

MERGERS & ACQUISITIONS

Golden Parachute Analyses

THE CURRENT COMPENSATION ENVIRONMENT FOR NON-TARP COMPANIES

A global economic recession, declining stock markets, increased shareholder activism and more transparent disclosure have heightened the public debate on executive pay and golden parachutes arrangements. Whether preparing for a transaction or implementing change-in-control (CIC) arrangements, innovative yet practical advice is needed more than ever.

Among the most significant variables affecting the costs of a transaction can be the complex golden parachute rules under IRC Sections 280G and 4999, which are intended to discourage excessive change-in-control (CIC) payments by imposing adverse tax consequences to both the company and the recipient. Our goal is simple—to provide an unparalleled level of compensation expertise and experience that helps you address your golden parachute risks from the implementation phase through final payouts in an actual transaction.

■ OUR SERVICES

Our services cover the full spectrum of golden parachute pay issues:

Change-in-Control (CIC) Planning

- Evaluate the appropriateness of implementing CIC plans and programs, including the range of potential payouts, excise tax gross-up liabilities, non-deductible costs and/or potential cutbacks.
- Provide support with disclosure requirements for proxy post-termination tables and excise tax gross-up liabilities.

Pre-Merger Analyses

- Identify deal related liabilities through detailed reviews of employment, severance and/or CIC contracts, incentive and benefit plans.
- Estimate CIC payments, excise tax liabilities, and nondeductible costs under alternative scenarios, potentially including opportunities for mitigating costs and developing materials for buyer/seller diligence reviews.

Closing Date and Post-Merger Analyses

We work with companies and their legal and tax advisors to provide detailed final golden parachute calculations, including:

- Identification of all affected individuals and preparation of detailed schedules for timing of payouts, excise tax liabilities and/or scale backs or excise tax gross-ups, as well as nondeductible amounts.

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OUR APPROACH

Our specialized M&A team includes executive compensation and benefit consultants, certified public accountants, and attorneys with extensive experience designing CIC contracts, quantifying CIC payouts and applying the unique golden parachute rules.

Our experts work closely with companies and their tax and legal advisors to gain a thorough understanding of compensation and benefit programs. We then utilize a customized and proprietary 280G model that projects detailed golden parachute liabilities, regardless of the complexity of compensation arrangements.

Our consulting advice is designed around each client's specific needs. We have worked with numerous entities in a variety of industries on these issues, from the smallest transactions to larger transactions of up to \$40 billion in deal value.

OUR COMMITMENT

Our commitment to you begins from our first meeting. Each assignment is staffed by senior professionals who bring a wealth of knowledge and expertise. PM&P is dedicated to providing the best compensation advice in the industry. Throughout our firm's history, we have achieved this by developing innovative compensation designs and practices that are now commonplace and by advancing the relevance of our compensation surveys and custom market research.

Our firm is actively involved with local entrepreneurial communities as well as national organizations, such as the National Association of Corporate Directors, to promote good compensation practices and governance. Our consultants frequently speak on a variety of compensation and governance topics with these organizations as well as virtually through our firm's website www.pearlmeyer.com.

ABOUT PEARL MEYER & PARTNERS

For 20 years, PM&P has served as a trusted independent advisor to Boards and their senior management in the areas of compensation governance, strategy and program design. The firm provides comprehensive solutions to complex compensation challenges through the development of programs that align rewards with business goals to create long-term value for all stakeholders: shareholders, executives and employees. The firm maintains offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, Los Angeles and San Jose.

For more information on how PM&P can help you create comprehensive compensation solutions, please visit our website www.pearlmeyer.com or contact the PM&P office nearest you.