

**Meeting Between Federal Reserve Staff and
Representatives of the Private Equity Growth Capital Council
October 17, 2011**

Participants: Gillian Burgess, Mark Carey, Michael Solomon, William Treacy and Michael Waldron (Federal Reserve Board)

Satish Kini and Elizabeth Serebransky (Debevoise & Plimpton LLP); Jason Mulvihill (Private Equity Growth Capital Council); and Bryan Corbett (Carlyle Group)

Summary: Staff of the Federal Reserve Board (“Board”) met with representatives of the Private Equity Growth Capital Council (“PEGCC”), which represents the private equity industry, relating to the issuance of a proposed rule on incentive compensation by the Board and six other federal agencies.

The comments of the PEGCC representatives were similar to certain comments contained in the PEGCC’s comment letter on the proposed rule addressed to the SEC. Specifically, the comments focused on the nature of compensation received by private equity entities and the professionals associated with them (e.g., management fees, partnership interests) and how these interests should be treated under any final rule or guidelines. The PEGCC representatives stated that due to the nature of the compensation received in the private equity industry and its limited impact on risk-taking, such compensation should not be considered incentive compensation and should not be subject to the mandatory deferral provisions of the proposed rule. Nor should distributions paid to allow covered persons to meet their tax obligations as they come due.

In addition, the PEGCC representatives discussed a comment in their comment letter that argued that certain private equity assets managed for clients, but included on the balance sheets of private equity firms in some cases, should not be counted in determining whether private equity firms meet the \$1 billion or \$50 billion asset tests in the proposed rule. The PEGCC representatives also commented that because compensation decisions are made, and compensation expenses determined, at the time of grant, the final rules or guidelines should provide that any required deferral period should begin at the grant date.