

Golden Parachute/Change-In-Control Planning

The Current Compensation Environment

Increased shareholder activism and more transparent disclosure requirements and practices have heightened the public debate on executive pay and the scrutiny of severance arrangements.

Golden parachute rules under IRC Sections 280G and 4999 are intended to discourage excessive change-in-control payments by imposing adverse tax consequences to both the company and the recipient. Whether preparing for an M&A transaction or implementing a strategic change in executive leadership, companies need highly experienced advice to address complex regulations and tax law, shareholder concerns, and talent management requirements.

With over 200 deals completed and decades of experience, we provide an unparalleled level of compensation expertise and experience that helps companies address change-in-control (CIC) and golden parachute risks from the implementation phase through final payouts in an actual transaction.

Our Approach: In-Depth Analysis from Leading Experts

Each engagement is staffed by our senior executive compensation consultants who also are CIC specialists, and include certified public accountants, attorneys, actuaries, and communications experts. The team has decades of experience designing CIC contracts, quantifying payouts, and analysis and application of golden parachute rules and taxation.



We approach CIC issues in the same vein as all executive compensation programs: our focus is on aligning pay with the company's business and leadership strategies and our recommendations are informed—but not dictated—by comprehensive and sophisticated market analytics. We help ensure technical compliance and effective communication and disclosures.

The result is a tailored solution designed to position our clients for success.

Golden Parachute/Change-in-Control Planning Services

Evaluation, Planning, and Design - Our Experts assist companies through the maze of complex CIC regulations:

- Assessing the competitiveness of current CIC program design
- Identifying any liabilities in employment, severance or other CIC contracts, incentive, and benefit plans
- Revising or designing new agreements based on strategic criteria and market practices
- Implementing stock-based awards, profit interests, and other equity-like arrangements
- Developing special situation plans such as transaction or retention bonuses
- Reviewing plans for accounting and tax compliance, potential public relations and/or institutional shareholder services concerns

For more information and to find out how Pearl Meyer can help you navigate the maze of CIC and M&A-related issues, visit www.pearlmeyer.com/mergers-and-acquisitions or contact the Pearl Meyer office nearest you.

Buyer or Seller Golden Parachute Calculations and Modeling – We work with companies and their legal and tax advisors to provide detailed golden parachute calculations including:

- Costing existing or proposed severance and CIC agreements
- Estimating CIC payments, excise tax liabilities, and non-deductible costs and preparing detailed schedules for timing of payouts
- Developing materials for buyer/seller diligence reviews
- Updating IRC Section 280G calculations for changing circumstances
- Developing strategies to limit adverse tax consequences to the company and participant

Buyer or Seller Communication and Disclosure – We help companies provide clarity to employees, shareholders, and other key stakeholders during a transaction:

- Developing custom tables for counsel and internal review
- Preparing communication materials for compensation committees, senior management, and participants
- Reviewing and revising disclosure narratives for say-on-golden-parachute disclosures and private company shareholder votes

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, and San Jose.

NEW YORK

461 Fifth Avenue, 19th Floor
New York, NY 10017
(212) 644-2300
newyork@pearlmeyer.com

ATLANTA

One Alliance Center
3500 Lenox Road, NE, Suite 1708
Atlanta, GA 30326
(770) 261-4080
atlanta@pearlmeyer.com

BOSTON

93 Worcester Street, Suite 100
Wellesley, MA 02481
(508) 460-9600
boston@pearlmeyer.com

CHARLOTTE

3326 Siskey Parkway, Suite 330
Matthews, NC 28105
(704) 844-6626
charlotte@pearlmeyer.com

CHICAGO

151 N. Franklin Street, Suite 450
Chicago, IL 60606
(312) 242-3050
chicago@pearlmeyer.com

HOUSTON

Three Riverway, Suite 1575
Houston, TX 77056
(713) 568-2200
houston@pearlmeyer.com

LONDON

Collegiate House
9 St. Thomas Street
London SE1 9RY UK
+44 (0)20 3384 6711
london@pearlmeyer.com

LOS ANGELES

550 S. Hope Street, Suite 1600
Los Angeles, CA 90071
(213) 438-6500
losangeles@pearlmeyer.com

SAN JOSE

333 West San Carlos Street
San Jose, CA 95110
(669) 800-5074
sanjose@pearlmeyer.com