



Full “Walk-Away” Values at Termination and Change in Control

Some consultants have been recommending that the full “walk away” value to be received by named executive officers at termination or change in control be presented to the compensation committee for their consideration as they make compensation decisions for the current year. Many compensation committees already have reviewed this information at the time of approving a new NEO pay package in response to the *Disney* cases. This should be done annually.

This approach would include two enhancements over what is currently being required by the SEC in the proxy disclosures of Other Potential Post-Employment Payments.

First, show the in-the-money value of previously vested options as a separate line from the in-the-money value of options that would vest at the designated event. Thus, as in the attached example, if the executive resigns and gets no more option vesting at that event, it would be very easy to see the value of what already is vested in a line separate from the zero value represented in the accelerated equity grants line.

Consultants also are recommending that companies consider including the total “walk-away” value in the Other Potential Post-Employment Payments section of the proxy. The view is why make readers hunt for that information elsewhere in the proxy (where it is available from the Outstanding Equity table if they then subtract the exercise price from the year-end stock price) if instead the values can easily be calculated for readers.

Second, show the pension value previously shown on the Pension Table so it may easily be compared to the enhanced value being provided at various termination or change in control events. As in the attached example, many companies already depict the accrued pension value in the Voluntary Resignation column so that understanding the value of incremental enhancements is relatively straightforward.

Those lines are totaled at the bottom to show a full “walk-away” value.

XYZ Corporation

Other Potential Post-Employment Payments - CEO



Element	Voluntary Resignation	Involuntary For Cause	Involuntary Without Cause	CIC	Disability	Death	Retirement
Value of Previously Vested Stock Options and Pension Benefits*							
Previously Vested Stock Options In-the-Money Value	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Previously Vested Benefits & Perquisites							
Pension	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Deferred Compensation	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<i>Subtotal Pension Benefits</i>	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000
Total Previously Vested Stock Options and Pension Benefits	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000
Accelerated Equity , Enhanced Severance and Benefits							
Cash Severance							
Base Salary + Bonus	\$ -	\$ -	\$ 10,000,000	\$ 11,000,000	\$ -	\$ -	\$ -
Pro-rata Target Bonus	-	-	-	2,000,000	-	-	-
<i>Total Cash Severance</i>	-	-	10,000,000	13,000,000	-	-	-
Pension Benefit Enhancements							
Pension	-	(4,000,000)	3,000,000	3,000,000	-	-	-
Deferred Compensation	-	-	-	-	-	-	-
<i>Subtotal Pension Benefits</i>	-	(4,000,000)	3,000,000	3,000,000	-	-	-
Other Benefits & Perquisites							
Health and Welfare Benefit Continuation	-	-	25,000	25,000	-	-	-
Executive Benefits & Perquisites Continuation	-	-	100,000	100,000	-	-	-
<i>Subtotal Benefits & Perquisites</i>	-	(4,000,000)	13,125,000	16,125,000	-	-	-
280G Tax Gross-Up	-	-	-	11,600,000	-	-	-
<i>Total Severance, Pension Enhancements, Benefits</i>	-	(4,000,000)	13,125,000	27,725,000	-	-	-
Long-Term Incentives Accelerated Values							
In-the-Money Value of Accelerated Stock Options	-	-	-	10,000,000	10,000,000	10,000,000	-
Value of Accelerated Restricted Stock	-	-	-	5,000,000	5,000,000	5,000,000	-
<i>Total Value of Accelerated Equity Grants</i>	-	-	-	15,000,000	15,000,000	15,000,000	-
Total Accelerated Equity, Enhanced Severance and Benefits	\$ -	\$ (4,000,000)	\$ 13,125,000	\$ 42,725,000	\$ 15,000,000	\$ 15,000,000	\$ -
Full "Walk-Away" Value							
Full "Walk Away" Value	\$ 33,500,000	\$ 29,500,000	\$ 46,625,000	\$ 76,225,000	\$ 48,500,000	\$ 48,500,000	\$ 33,500,000

*Values previously disclosed on Outstanding Equity Table and Pension Table