THE OFFICE OF
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DENISE L. NAPPIER

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CONNECTICUT STATE TREASURER DENISE L. NAPPIER PROPOSES LIMITS ON EXECUTIVE GAIN FROM BAILOUT

HARTFORD -- Connecticut State Treasurer Denise L. Nappier today applauded the swift efforts taken by the President and Congress to address the systemic financial market turmoil, but urged all parties involved in working out the bailout package to make sure that taxpayers are not unduly burdened and that executives at the helms of the failing institutions are not unduly rewarded.

Nappier called upon Connecticut's Senior Senator and Chair of the Senate Banking Committee, Christopher J. Dodd, to consider adding a provision of the rescue bill that would impose an excise tax on capital gains over a certain level for top corporate executives. An executive at any company that receives a bailout would have to pay a 70% tax on capital gains income over $500,000 that can be attributed to the bailout, or a percentage that is greater than the prevailing tax treatment.

"This will discourage companies that benefit from the bailout from squandering taxpayer dollars with golden parachutes for their executives," Nappier said. "There should be no reward for them when we, as a nation, have to work so hard to hold our economy together."

Under Nappier's proposal, if any top executive sells stock in the company at any time in the future, the capital gain from the low price of the stock on September 18, 2008, and the price on the sale date or September 18, 2010, whichever is earlier, would be subject to an excise tax. This would include sale of stock from direct ownership, from exercise of stock option, restricted stock, restricted stock units, or any other form of equity. Furthermore, the company would be prohibited from providing a "gross up" payment to the executive to cover the amount of tax paid.

"The bailout was a necessary evil, given the enormity of the turmoil, but going forward, it is vital that shareholder and taxpayer rights be protected, that no one profits from this mess who had a hand in creating it, and that all who work in – or regulate – the financial markets take a hard, serious look at the poor corporate governance that led up to the insolvency of so many of our institutions," Nappier said.

Nappier also acknowledged the importance of a provision of the bill, known in the shareholder community as "*Say on Pay,*" that would allow shareholders to cast an advisory vote on the executive pay package, and applauded Congressman Barney Frank for his work

Contact: Christine Palm
(860)702-3013
Christine.Palm@ct.gov

on this issue. An advocate of better corporate governance and greater accountability to shareholders, Nappier's administration helped to pushed for Say on Pay legislation, which recently passed the U.S. House of Representatives by a 2-to-1 margin, and is an issue supported by both major-party presidential candidates.

"The ongoing crises in the financial markets points painfully to the need for better corporate governance and transparency, including a check on Wall Street's tendency toward unfettered greed," said Nappier. "In the interest of improving and protecting the health of our nation's economy, the investing public and the well-being of our fellow Americans, I expect more companies who are focused on sustainability to view this unprecedented upheaval in the financial markets as grounds for adopting more responsible policies and practices that will, among other things, provide for the effective management of risk and shareholder value over the long term."

Contact: Christine Palm
(860)702-3013
Christine.Palm@ct.gov