



RESEARCH AND ANALYSIS TOP 40 HIGH PERFORMANCE AWARDS FOR STRATEGIC ADVANTAGE

Our research indicates that many owners, boards and advisors have a dangerous blind spot when it comes to rewards and succession. Owners default to executive rewards that are familiar, not necessarily those that are the “best-fit”. To shine a light on this blind spot, our BOLD Value team has crafted our list of most powerful high performance awards.

Reviewing over 100 rewards programs full cycle, we observe that best-fit solutions address three most critical questions:

- (1) Do our incentives truly promote our intended business performance?**
- (2) Do our incentives help owners and execs achieve most important personal objectives?**
- (3) Do our incentives self-correct across plausible good and bad business outcomes?**

Which plans work best? Our diverse experience suggests that combination plans are most effective. Marry company equity-based awards with individual cash-based awards. Pick one each from the equity-based list and the cash-based list below. This promotes company growth while helping to preserve executives’ lifestyle.

Your executive rewards and succession program should drive growth and strategic advantage, not put your business at risk. An outside advisor can serve a vital role by providing owners and boards a wide-angle lens, a tested process and a safe venue to address these critical questions. Our E3 planning strategy does just that - spanning executive compensation, equity strategies and exit & legacy planning solutions.

Contact us and find out which combination of the Top 40 solutions may be right for your company.

Top 40 Executive Rewards* : A Pathway to Strategic Advantage

Equity Based Incentives

True Equity: Full Value

- 1) Sell Stock to key managers
- 2) Compensatory stock grants
- 3) Owner Redemption (Gross up others)
- 4) Restricted Stock and RSUs
- 5) ESOP (leveraged or creeping ESOP)#
- 6) Ramp-down/Ramp-up (new entity)
- 7) Restricted stock paid at CinC**

True Equity: Upside Value

- 8) Profits Interest in LLC
- 9) Drop Down Division (w/ upside interest)
- 10) Employee Stock Options (“Options”)
- 11) Stock Appreciation Rights (SARs)
- 12) Hybrid Capital/Profits Interests
- 13) Out of the Money SARs, Options
- 14) Options/SARs paid only if CinC

Synthetic Equity (Full or Upside)

- 15) Phantom Stock (enterprise or division)
- 16) Phantom Stock with Owner’s Pref
- 17) Enterprise Value Unit Plan
- 18) Graduating Value Band Unit Plan
- 19) Liability SARs
- 20) Performance Shares
- 21) Sales Bonus upon CinC

Cash Based Incentives

LT Performance Cash

- 22) Allocable Profit Sharing
- 23) Profit Appreciation Rights
- 24) Book appreciation rights (BARs)
- 25) Deferred Participation Units
- 26) Discretionary LTIP Plans
- 27) Cash bonus paid at CinC

Deferred Cash

- 28) Discretionary Bonus(group/Individual)
- 29) NQDC Plan (w/ comp match)^
- 30) Qualified Profit Sharing Bonus
- 31) Defined Benefit Plans
- 32) Incentive Bonus Plan
- 33) Split Dollar Insurance (or 162 Bonus)
- 34) CinC payouts as multiple of salary

Immediate Cash

- 35) Salary increases
- 36) Annual Bonus
- 37) Sales Commission Programs
- 38) Spot Bonuses
- 39) Fringe Benefit
- 40) Lifestyle Incentives

* Incentives ranked from "Value Now" to "Value Later" (Value Now near top of each of six lists). #ESOP = Employee Stock Ownership Plan, **CinC refers to Change in Control, ^NQDC = NonQualified Deferred Compensation

Based on our work customizing incentives with hundreds of business owners, we have developed our E3 process to help privately held companies get to high performance leadership and capital succession. Our approach promotes business performance, addresses vital owners’ and managers’ personal objectives, and tests the design across a myriad of business outcomes. Our “Top 40” evolved from this work.

We evaluate key leadership and capital succession strategies and solutions across culture, resiliency, cost, behavior, taxation, simplicity and most importantly – clarity of message.

Communication is central to our design process. Using interviews, facilitation, design sessions and simulations, we marry the economics of value sharing with the fundamental desires of the core management team.



Interested in seeing the complete Top 40 High Performance Incentive Toolkit?

Contact our BOLD Value team via Mark.Bronfman@LFG.com for a description of each of the 40 tools and techniques setting the table for a resilient, end-to-end value sharing process.

Visit BoldValue.com to learn more about our broader portfolio of Capital Solutions at Work



Executive Compensation

Equity Strategies

Exit & Legacy Planning

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Executive Compensation

Grant and or sales of equity, restricted stock, synthetic equity, profit appreciation rights, value-band plans, change of control plans, sophisticated qualified and nonqualified plans, 401(k) profit sharing, fringe benefits and more.

Equity Strategies

Choice of entity (C, S, LLC, tiered LLC), ESOP, management buyouts, redemptions, asset sales, private equity infusions, tax advantaged conversion, profits interests, and more.

Exit & Legacy Planning

Shareholder & operating agreements, buy-sell agreements & associated life insurance, investment planning, fundamental & advanced estate planning, personal financial planning, philanthropy, multigenerational planning, asset protection, tax reduction strategies and more.

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