

PROXY ADVISOR COMPETITION

WHEREAS:

- Some shareowners hire proxy advisors to help them vote in their clients' best interests, but most do not;
- Many shareowners lack time and expertise to make the best voting decisions, yet prefer not to always follow directors' recommendations;
- Shareowners could benefit from greater competition in the market for proxy voting advice;
- Existing business models for proxy advisors may have conflicts of interest, such as in providing voting advice on this proposal;

THEREFORE BE IT RESOLVED that Caterpillar, Inc. shareowners request the Board of Directors, consistent with their fiduciary duties and state law, to hold a competition for giving public advice on the voting items in the proxy filing for the Caterpillar 2015 annual shareowners meeting, with these features:

- The competition would offer multiple cash prizes totalling no more than \$50,000.
- Winners would be determined by shareowner vote on the Caterpillar 2015 proxy.
- To insulate advisor selection from influence by Caterpillar's management, any person or organization could enter by paying an entry fee.

For example, the Board could choose competition rules such as:

- The competition could be announced and open for entries six months after the Caterpillar 2014 annual shareowners meeting. Each entry could be announced publicly, promptly after it is received. Entries' names and website addresses (linked) could be shown promptly on a publicly accessible Caterpillar website page, in chronological order of entry. Entry deadline could be a reasonably brief time before Caterpillar begins to print and send its 2015 proxy materials.
- The competition could offer a first prize of \$20,000, a second prize of \$15,000, a third prize of \$10,000, and a fourth prize of \$5,000. The entry fee could be \$2,000.
- The Caterpillar Board could include this voting item in that proxy: "Which of the following proxy advisors do you think deserve cash awards for the usefulness of information they have provided to Caterpillar shareowners? (You may vote for as many advisors as you like. See each advisor's website for their information for Caterpillar shareowners. Prizes, of \$20,000, \$15,000, \$10,000 and \$5,000 will be awarded to advisors based on the number of shares voted to approve the usefulness of their advice.)" Then the name and website address of each advisor entered could be listed in chronological order of entry, followed by check-boxes for approval, disapproval and abstention for each entry. The advisor receiving the most approval votes could get first prize, and so on.
- It could be expected that each proxy advisor would publish advice on its website regarding the Caterpillar 2015 proxy, but there need be no formal requirement to do so. The incentive to win shareowner voting support and to maintain the advisor's reputation could be considered sufficient motivation for giving quality advice.
- The decision to hold such a competition in subsequent years could be left open.

(Further information on proxy advisor competitions: "Proxy Voting Brand Competition," *Journal of Investment Management*, First Quarter 2007; free download at <http://votermedia.org/publications>.)