

Executive Compensation Restrictions For TARP Participants

March 2009

	Emergency Economic Stabilization Act October 2008 (EESA)	Treasury Guidelines of February 2009		American Reinvestment and Recovery Act February 17, 2009 (ARRA)
		Generally Available Capital Access Program (CAP)	Exceptional Assistance Program	
Certification and Compliance	Compensation Committee must review and certify (at least annually) that incentive programs do not encourage excessive and unnecessary risk.	Same as EESA		Compensation Committee must meet at least semiannually to discuss and evaluate compensation plans in light of risk assessment.
Rules	Any financial institution participating in TARP	Basic level of Government assistance. Cap on amount each Co. can receive. Uniform expected Rate of Return.	Need assistance above the CAP. Specifically negotiated with Treasury. Examples: Bank of America, AIG, Citigroup	Any financial institution participating in TARP
Base Salary	\$500,000 limit on compensation deductibility	\$500,000 hard cap on cash compensation*	\$500,000 hard cap on cash compensation	Same as EESA
Other Compensation	No restrictions	Restricted Stock or other long-term compensation allowed with two rules:* 1. Gov't must be paid back, or 2. Time elapsed with stability standards *Restrictions may be waived with full public disclosure and shareholder vote.	Restricted Stock or other long-term compensation allowed with two rules: 1. Gov't must be paid back, or 2. Time elapsed with stability standards	Restricted Stock capped at 1/3 of annual compensation for "at least" the top 25 executives. Same vesting rules as Treasury Guidelines
"Say on Pay"	No requirements	"Say on pay" required only if waiving limits above and if requested by shareholders.	Executive Comp must be fully disclosed and subject to "say on pay" provision.	Required for all TARP participants
Clawback Provisions	Top 5 must repay if financial statements or performance measures were falsified.	Top 25 must repay if financial statements or performance measures were falsified.		Same as Treasury Guidelines
Golden Parachute	Top 5 limited to 3x annual compensation.	Top 5 limited to 1x annual compensation.	Top 10 prohibited from receiving. Next 25 limited to 1x annual compensation.	Top 10 prohibited from receiving Applies to ANY termination of employment
Luxury Expenditures	No restrictions	Board of Directors must adopt company policy relating to: aviation services, office renovations, entertainment, holiday parties, conferences and events. Not intended to limit reasonable business costs.		Same as Treasury Guidelines
Long-Term Regulatory Reform Guidelines from the Treasury Department.	<ol style="list-style-type: none"> 1. Require all Compensation Committees of public financial institutions to review and disclose strategies for aligning compensation with sound risk-management. Would apply to all financial institutions, not just those receiving government assistance. 2. Compensation of top executives should include incentives that encourage a long-term perspective. Consider requiring top executives to hold stock for several years to encourage a more long-term focus on the economic interests of the firm. 3. Look beyond companies that receive government assistance to have non-binding "say on pay" resolutions on both the levels of pay and the structure of compensation such that it promotes risk management and long-term value creations for the firm. 4. The Secretary of the Treasury will host a White House-Treasury Conference with shareholder advocates, major public pension and institutional investor leaders, policy-makers, executives, academics and others on executive pay reform at financial institutions. 			

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