal, the overall message is that half want a say-on-pay. We believe a forward thinking, accountable Board would want to discuss a proposal receiving such significant support with its shareowners. Instead, the company has decided to dig in its heels and hope the counting of mishandled votes will make it all disappear."

That seems unlikely given the Obama administrations June 11th announcement calling for say-on-pay legislation at all public companies. Waddell & Reed will be required to adopt say-on-pay if the legislation is enacted.

On April 8th, Waddell & Reed reported at its annual meeting that 50.6% of shareowners voted in favor of the say-on-pay proposal. This significant level of support was garnered despite a personal plea by the CEO in the form of a letter filed alongside the proxy statement urging investors to vote against it. The proposal received 49.5% support in 2008

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