

BankDirector

Breakout 1: Compensation and Its Effect on M&A

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Compensation and Its Effect on M&A

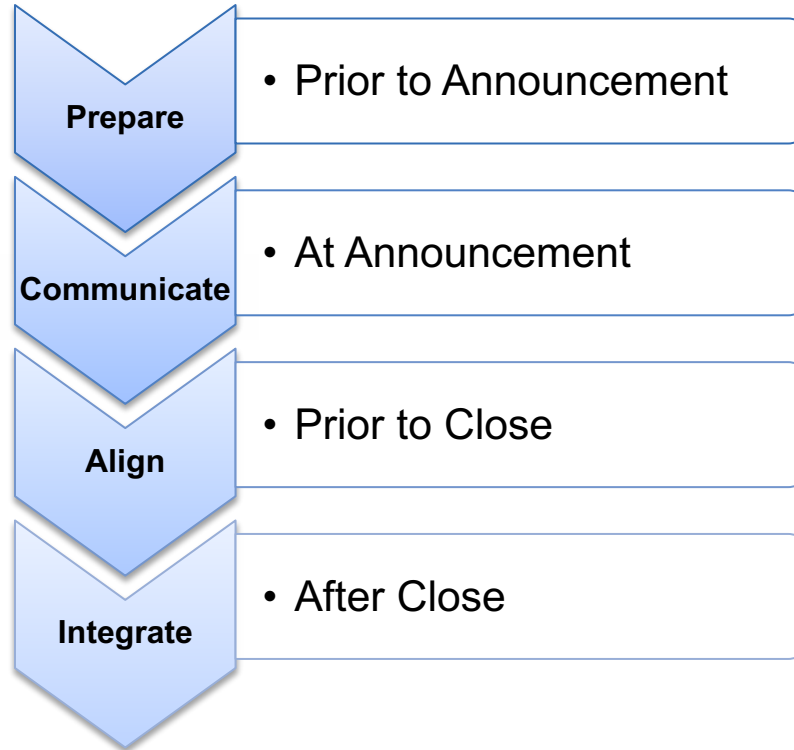
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Four Stages of Integration

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Prior to Announcement



- Inventory of affected compensation and agreements
- Identify:
 - Senior management team
 - Critical staff
 - Displaced employees
- Develop new agreements and retention programs
- Review and revise severance program

At Announcement



Communicate

- Make announcement (internal and external)
- Establish a platform for ongoing communications and information
- Implement new agreements, retention and severance programs

Prior to Close



Align

- Align compensation philosophies and actions
- Develop post-merger compensation structure
- Identify pay differences and provide parity
- Calculate severance payments (e.g., IRC 280G)

After Close



Integrate

- Refine compensation programs
 - Determine new peer group
 - Consider “best of” in plan refinement
 - Rethink metrics, programs and practices based on shareholder expectations
 - Consider timing of further changes
- Manage transition including sunsets, board size, etc.

Case Studies

Merger of Equals

- Identify triggered CIC arrangements
- Plan out CEO and board transitions (expand and shrink)
- Be sensitive to pay parity of combined teams and differing historical compensation philosophies
- Determine retention holding power
- Develop new company compensation philosophy and pay strategy

Delayed or Abandoned Merger

- Make sure operations can expand and exams are solid; seek advice prior to acquiring
- Conduct business as usual including the annual pay cycle
- Have a Plan B for retention
- Create a process of periodic updates on merger and business performance
- If abandoned, develop the go-forward strategy and execute



Questions?

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