



We Are Proud to Share Two of our **High-Impact Assignments** for 2025

ISSUE | Misaligned Incentives, Top Talent Risk

- An \$80M IT services firm used stock options with changing strike prices. Over time, this created pay inequities, pushed executives to leave at the wrong moments, and exposed the company to retention risk and unexpected cash costs.
- We halted new option grants and replaced them with a wrap-around synthetic equity plan tied only to long-term value creation and change-in-control outcomes.
- The new structure removed timing games, tightly aligned incentives, protected the owners' equity floor, and delivered clear, predictable participation in a successful exit.

OUTCOME | Rewards Aligned for Exit Readiness

ISSUE | Strategies to Mitigate Deal Conflict

- A Founder of a \$60M AI enterprise brought us in to address vexing economic and management role issues across the deal stakeholders.
- We served as a facilitator across the founder, senior management and the acquirer on topics of value sharing and management roles post-closing.
- We executed a pre-deal charitable remainder trust strategy (CRT) to enable all parties to get more from the deal. We served as owner's financial advisor before and after the deal spanning estate, charitable and investment planning.

OUTCOME | Literally, We Saved the Deal

Important Highlights for 2025 – Based on our interactions with clients and contacts

- **Synthetic equity adoption accelerated**, with nearly 80% of clients selecting it over true equity or cash, reflecting a continued shift toward flexible, scalable incentives optimized for rapid enterprise value creation.
- **Government services firms delayed implementations by several months** due to budget tightening, DOGE-related pressures, and shutdown risk; however, over 90% continued active plan design discussions despite execution pauses. The tough times also provided systems testing environment for many incentive plans - their ability to self-correct with no surprise liabilities or unintended consequences that are misaligned from realities.
- **Tax treatment scrutiny increased**, as the capital gains versus ordinary income differential became more pronounced. In practice, tax rate difference can be mitigated via synthetic equity design mechanics vs. true equity with no deductibility, buyin costs, tax filing complications, etc. Entity planning, pre-deal charitable strategies can also play outsized roles for tax planning.
- **Rolling multi-year cash incentive adoption expanded**, particularly among mid-market firms. Overlapping performance cycles with cascaded payouts drive sustained results, improving line-of-sight, and dynamically recalibrating incentives over time.

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