

TO: SHEILA BAIR & FDIC BOARD OF DIRECTORS

Thanks for all the new business you've created for our company resulting from the FDIC's ANPR announcement on incorporating bank compensation structures into the RISK assessment system. We strongly disagree with this approach that has the potential of creating short and long-term unintended consequences that will affect organizational behavior, bank performance, and end-results.

This appears more like a windfall profits tax than a risk aversion process and another unjust mechanism to control and is not appropriate to any long-term solution. Our company serves the banking industry with compensation consulting and advisory services. We have been in business for 27 years and served over 550 banks nationwide. We have written over 100 white papers, speeches, conferences, workshops and are endorsed by numerous trade associations, bankers and "World at Work" where our programs have been included in their training and leadership conference curriculum. Our consulting services focuses on compensation systems and programs designed exclusively for the Banking industry and are purposefully prepared to ensure success. We are a performance based compensation consulting company. Other companies claim they are—but we are.

Taxing, fining and over-regulating compensation related activities abandons the free market capital system and displays the governments need for control and over-supervision of individuality, creativity and profitability. Remember when the government tried to control excessive cash compensation and the response was met by the introduction of Stock Options and creation of other non-qualified benefit provisions? This action will undoubtedly create a similar defensive reaction to the plan. The governments' pendulum mentality and actions is creating a punitive environment and those banks that are doing the right things will end up paying the price. **As an outsider looking in, it is an unfair predatory position taken by the Feds' that will not obtain desired results in the manner described.**

A banking "pay for performance" compensation program for employees and executives that incorporates risk—reward—standards—measures—accountabilities and competencies works! It's simple to install, easy to understand, monitor and manage and becomes a self-motivating management tool. Your approach will confuse and frustrate the majority. There is, however, a better solution—and we own it!

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