

  
(Original Signature of Member)

109TH CONGRESS  
1ST SESSION

**H. R. 4291**

To amend the Securities Exchange Act of 1934 to require additional disclosure to shareholders of executive compensation.

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IN THE HOUSE OF REPRESENTATIVES

Mr. Frank of Massachusetts (for himself, Mr. George Miller, Mr. Obey, Mr. Rangel, Mr. Sabo and Ms. Velazquez) introduced the following bill; which was referred to the Committee on \_\_\_\_\_.

**A BILL**

To amend the Securities Exchange Act of 1934 to require additional disclosure to shareholders of executive compensation.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Protection Against Ex-  
5 ecutive Compensation Abuse Act"



1 **SEC. 2. ADDITIONAL EXECUTIVE COMPENSATION DISCLO-**  
2 **SURES.**

3 (a) AMENDMENT.—Section 16 of the Securities Ex-  
4 change Act of 1934 (15 U.S.C. 78n) is amended by adding  
5 at the end the following new subsection:

6 “(i) ADDITIONAL EXECUTIVE COMPENSATION  
7 CLOSURES.—

8 “(1) COMPENSATION PLAN.

9 “(A) ANNUAL STATEMENTS AND PROXY  
10 MATERIALS.—Each issuer required to file an  
11 annual report under section 13(a) shall include  
12 in such annual report, and in any proxy solici-  
13 tation materials accompanying a proxy solici-  
14 tation on behalf of the management of the issuer  
15 in connection with an annual or other meeting  
16 of the holders of the securities of the issuer, a  
17 comprehensive statement of such issuer’s com-  
18 pensation plan for the principal executive offi-  
19 cers of the issuer. Such compensation plan shall  
20 include—

21 “(i) any type of compensation (wheth-  
22 er present, deferred, or contingent) paid or  
23 to be paid to such principal executive  
24 cers, including—



2 “(I) an estimate of the present  
value of any accrued pension of such  
3 officers;

4 “(II) the estimated market  
5 of any other benefits received by such  
6 officers; and

7 “(III) any agreements or under-  
8 standings concerning any type of com-  
9 pensation;

10 “(ii) the short- and long-term  
11 formance measures that the issuer uses for  
12 determining the compensation of such  
13 principal executive officers and whether  
14 such measures were met by such officers  
15 during the preceding year; and

16 “(iii) the policy of the issuer adopted  
17 pursuant to the rules promulgated under  
18 paragraph (3).

19 “(B) SHAREHOLDER APPROVAL.—The  
20 proxy solicitation materials containing the  
21 statement required by subparagraph (A) shall  
22 require a separate shareholder vote to approve  
23 such compensation plan.

24 “(2) SHAREHOLDER APPROVAL OF GOLDEN  
25 PARACHUTE COMPENSATION.—In any proxy solicita-



1       tion material that concerns an acquisition, merger,  
2       consolidation, or proposed sale or other disposition  
3       of substantially all the assets of an issuer—

4               “(A) the person making such solicitation  
5       shall disclose in the proxy solicitation material,  
6       in a clear and simple form in accordance with  
7       regulations of the Commission, any agreements  
8       or understandings that such person has with  
9       any principal executive officers of such issuer  
10      (or of the acquiring issuer, if such issuer is not  
11      the acquiring issuer) concerning any type of  
12      compensation (whether present, deferred, or  
13      contingent) that are based on or otherwise re-  
14      late to the acquisition, merger, consolidation,  
15      sale, or other disposition; and

16              “(B) such proxy solicitation material shall  
17      require a separate shareholder vote to approve  
18      such agreements or understandings.

19              “(3) RETURN OF CERTAIN COMPENSATION.

20      The Commission shall prescribe rules requiring each  
21      issuer to adopt a policy requiring the reimbursement  
22      by any principle executive officer to the issuer of any  
23      compensation received by such officer that is—

24              “(A) not provided for in the compensation  
25      plan required by paragraph 1);



1           “(B) based on performance by the officer  
2           that does not meet the job performance meas-  
3           ures identified in such statement;

4           “(C) incentive compensation or bonuses re-  
5           ceived by such officer within 18 months before  
6           any negative material restatement by the issuer;  
7           or

8           “(D) related to fraud or misrepresentation  
9           on the part of such officer.

10          “(4) PRINCIPAL EXECUTIVE OFFICER.—For  
11          purposes of this subsection, the term ‘principal exec-  
12          utive officer’ means—

13               “(A) all individuals serving as the chief ex-  
14               ecutive officer of an issuer, or acting in a simi-  
15               lar capacity, during the most recent fiscal year,  
16               regardless of compensation level; and

17               “(B) for an issuer with total assets of—

18                       “(i) more than \$250,000,000 but less  
                      than \$500,000,000, the 2 most highly  
                      compensated executive officers, other than  
21                    an individual identified under subpara-  
22                    graph (A), that were serving as executive  
23                    officers of an issuer at the end of the most  
24                    recent fiscal year; or



1                   “(ii) more than \$500,000,000, the 4  
2                   most highly compensated executive officers,  
3                   other than an individual identified under  
4                   subparagraph (A), that were serving as ex-  
5                   ecutive officers of an issuer at the end of  
6                   the most recent fiscal year.”

7           (b) DEADLINE FOR RULEMAKING. Not later than 1  
8 year after the date of the enactment of this Act, the Secu-  
9 rities and Exchange Commission shall issue any final rules  
10 and regulations required by the amendments made by sub-  
section (a).

12 **SEC. 3. CLEAR AND SIMPLE INTERNET DISCLOSURE.**

13           Section 16(a)(4) of the Securities Exchange Act of  
14 1934 (15 U.S.C. 78p(a)(4)) is amended-

15                   (1) in subparagraph (B), by inserting “, in a  
16 clear, simple, and readily accessible format,” after  
17 “each such statement”; and

18                   (2) in subparagraph (C), by inserting “, in a  
19 clear, simple, and readily accessible format,” after  
20 “that statement”

