

# BOARD ADVISORY LLC

Independent Council to Boards

*Executive Compensation, Performance & Succession*



## Financial Services Capabilities

Managing incentives is a key responsibility of boards and executive management in the financial services industry. Understanding the implications of incentives on executive behavior and organizational risk is an emerging core responsibility of compensation committees. Whether or not a corporation participates in TARP, the role of the compensation continues to expand, and the actions of the committee with respect to incentives and executive talent are increasingly scrutinized and subject to complex regulation.

### How We Help

For banks and other financial service institutions, Board Advisory, LLC helps address the evolving responsibilities of the board with respect to executive compensation, performance and succession. Client compensation committees typically select Board Advisory, LLC for our distinguishing characteristics:

- **Senior Consultants** - Your issues are important to you, your executive team, and the investors you represent. Board Advisory client issues are never relegated to a junior consultant.
- **Financial Services Specialists** - We bring to the boardroom specialized expertise and understanding of performance measurement, rewards and organization dynamics within financial services companies. Each member of our team brings over 25 years of professional experience and has served in an executive role within a large financial services company.
- **Investor Perspective** - We are known for our investor perspective, our innovative approaches, and our ability to link executive success to long-term investor outcomes.
- **Independence** - We work with management, not for management; we are "independent compensation consultants" exceeding all emerging SEC & Treasury standards.

Our value proposition at Board Advisory includes using multiple consultants on all significant client engagements. This approach ensures thoroughness and creativity by having two sets of seasoned eyes look at the issues. Further, it guarantees the client that when you have a need for quick turnaround in an emergency, there are adequate resources ready and available. Our services include the following:

- **Market Pay & Performance Analysis** - Assessment of compensation and wealth creation opportunities compared to peers based on relative and absolute performance.
- **Goals Alignment & Competitive Stretch Analysis** - Selection of performance goals in support of long-term strategic and financial objectives. Competitive goal setting relative to peers, industry and investor expectations
- **Objective Talent Evaluation** - Support of succession planning through independent assessment, coaching and selection of executive talent.
- **Risk Assessment** - Assessment of organizational risk implications of compensation plans – both executive and non-executive.
- **Terms of Employment** - Counsel on change in control and/or employment agreements.
- **Mergers and Acquisitions** - Assessment of liabilities, development of retention strategies and integration of compensation and talent management plans.
- **Board Compensation** - Recommending appropriate fee arrangements for the Board.

## Key Executive Compensation Issues

- For TARP participants and others, executive compensation and incentive practices will continue to attract intense scrutiny from investors as well as the SEC, Treasury, advisors and regulators. CEOs and Boards are expected to understand organizational risk implications of pay and manage enterprise risk through pay.
- Investors increasingly expect the CEO and the Board of Directors to have contingency plans for each key executive role to protect investors against loss of talent; through risk-based succession plans, we help boards manage the risk of inevitable turnover.
- Goal setting becomes increasingly difficult during times of turmoil. We help Boards manage the natural tension between investor expectations and internal business planning to ensure adequate and fair stretch.

### The Board's Role in Managing Organization Risk

- Addressing risk of executive and other incentives
- Review of performance measures & horizons
- Goal setting consistent with treasury objectives

### TARP Compliance

- \$500,000 pay cap
- Bonus prohibition
- Grandfather exemptions
- Change in control/severance
- Tax gross-up compliance
- Claw-back
- Luxury expenditure policy

### SEC and Related Investor Issues & Certifications

- CD&A discussion of risk
- Top 20 pay disclosure
- Perquisite disclosure and justification
- Say-on-Pay

## Our Financial Services Team

Board Advisory consultants have experience in a variety of industries, company sizes and forms of organization (public, private, joint venture, not for profit, etc.). The individuals listed below have extensive experience within the financial services industry.

### Jeff McCutcheon

Mr. McCutcheon brings to clients over 25 years of experience in the design of executive incentive arrangements focused on driving long-term results. He is particularly effective working with boards and executive management to create meaningful reward and employment arrangements in anticipation of corporate transactions. His clients have included community banks, 6 of the KBW 24, and a number of private equity situations

### Elizabeth Ferrer

Ms. Ferrer brings to clients practical knowledge, expertise and insight regarding talent, performance management and management effectiveness gained through over 25 years in banking, including serving as a bank president. She helps clients with executive talent and organizational performance issues, particularly in the context of acquisitions, Board and Leadership team strategic planning and mergers and changing business models.

### Paul McConnell

Mr. McConnell provides clients with over 30 years of experience in the development and implementation of executive incentive compensation arrangements. A particular specialty is looking at compensation from a strategic perspective and crafting creative solutions. He has worked with both public and privately-held banking, financial services and insurance companies to create compensation arrangements that are fair to both investors and executives.