

Exhibit 3 – Examples Applying the Proposed Shareholder Approval Calculations

As discussed in Section 3.a.(3)(F)(vi) of the Purpose section, IEX Rule 14.412 requires that a company listed on the Exchange receive shareholder approval in advance of the “potential issuance of common stock” where the “common stock has or will have upon issuance voting power equal to or in excess of 20% of the voting power outstanding before the issuance...” (the “Shareholder Approval Threshold”). By its terms, IEX Rule 14.412 therefore could be read to look only to the voting power of the shares upon issuance.¹ However, proposed Rule 14A.412 would require LTSE Listings Issuers to assign a greater level of voting power to the newly issued shares than the Initial Voting Power of those shares, given that shares listed on LTSE Listings may accrue additional voting power over time (“long-term voting”).

The following examples illustrate how an LTSE Listings Issuer would perform the shareholder approval calculations set forth in proposed Rule 14A.412. For comparison purposes, the examples also demonstrate how an LTSE Listings Issuer and a non-LTSE Listings Issuer (i.e., an issuer without long-term voting provisions in its organizational documents) would conduct the shareholder approval calculations in the absence of proposed Rule 14A.412 (i.e., based solely on existing IEX Rules 14.412(a)(1)(A) or 14.412(d)(1), as applicable). The examples only consider whether shareholder approval would be required based on the voting power of the shares to be issued, not based on the increase in shares of the issuer.

Example 1. Initial Voting Power of 1 – Issuer Listed for at Least Five Years

Example 1 assumes two issuers, a non-LTSE Listings Issuer and an LTSE-Listings Issuer, that are each considering issuing 15,000 shares of common stock with 100,000 shares of common stock already outstanding as of the Shareholder Approval Calculation Date (“SACD”). The Initial Voting Power of these shares is one. The voting power per share would not change over time for the non-LTSE Listings Issuer, so for this company, the voting power outstanding as of the SACD is 100,000. However, we assume that the outstanding voting power of the LTSE Listings Issuer has increased to 300,000.² These assumptions are summarized in the table below:

	Non-LTSE Listings Issuer	LTSE Listings Issuer
Size of proposed issuance	15,000	15,000

¹ See, e.g., IEX Rule 14.412(a)(1)(A).

² There are various scenarios that could result in total voting power of 300,000, depending on the number of shares registered in record name and the duration of time the shares are held in such form. For example, assuming the voting rights of shares held in record ownership increase at one additional vote per year, if 25,000 of the shares were held in record ownership for eight years, the voting power of those shares would increase to 225,000 votes, while the remaining 75,000 shares would maintain 75,000 votes, resulting in a total voting power of 300,000.

Initial Voting Power	1	1
Number of shares outstanding as of the SACD	100,000	100,000
Voting power of outstanding shares as of the SACD	100,000	300,000

Shareholder Approval Calculation for Non-LTSE Listings Issuer

To determine whether this issuance would be permissible without shareholder approval for the non-LTSE Listings Issuer, the issuer would divide the voting power of the potential issuance by the voting power of the shares outstanding. In this case, the calculation would be:

$$15,000 / 100,000 = 15\%$$

Because the voting power of the potential issuance would be less than 20%, this issuance would be permitted without shareholder approval under IEX Rule 14.412(a)(1)(A).

Shareholder Approval Calculation for LTSE Listings Issuer Without Applying Proposed Rule 14A.412

In the absence of proposed Rule 14A.412, to determine whether this issuance would be permissible for the LTSE Listings Issuer without shareholder approval, the issuer would again be required to divide the voting power of the potential issuance by the voting power of the shares outstanding. In this case, the calculation would be:

$$15,000 / 300,000 = 5\%$$

Because the voting power of the potential issuance would be less than 20%, this issuance would be permitted without shareholder approval under IEX Rule 14.412(a)(1)(A).

The foregoing calculation does not take into account the fact that shares of an LTSE Listings Issuer may accrue additional voting power over time. One potential approach for taking this into account would be to assume that all of the new shares in a proposed issuance will be registered in record name and held in that form for ten years, thereby accruing the maximum additional voting power (i.e., ten times the Initial Voting Power).³ If this approach were applied, the shareholder

³ This approach would be similar to the approach required for calculating the number of shares that may be issued pursuant to an offering of future-priced securities. See, e.g., Supplementary Material to .04 to IEX Rule 14.412 (noting that, for purposes of determining the number of shares to be issued in an offering of future-priced securities, the Exchange staff will “look to the maximum potential issuance of common shares.”). However, the Exchange believes that this approach would not be appropriate for determining whether the voting power of an issuance by an LTSE Listings Issuer would exceed the Shareholder Approval Threshold. In addition to the reasons described below, the Exchange believes purchasers of
(...continued)

approval calculation would be:

$$150,000 / 300,000 = 50\%$$

Under this approach, the issuance would not be permitted without shareholder approval, as 50% is greater than 20%. The Exchange notes that this calculation is provided solely for illustration purposes and does not reflect proposed Rule 14A.412. The Exchange believes that assuming that all of the new shares in a proposed issuance will be registered in record name and held in that form uninterrupted for ten years would not be appropriate for LTSE Listings Issuers when conducting the shareholder approval calculation because this would be extremely unlikely to occur. In addition, the Exchange believes that it would be even more unlikely for all shares of a potential issuance to accrue voting power up to the maximum amount while the shares outstanding remain static and do not accrue any additional voting power.⁴ Accordingly, the Exchange believes that proposed Rule 14A.412 takes a more realistic and appropriate approach to determine whether shareholder approval would be required, as described below.

Shareholder Approval Calculation for LTSE Listings Issuer Under Proposed Rule 14A.412

Under proposed Rule 14A.412, the LTSE Listings Issuer would need to first determine the Long-Term Voting Factor (“LTVF”), which reflects the growth in voting power pursuant to long-term voting that the LTSE Listings Issuer has actually experienced to date.

In this case, the LTVF would be 3:

$$\frac{\text{voting power outstanding as of SACD}}{\text{shares outstanding as of SACD} * \text{Initial Voting Power}} = \frac{300,000}{100,000 * 1} = 3$$

To determine the numerator in the shareholder approval calculation, the LTSE Listings Issuer would then multiply the number of shares proposed to be issued by the initial voting power of those shares further multiplied by the LTVF. In this case, the numerator would be:

$$\text{number of shares to be issued} * \text{LTVF} * \text{Initial Voting Power} = 15,000 * 3 * 1 = 45,000$$

The LTSE Listings Issuer would then divide this number by the voting power outstanding as of

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convertible securities have a strong economic incentive to exercise their conversion rights and acquire common stock at some point in time. If the price of the underlying common stock has declined at the time of conversion, the number of shares of common stock that will be issued (and thus the dilution of existing shareholders) could increase significantly. While the Exchange believes that LTSE Listings Issuers will attract more long-term focused shareholders, not all shareholders will be long-term or have the incentive, economic or otherwise, to register their shares in record name and accrue additional voting power, and the Exchange therefore believes that, for a variety of reasons, many shareholders will never elect to do so.

⁴ See Section 3(a)(2)(F)(vi) of the proposed rule change filing for additional background on why the Exchange believes that this approach would not be appropriate for LTSE Listings Issuers.

the SACD, as follows:

$$45,000 / 300,000 = 15\%$$

As a result, this issuance would be permissible without shareholder approval under proposed Rule 14A.412 since 15% is less than 20%.

The foregoing calculations are summarized in the table below:

	Non-LTSE Listings Issuer	LTSE Listings Issuer (No Proposed Rule 14A.412)	LTSE Listings Issuer (No Proposed Rule 14A.412 – assumption that shares to be issued would accrue max voting power)	LTSE Listings Issuer (Proposed Rule 14A.412)
Result of Shareholder Approval Calculation	15%	5%	50%	15%
Shareholder Approval Required / Not Required	Shareholder Approval Not Required	Shareholder Approval Not Required	Shareholder Approval Required	Shareholder Approval Not Required

Example 2. Initial Voting Power of 4 – Issuer Listed for at Least Five Years

Example 2 assumes the same facts as in Example 1, except that the Initial Voting Power of the shares is assumed to be 4 rather than 1. For the LTSE Listings Issuer, the growth in voting power attributed to long-term voting power is assumed to be the same (3x); however, because the shares start at a higher Initial Voting Power, the voting power outstanding as of the SACD is assumed to be 1,200,000 rather than 300,000. These assumptions are summarized in the table below:

	Non-LTSE Listings Issuer	LTSE Listings Issuer
Size of proposed issuance	15,000	15,000
Initial Voting Power	4	4
Number of shares outstanding	100,000	100,000

as of the SACD		
Voting power of outstanding shares as of the SACD	400,000	1,200,000

Shareholder Approval Calculation for Non-LTSE Listings Issuer

To determine whether this issuance would be permissible for the non-LTSE Listings Issuer, the issuer would first need to determine the potential voting power of the potential issuance and then divide that number by the voting power of the shares outstanding. In this case, the calculation would be:

$$60,000 / 400,000 = 15\%$$

Because the voting power of the potential issuance would be less than 20%, this issuance would be permitted without shareholder approval under IEX Rule 14.412(a)(1)(A).

Shareholder Approval Calculation for LTSE Listings Issuer Without Applying Proposed Rule 14A.412

In the absence of proposed Rule 14A.412, to determine whether this issuance would be permissible for the LTSE Listings Issuer without shareholder approval, the issuer would again be required to divide the voting power of the potential issuance by the voting power of the shares outstanding. In this case, the calculation would be:

$$60,000 / 1,200,000 = 5\%$$

Because the voting power of the potential issuance would be less than 20%, this issuance would be permitted without shareholder approval under IEX Rule 14.412(a)(1)(A).

If the voting power of each share to be issued is assumed to be 40 (the maximum increase under the LTSE Listings Rules – i.e., Initial Voting Power of 4 multiplied by 10), the calculation would be:

$$600,000 / 1,200,000 = 50\%$$

Under this approach, the issuance would not be permitted without shareholder approval, as 50% is greater than 20%. The Exchange notes that this calculation is provided solely for illustration purposes and does not reflect proposed Rule 14A.412.

Shareholder Approval Calculation for LTSE Listings Issuer Under Proposed Rule 14A.412

Under proposed Rule 14A.412, the LTSE Listings Issuer would need to first determine the LTVF, which reflects the growth in vote power pursuant to long-term voting that the LTSE Listings Issuer has actually experienced to date.

In this case, the LTVF would be 3:

$$\frac{\text{voting power outstanding as of SACD}}{\text{shares outstanding as of SACD} * \text{Initial Voting Power}} = \frac{1,200,000}{100,000 * 4} = 3$$

To determine the numerator in the shareholder approval calculation, the LTSE Listings Issuer would then multiply the number of shares proposed to be issued by the Initial Voting Power of those shares further multiplied by the LTVF. In this case, the numerator would be:

$$\text{number of shares to be issued} * \text{LTVF} * \text{Initial Voting Power} = 15,000 * 3 * 4 = 180,000$$

The LTSE Listings Issuer would then divide this number by the voting power outstanding as of the SACD, as follows:

$$180,000 / 1,200,000 = 15\%$$

As a result, this issuance would be permissible without shareholder approval under proposed Rule 14A.412 since 15% is less than 20%.

The foregoing calculations are summarized in the table below:

	Non-LTSE Listings Issuer	LTSE Listings Issuer (No Proposed Rule 14A.412)	LTSE Listings Issuer (No Proposed Rule 14A.412 – assumption that shares to be issued would accrue max voting power)	LTSE Listings Issuer (Proposed Rule 14A.412)
Result of Shareholder Approval Calculation	15%	5%	50%	15%
Shareholder Approval Required / Not Required	Shareholder Approval Not Required	Shareholder Approval Not Required	Shareholder Approval Required	Shareholder Approval Not Required

Example 3. Initial Voting Power of 1 – Issuer Listed for Fewer than 5 Years

Example 3 assumes the same facts as in Example 1, except that the issuer in this scenario has been listed for *fewer* than 5 years and the growth in voting power attributed to long-term voting power is assumed to be 1.5x. As a result, for the LTSE Listings Issuer, the voting power of

outstanding shares as of the SACD is assumed to be 150,000. These assumptions are summarized in the table below:

	Non-LTSE Listings Issuer	LTSE Listings Issuer
Size of proposed issuance	15,000	15,000
Initial Voting Power	1	1
Number of shares outstanding as of the SACD	100,000	100,000
Voting power of outstanding shares as of the SACD	100,000	150,000

Shareholder Approval Calculation for Non-LTSE Listings Issuer

To determine whether this issuance would be permissible for the non-LTSE Listings Issuer, the issuer would divide the voting power of the potential issuance by the voting power of the shares outstanding. In this case, the calculation would be:

$$15,000 / 100,000 = 15\%$$

Because the voting power of the potential issuance would be less than 20%, this issuance would be permitted without shareholder approval under IEX Rule 14.412(a)(1)(A).

Shareholder Approval Calculation for LTSE Listings Issuer Without Applying Proposed Rule 14A.412

In the absence of proposed Rule 14A.412, to determine whether this issuance would be permissible for the LTSE Listings Issuer without shareholder approval, the issuer would again be required to divide the voting power of the potential issuance by the voting power of the shares outstanding. In this case, the calculation would be:

$$15,000 / 150,000 = 10\%$$

Because the voting power of the potential issuance would be less than 20%, this issuance would be permitted without shareholder approval under IEX Rule 14.412(a)(1)(A).

If the voting power of each share to be issued is assumed to be 10 (the maximum increase under the LTSE Listings Rules – i.e., Initial Voting Power of 1 multiplied by 10), the calculation would be:

$$150,000 / 150,000 = 100\%$$

Under this approach, the issuance would not be permitted without shareholder approval, as 100% is greater than 20%. The Exchange notes that this calculation is provided solely for illustration purposes and does not reflect proposed Rule 14A.412.

Shareholder Approval Calculation for LTSE Listings Issuer Under Proposed Rule 14A.412

Under proposed Rule 14A.412, the LTSE Listings Issuer would need to first determine the LTVF, which reflects the growth in voting power pursuant to long-term voting that the LTSE Listings Issuer has actually experienced to date.

In this case, the LTVF would be 1.5:

$$\frac{\text{voting power outstanding as of SACD}}{\text{shares outstanding as of SACD} * \text{Initial Voting Power}} = \frac{150,000}{100,000 * 1} = 1.5$$

For issuers that have been listed for fewer than five years, the numerator in the shareholder approval calculation would be the greater of (i) the number of shares to be issued multiplied by the product of the Initial Voting Power of such shares and the LTVF and (ii) the number of shares to be issued multiplied by twice the Initial Voting Power of such shares. In this case, the greater number would be the latter, as shown below:

$$15,000 * 1.5 * 1 = 22,500$$

$$15,000 * 2 * 1 = 30,000$$

$$22,500 < 30,000$$

As a result, the numerator in the shareholder approval calculation for this LTSE Listings Issuer would be 30,000.

The LTSE Listings Issuer would then divide this number by the voting power outstanding as of the SACD, as follows:

$$30,000 / 150,000 = 20\%$$

As a result, this issuance would be not permissible without shareholder approval under proposed Rule 14A.412 since 20% is equal to or in excess of 20%.

The foregoing calculations are summarized in the table below:

Non-LTSE Listings Issuer	LTSE Listings Issuer (No Proposed Rule	LTSE Listings Issuer (No Proposed Rule 14A.412 –	LTSE Listings Issuer (Proposed Rule 14A.412)

		14A.412)	assumption that shares to be issued would accrue max voting power)	
Result of Shareholder Approval Calculation	15%	10%	100%	20%
Shareholder Approval Required / Not Required	Shareholder Approval Not Required	Shareholder Approval Not Required	Shareholder Approval Required	Shareholder Approval Required