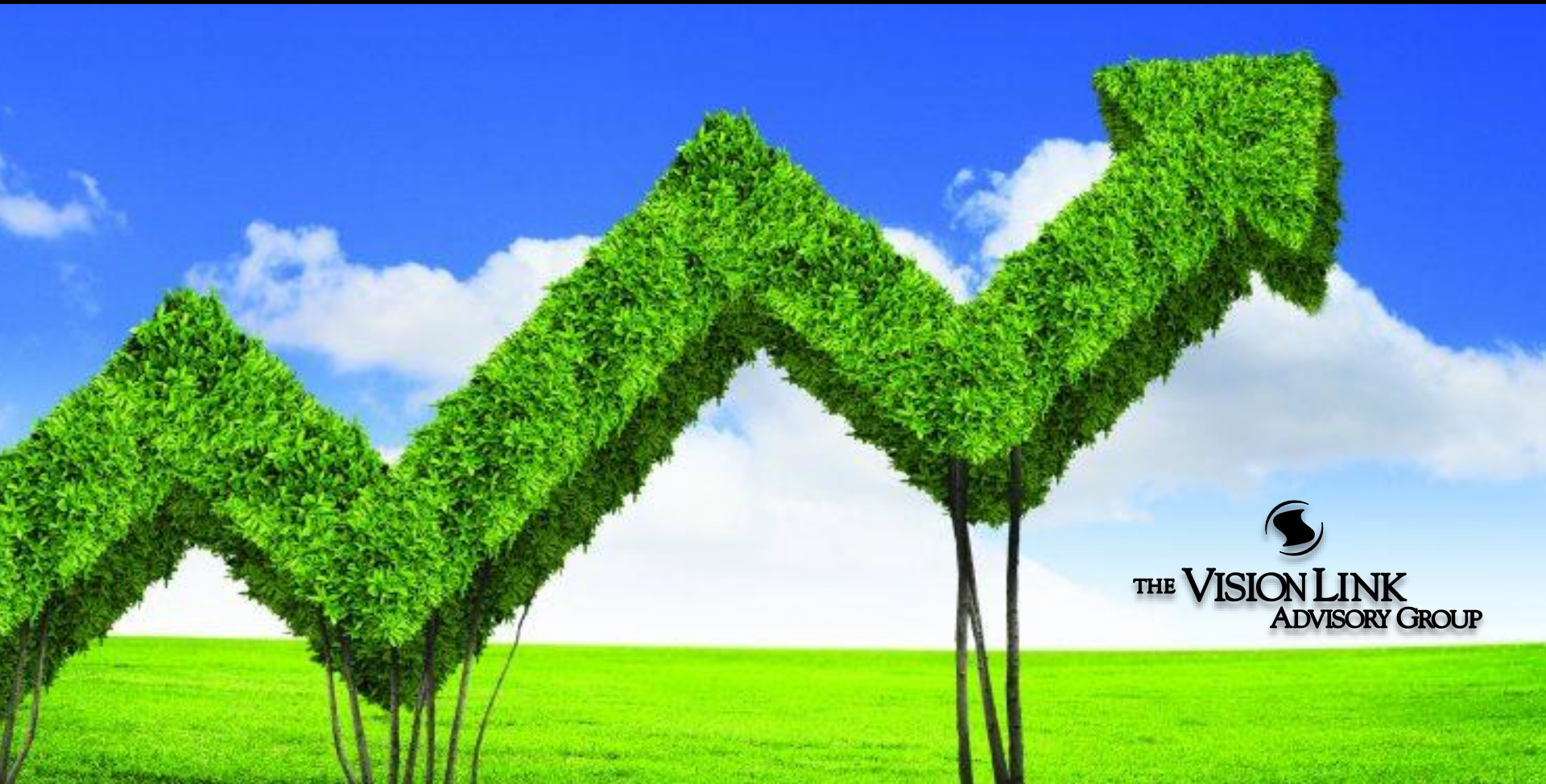
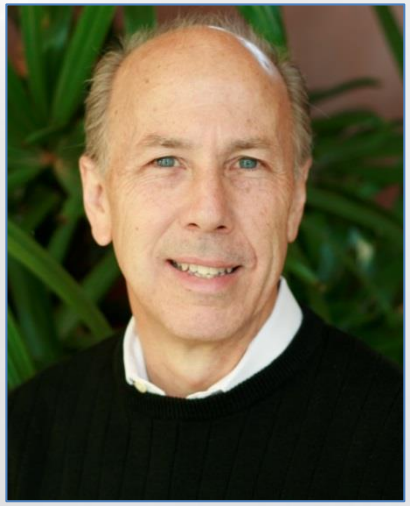
6 Ways to Reward Long-Term Performance
without sharing stock



THE VISIONLINK ADVISORY GROUP



Today's Presenter:

Ken Gibson

Senior Vice President

(949) 265-5703

kgibson@vladvisors.com

7700 Irvine Center Drive, Suite 930 ♦ Irvine, CA 92618 ♦ 949-852-2288

www.VLadvisors.com ♦ www.PhantomStockOnline.com

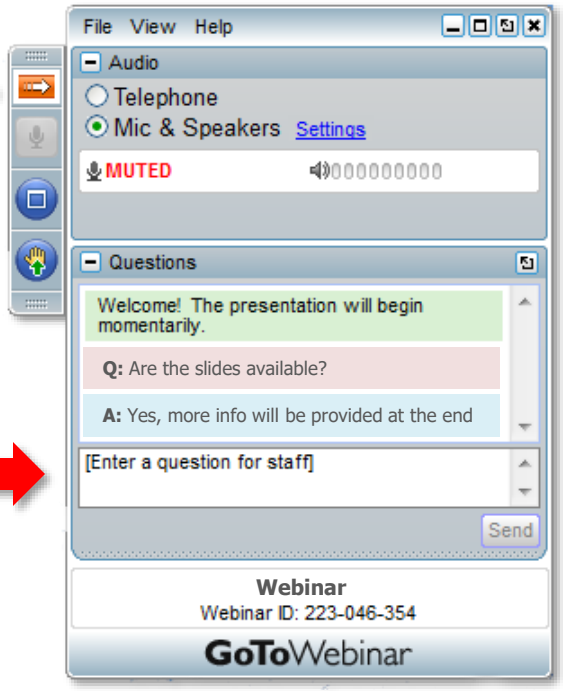
We're happy to provide a copy of today's slides.

To open or close the control panel:

Click the red arrow

For questions during today's presentation:

Use the question area on your control panel



Webinar Survey

Request a copy of our slides and complimentary consultation.

We value your input.

Those who complete the survey will be entered in a drawing for set of Apple Air Pods.

(Drawn from pool of names of those who participate in the survey.)

Complimentary Consultation

Take advantage of a half-hour consulting call with a VisionLink principal at no charge.

Indicate interest on final survey.

Post Webinar Intro

THE VISIONLINK ADVISORY GROUP

- Headquartered in Irvine, CA
- Founded in 1996
- Over 500 clients throughout North America

7700 Irvine Center Dr., Ste. 930
Irvine, CA 92618
(888) 703 0080
www.vladvisors.com
www.phantomstockonline.com
www.bonusright.com

VisionLink's Focus: Help Business Leaders Build and Sustain a High Performance Culture

Accelerate performance through pay strategies that transform employees into growth partners.

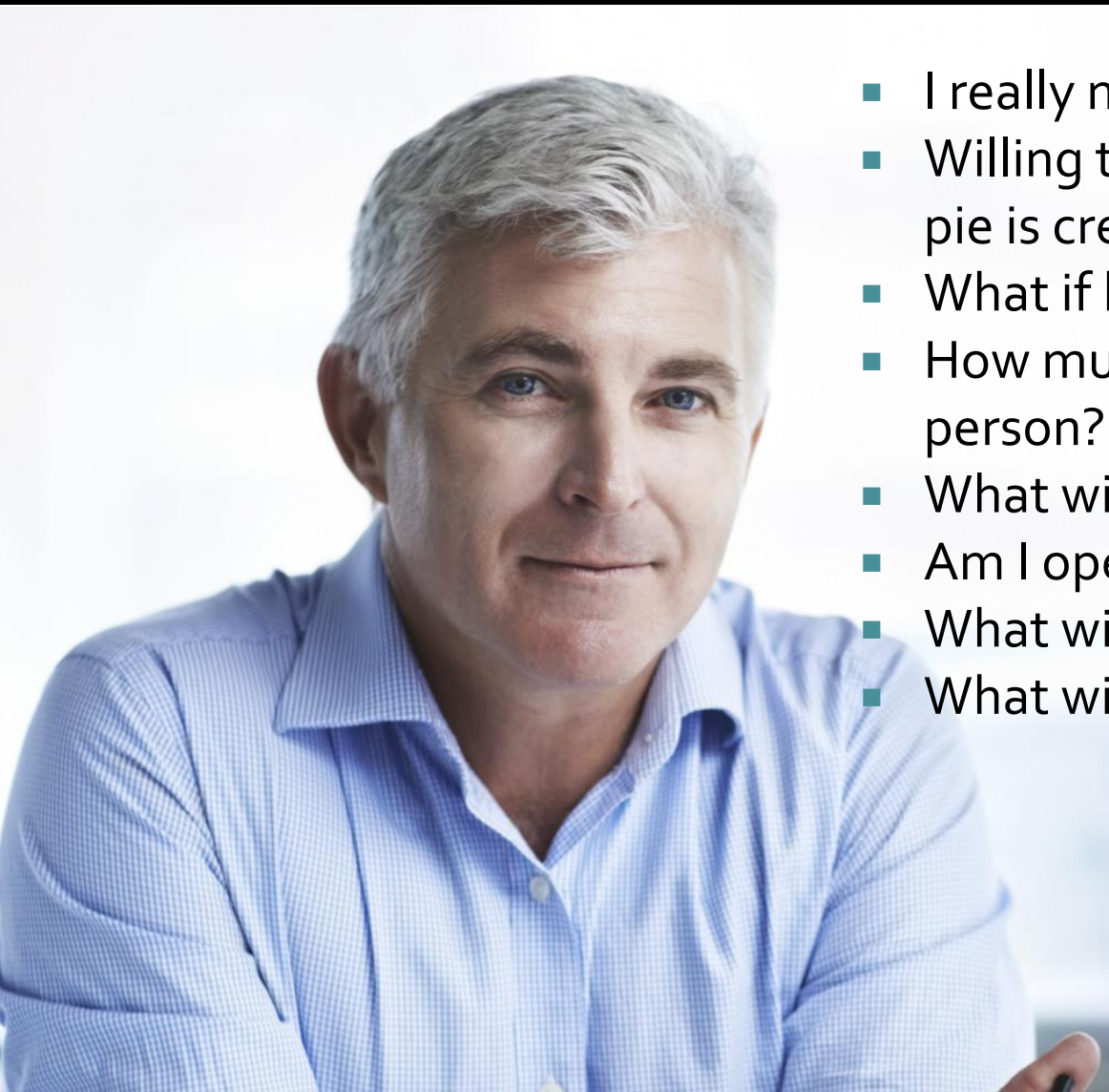
If you do that…

- Quality of talent will improve.
- Employee engagement will expand.
- Performance will be magnified.
- Business growth will be accelerated.
- Shareholder value will increase.

Framing Today's Topic

" Can I have equity?"

Owner Mindset



- I really need this person.
- Willing to share stock if bigger pie is created.
- What if bigger pie isn't created?
- How much will satisfy this person?
- What will this do to *my* value?
- Am I opening a Pandora's Box?
- What will trigger liquidation?
- What will it "cost" me?

CEO Talent Concerns

One of the biggest headaches for CEOs is making sure that the organization has the right people to cope with what lies ahead. There's the basic question of planning for the skills that are needed now and in the future: Which roles will be automated? What new roles will be needed to manage and run emerging technology? What skills should the company be looking for, and training their people for? Where will we find the people we need?

PwC's 18th Annual Global CEO Survey

But more importantly, CEOs need to be sure that the business is fit to react quickly to whatever the future may throw at it – and that means filling it with adaptable, creative people, working in a culture where energy fizzes and ideas spark into life. If they can't be found, they must be created.

PwC's 18th Annual Global CEO Survey (continued)

Do You Really Need to Worry?

"A January 2018 survey of 1,000-plus C-suite executives found that attracting and retaining talent is their number-one concern, outranking anxiety over the threat of a global recession, trade war, and even competitive disruption." (Moneyball for Business, Fast Company, September 2018, Austin Carr)

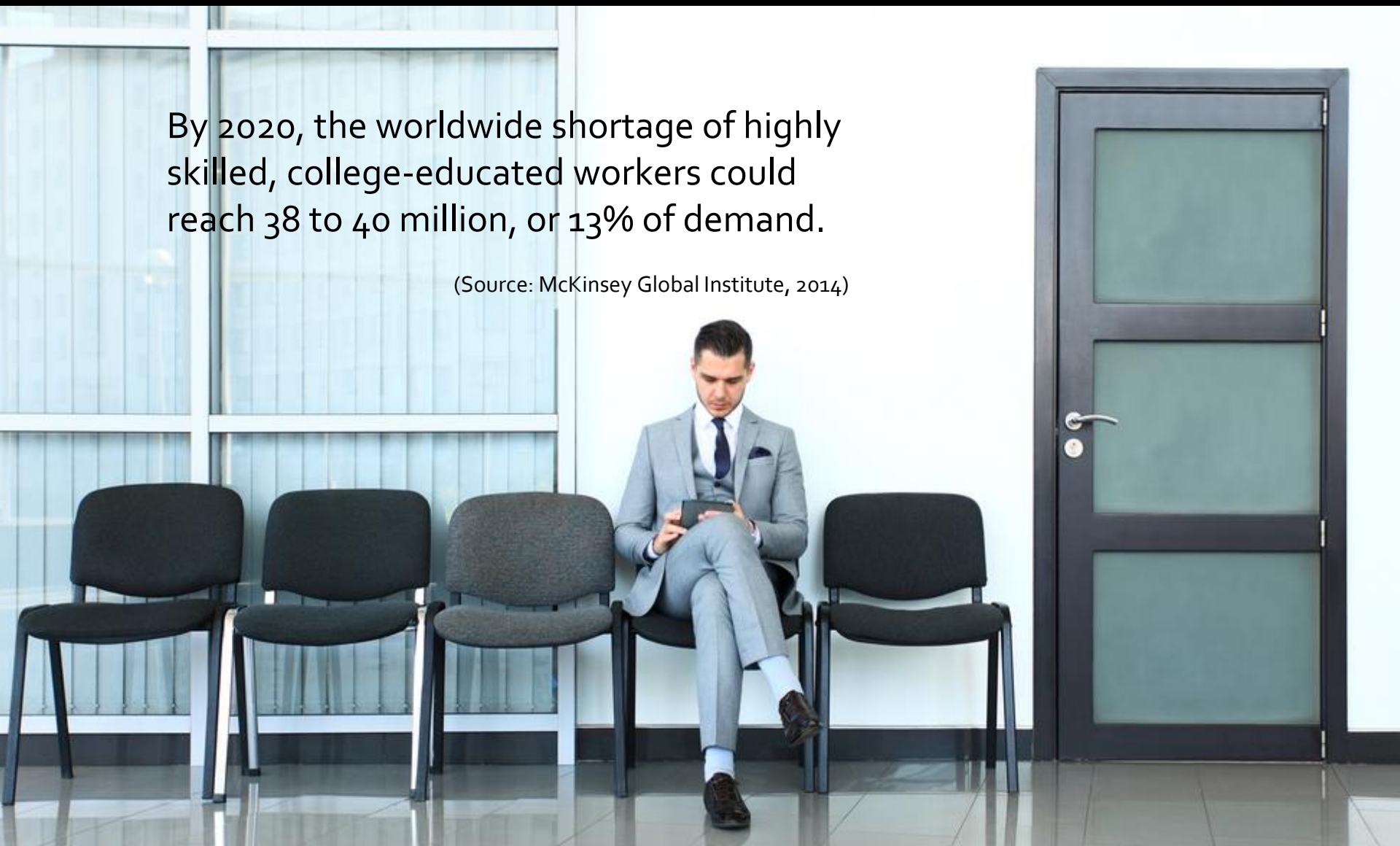
Do You Really Need to Worry?

"Nearly 70% of business leaders participating in a new global survey said the current talent pool is shrinking. As a result, the competition for talent has increased, forcing employers to change their recruiting strategies." ("Study: Shrinking Talent Pool Has Recruiters shifting Strategies," HR Dive, October 5, 2018, Valerie Bolden-Barrett)

Key Talent Trend

By 2020, the worldwide shortage of highly skilled, college-educated workers could reach 38 to 40 million, or 13% of demand.

(Source: McKinsey Global Institute, 2014)



2020 is Here

"The conversations overheard at every Chief Executive Group event this year undoubtedly echo the conversations you're having with …the heads of every division in your organization: how to deal with the skills gap that has made it so difficult for companies throughout America to fill available jobs, increase often-stalled productivity, navigate change, and fuel the sort of disruptive activity that is essential for survival in this economy."

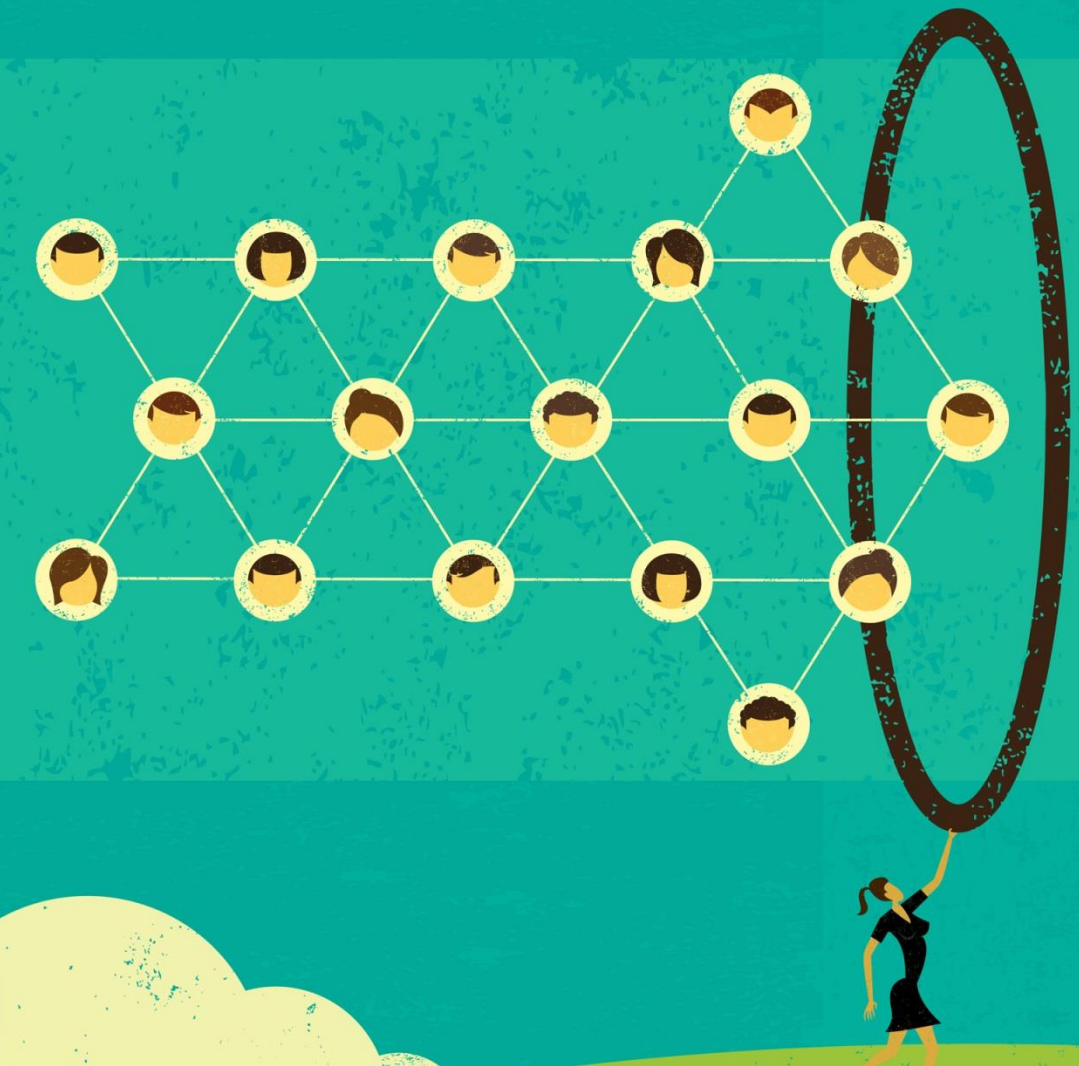
(Chief Executive Magazine, July 25, 2017)

Why Long-Term Long-Term Value Sharing Matters

Why Long-Term Value Sharing Matters

#1 Value sharing attracts and retains the best talent and magnifies results

Why Long-Term Value Sharing Matters



#2: Value sharing plans reinforce the company's business model

Why Long-Term Value Sharing Matters

#3: Value sharing protects against bad profits and promotes good profits

Why Long-Term Value Sharing Matters

#4: Value sharing promotes an ownership mindset

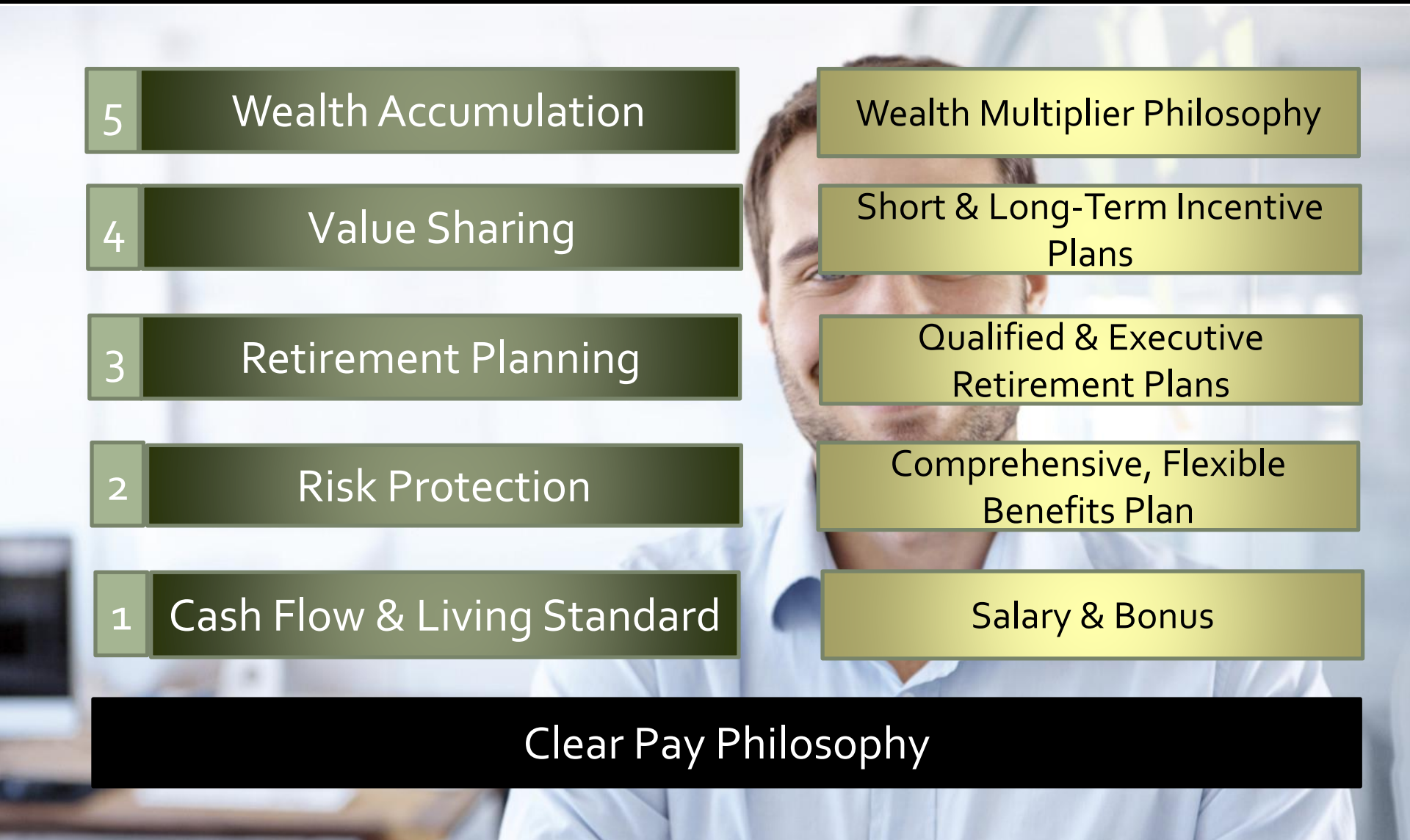
Why Long-Term Value Sharing Matters

#5: Value sharing builds trust and accelerates results

What High Performers Want

- There is a philosophy that guides pay decisions and I relate to it.
- There is a mechanism for sharing value with those who help produce it.
- I have some control over how much I can earn if I produce.
- I feel a sense of partnership with ownership.

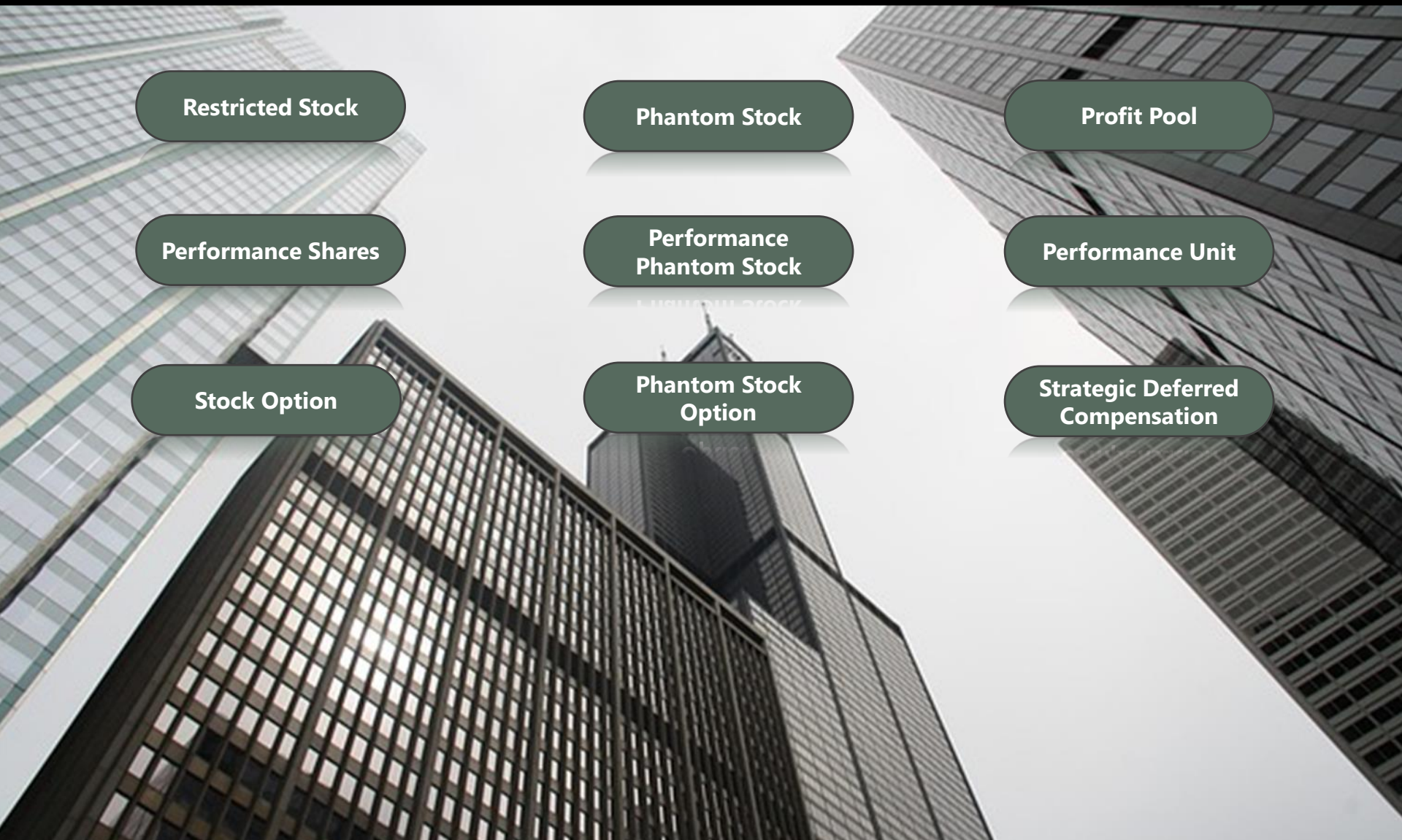
Financial "Hierarchy of Needs"



5	Wealth Accumulation	Wealth Multiplier Philosophy
4	Value Sharing	Short & Long-Term Incentive Plans
3	Retirement Planning	Qualified & Executive Retirement Plans
2	Risk Protection	Comprehensive, Flexible Benefits Plan
1	Cash Flow & Living Standard	Salary & Bonus

Clear Pay Philosophy

9 Long-Term Value-Sharing Plans



6 Non-Stock Value-Sharing Alternatives

Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

Do You Want to Share Equity?

In a Private Company, when does it make sense?

Key Questions

- Competing against public companies for talent?
- Need to attract or retain vital contributors?
- Employees have earned an ownership stake?
- Means exist for transferring or repurchasing stock?
- Can accept the immediate dilution of your equity?

If Considering Stock Options

- Employees should participate in future growth only?
- Can employees fund the purchase?
- Means exist for transferring and repurchasing stock?

Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

No Stock • Reward For Value Increase

Full Value • Not Performance-Based

Phantom Stock

Phantom Stock

- Company establishes a phantom share value (formula or valuation)
- Employees given an award that has current value essentially equivalent to company stock value (subject to vesting schedule)
- No rights of ownership
- Rewards for past contributions and future growth
- Payments will be made in cash (or stock) at pre-determined dates
- Full value awards create a direct link to ownership

Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

No Stock • Reward For Value Increase

Full Value • Performance-Based

Performance Phantom Stock

Performance Phantom Stock

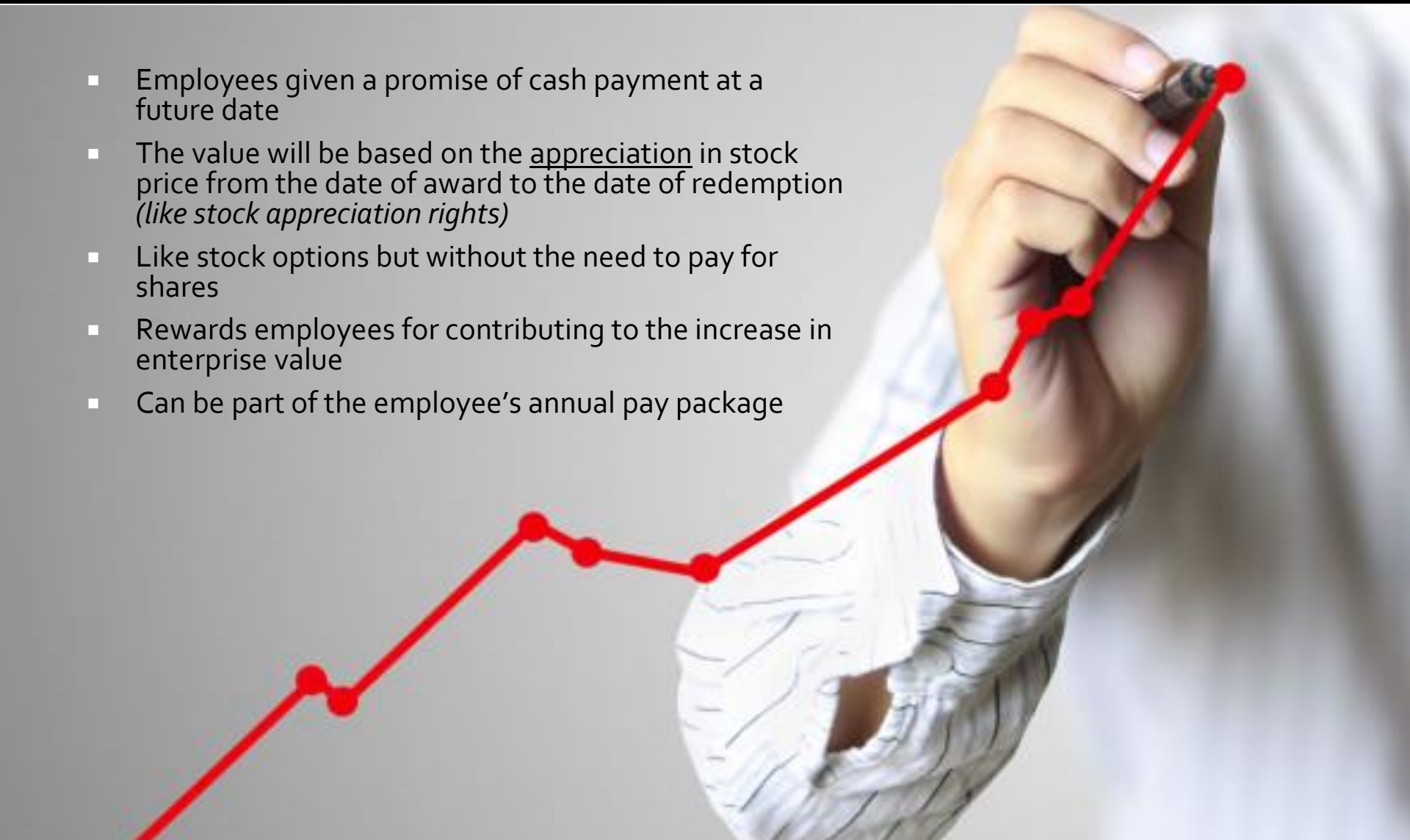
- Employees given the promise to receive phantom shares upon fulfillment of pre-determined (often annual) financial goals
- Shares can be full value or appreciation
- "Double" pay-for-performance concept
  - You earn shares based on performance
  - Share values go up based on performance

Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

No Stock • Reward For Value Increase

Phantom Stock Options

- Employees given a promise of cash payment at a future date
- The value will be based on the appreciation in stock price from the date of award to the date of redemption *(like stock appreciation rights)*
- Like stock options but without the need to pay for shares
- Rewards employees for contributing to the increase in enterprise value
- Can be part of the employee's annual pay package



Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

No Stock • Reward for Financial Value

Financial • Allocation-Based

Profit Pool

Profit Pool

- Employees given a right to participate in an annual distribution from an accumulating profit pool
- A percentage of profits is credited to a pool that is to be distributed to selected participants in future years
- Each participant is allocated a percentage of the pool
- Typically, distributions may begin at the end of year 3 and recur annually
- Productivity Profit concept calls for a reduction in pool for "capital profits" attribution

Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

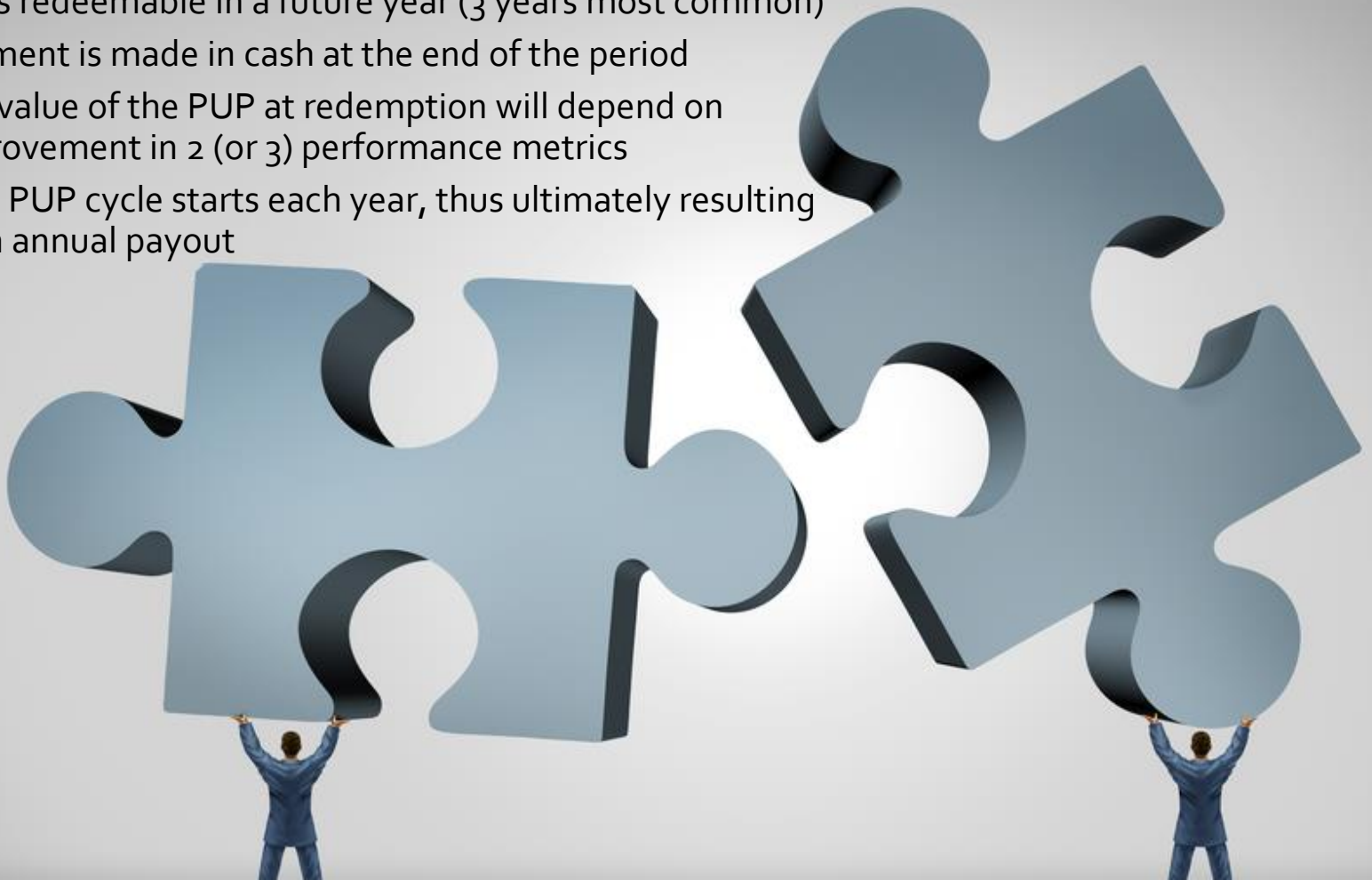
No Stock • Reward for Financial Value

Financial • Objectives and Performance-Based

Performance Unit Plan

Performance Unit Plan

- Employees given award units (PUPs) with a current value
- Units redeemable in a future year (3 years most common)
- Payment is made in cash at the end of the period
- The value of the PUP at redemption will depend on improvement in 2 (or 3) performance metrics
- New PUP cycle starts each year, thus ultimately resulting in an annual payout



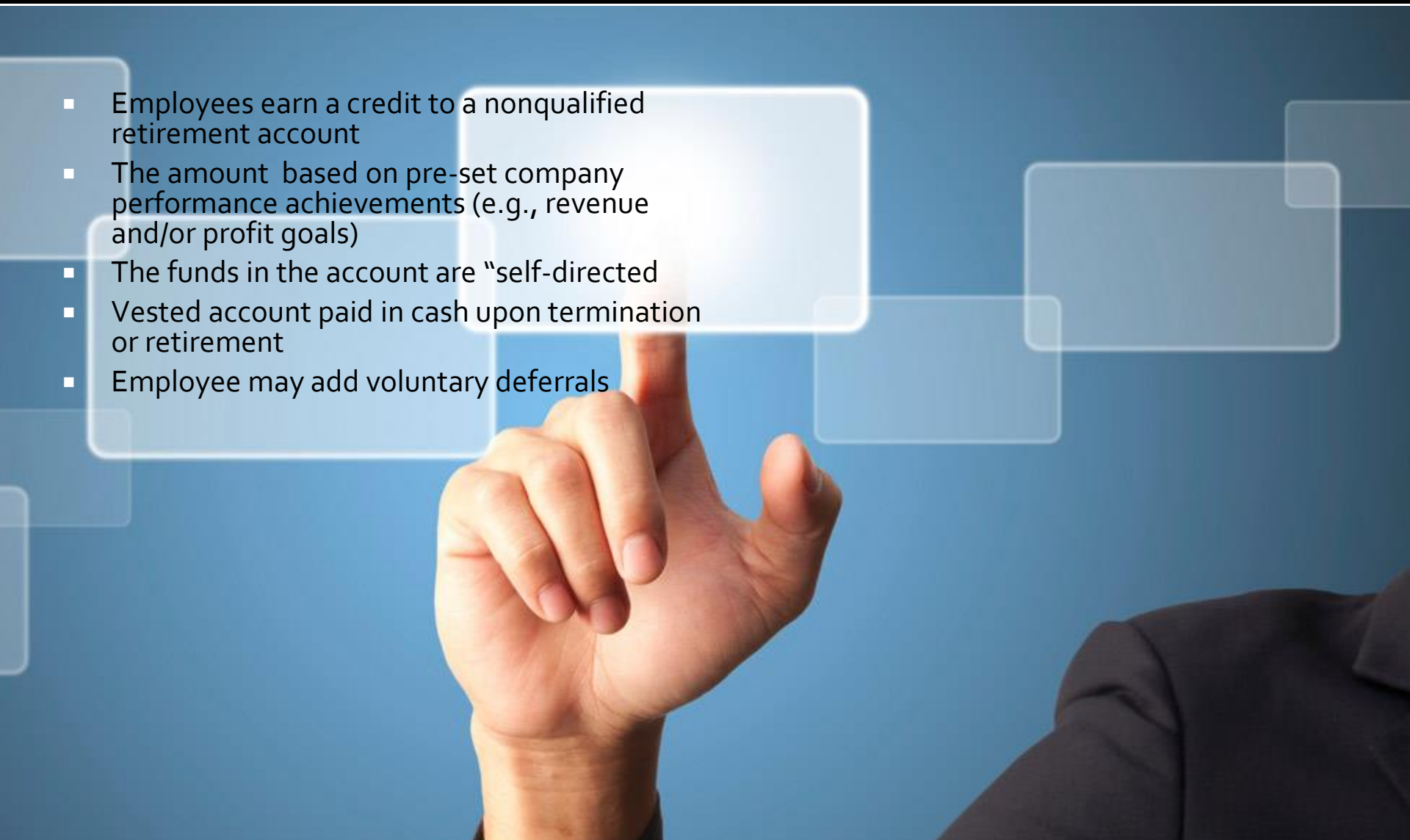
Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

No Stock • Reward for Financial Value

Financial • Employee Directed

Strategic Deferred Compensation

Strategic Deferred Compensation



- Employees earn a credit to a nonqualified retirement account
- The amount based on pre-set company performance achievements (e.g., revenue and/or profit goals)
- The funds in the account are "self-directed
- Vested account paid in cash upon termination or retirement
- Employee may add voluntary deferrals

Grant Equity or Not Equity?
Yes
Full Value or Appreciation Only?
Full Value
Performance Based?
Appreciation
Stock Option
Yes
Performance Shares
No
Restricted Stock
No
Reward for Value Increase or Financial Performance?
Value Increase
Full Value or Appreciation?
Full Value
Performance Based?
Appreciation
Phantom Stock Option
Yes
Performance Phantom Stock
No
Phantom Stock
Financial Performance
Appreciation-Performance Based or Employee Directed?
Performance Based
Reward for Profit/Cash Flow or Other Metrics?
Profits
Allocation or Objectives Based?
Employee Directed
Strategic Deferred Compensation
Other Metrics
Objectives
Performance Unit
Allocation
Profit Pool

What Direction Should You Take?

	Value Tied To	Total Value or Appreciation Only?	Awarded or Earned?	When Redeemed (Typically)?	Executives or Broad (Typically)?
Phantom Stock Options	Share Price	Appreciation	Awarded	3-7 years	Executives
Full Value Phantom Stock	Share Price	Total	Awarded	6-10 years	Executives
Performance Phantom Stock	Share Price	Either	Earned	3-10 years	Executives
Profit Pool	% of Profits	Either	Earned	3 years	Broad
PUP	2-3 Key Metrics	Either	Awarded	3 years	Broad
Strategic DCP	1-2 Annual Financial Metrics	Either	Earned	Retirement	Executives

Steps (after selecting your plan type)

1. Determine eligible group (allow for future participants)
2. Build a financial growth model
3. Assess new value being created for shareholders
4. Determine the percentage or amount of the future value (or increase in value) to be shared
5. Select a grant schedule (typically annual) and begin illustrating the grants

Steps (after selecting your plan type)

6. Test the model for Base, Target and Superior standards
7. Determine vesting schedule
8. Allow for turnover and future employees
9. Test cash flow (and determine if pre-funding is appropriate)
10. Document and launch

Market a Future that's Relevant

- Here's our future
- Here's how we're going to get there
- Here's the role we picture for you
- Here's how we encourage our people to grow and contribute

- Here's our philosophy about pay and rewards
- Here are our specific pay programs
- Here's how our pay programs could work for you if we achieve our plan

Employee Value Statement

Year	1	2	3	4	5
Targeted Results	100%	100%	100%	100%	100%
Salary	$160,000	$166,400	$173,056	$179,878	$187,177
STVS	$64,000	$66,560	$69,222	$71,991	74,871
LTVS (EOY)	--	$74,000	$186,000	$311,000	$448,000
401(k) @7%	$17,120	$36,123	$57,169	$80,428	$106,086
Total Cash	$224,000	$232,960	$242,278	$251,970	$262,048
Wealth Accrual	$17,120	$110,123	$243,169	$391,428	$554,086
Total Value	$241,120	$567,083	$942,407	$1,342,636	$1,767,343

Therefore, What?

- A long-term value-sharing plan is an essential incentive arrangement for growth companies
- These plans create a differentiating edge that satisfies the expectations of top producers
- They are not difficult to implement if you follow a careful process
- You don't have to share stock to share long-term value

Webinar Survey

Request a copy of our slides and complimentary consultation.

We value your input.

Those who complete the survey will be entered in a drawing for set of Apple Air Pods.

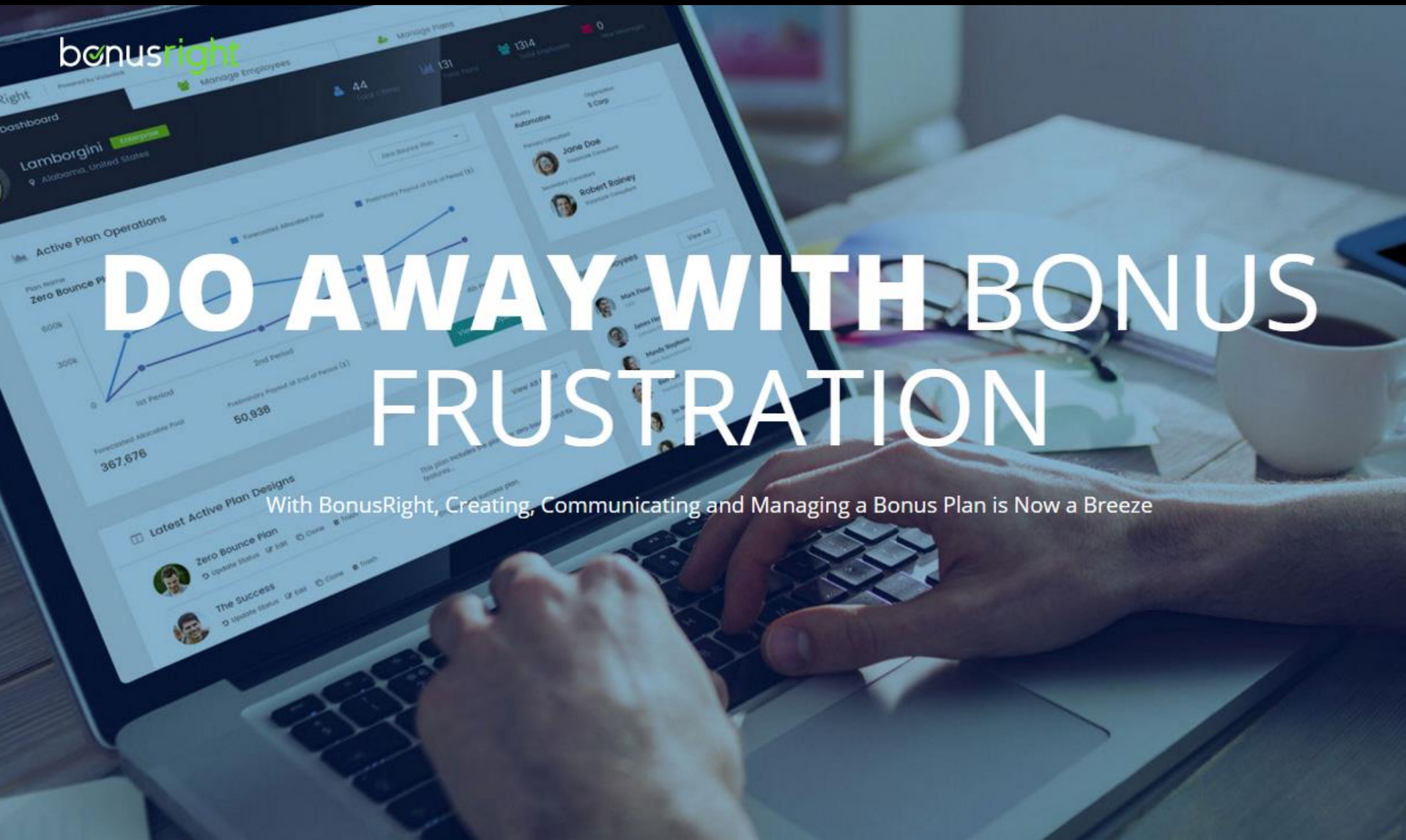
(Drawn from pool of names of those who participate in the survey.)

Complimentary Consultation

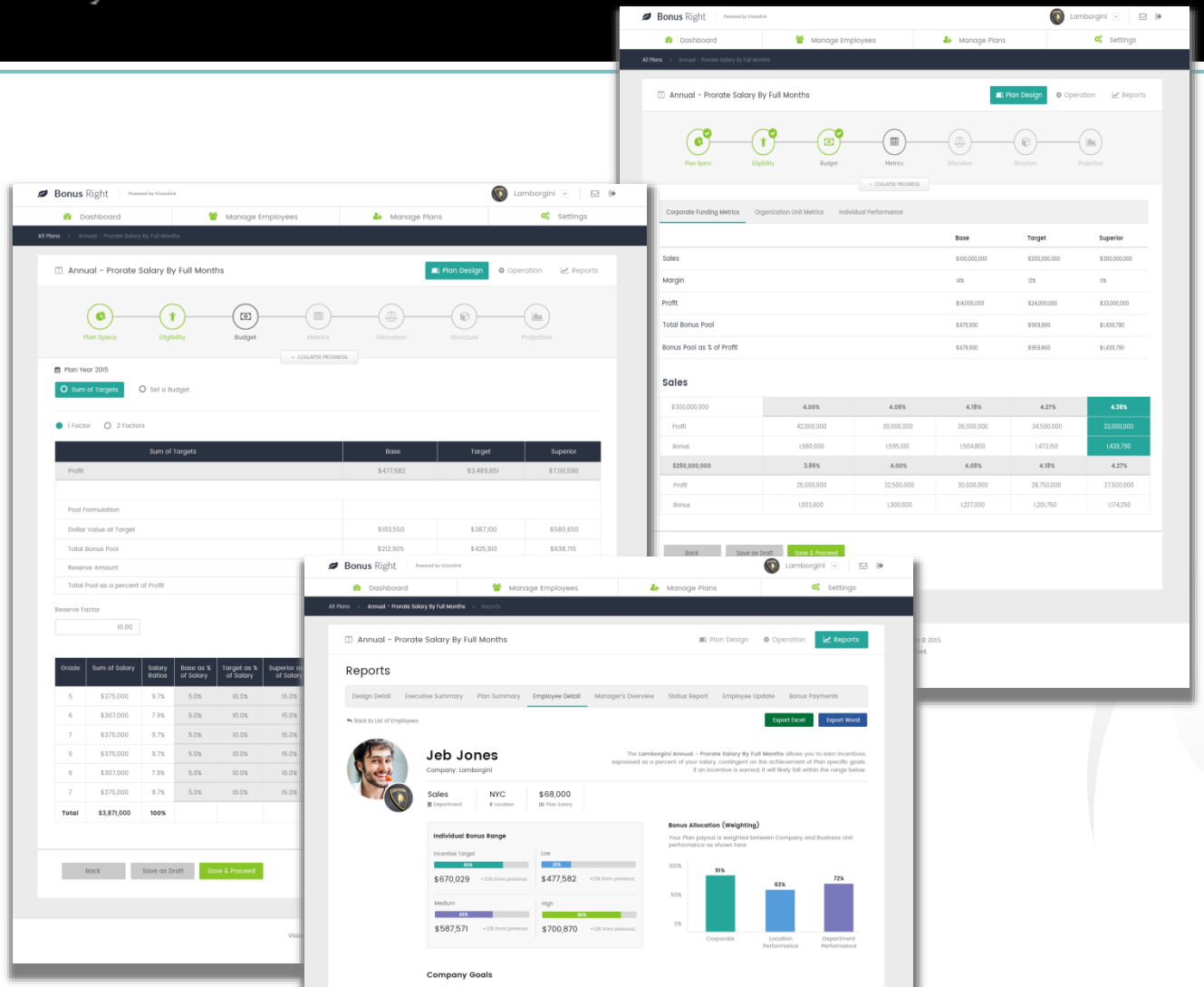
Take advantage of a half-hour consulting call with a VisionLink principal at no charge.

Indicate interest on final survey.

www.bonusright.com



bonusright
by VisionLink

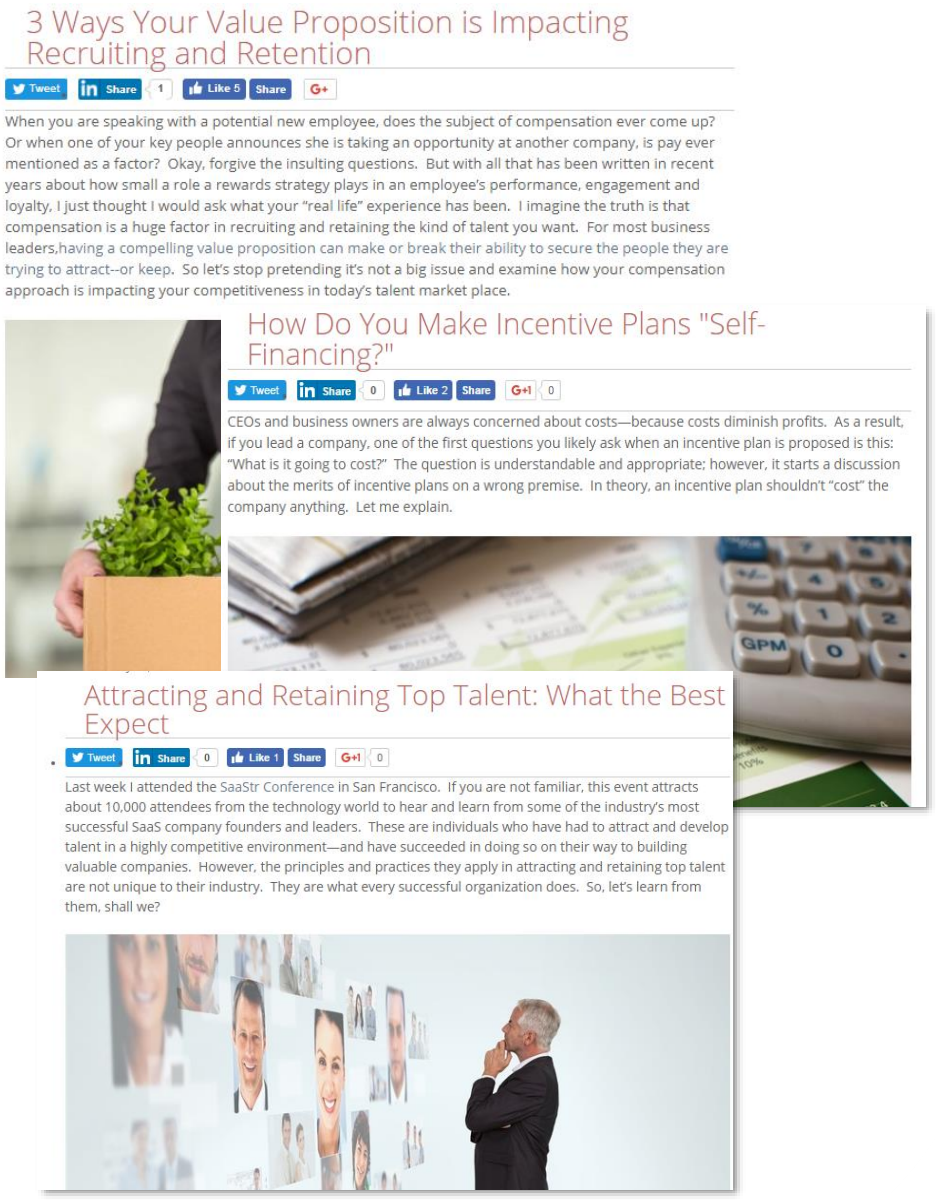


- New SaaS tool
- Build and manage your bonus plan online.
- Indicate on survey if you would like to schedule a demo.

www.vladvisors.com

www.phantomstockonline.com

Subscribe to our blog!



3 Ways Your Value Proposition is Impacting Recruiting and Retention

When you are speaking with a potential new employee, does the subject of compensation ever come up? Or when one of your key people announces she is taking an opportunity at another company, is pay ever mentioned as a factor? Okay, forgive the insulting questions. But with all that has been written in recent years about how small a role a rewards strategy plays in an employee's performance, engagement and loyalty, I just thought I would ask what your "real life" experience has been. I imagine the truth is that compensation is a huge factor in recruiting and retaining the kind of talent you want. For most business leaders,having a compelling value proposition can make or break their ability to secure the people they are trying to attract--or keep. So let's stop pretending it's not a big issue and examine how your compensation approach is impacting your competitiveness in today's talent market place.

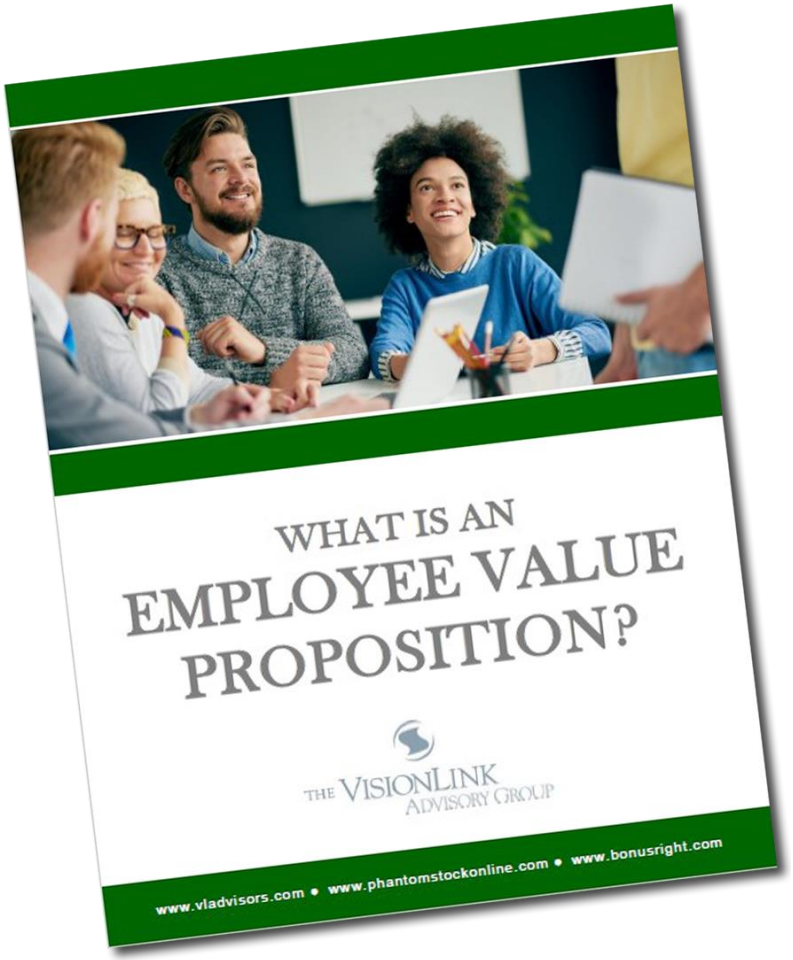
How Do You Make Incentive Plans "Self-Financing?"

CEOs and business owners are always concerned about costs—because costs diminish profits. As a result, if you lead a company, one of the first questions you likely ask when an incentive plan is proposed is this: "What is it going to cost?" The question is understandable and appropriate; however, it starts a discussion about the merits of incentive plans on a wrong premise. In theory, an incentive plan shouldn't "cost" the company anything. Let me explain.

Attracting and Retaining Top Talent: What the Best Expect

Last week I attended the SaaStr Conference in San Francisco. If you are not familiar, this event attracts about 10,000 attendees from the technology world to hear and learn from some of the industry's most successful SaaS company founders and leaders. These are individuals who have had to attract and develop talent in a highly competitive environment—and have succeeded in doing so on their way to building valuable companies. However, the principles and practices they apply in attracting and retaining top talent are not unique to their industry. They are what every successful organization does. So, let's learn from them, shall we?

Free Report:
What is an Employee Value Proposition?



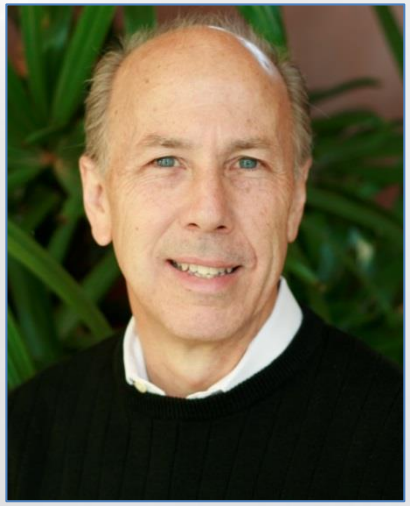
Request your copy on the final survey.

Post Webinar Intro

Q&A

THE VISIONLINK ADVISORY GROUP

Thank You!



Today's Presenter:

Ken Gibson

Senior Vice President

(949) 265-5703

kgibson@vladvisors.com

7700 Irvine Center Drive, Suite 930 ♦ Irvine, CA 92618 ♦ 949-852-2288

www.VLadvisors.com ♦ www.PhantomStockOnline.com

Post Webinar Intro

+ B2B

ESTABLISHED IN 1996

COMPENSATION DESIGN
& MANAGEMENT

+ Our Focus

BE CEO GROWTH PARTNER

DESIGN COMP THAT DRIVES RESULTS
SUPPORT WEALTH MUTIPLIERS
ATTRACT & RETAIN GREAT TALENT
ENABLE AN ENGAGED,
COMMITTED WORKFORCE

+ Client Profile

CLEAR VISION

MIDDLE-MARKET COMPANIES
GROWTH ORIENTED
RESULTS CENTERED
DEFINED BUSINESS MODEL

+ Seasoned Team

7 PROFESSIONALS

WITH BACKGROUNDS IN:
COMPENSATION DESIGN
HUMAN RESOURCES
EXECUTIVE BENEFITS
LAW
FINANCE

+ Reach

CLIENTS IN 40+ STATES
BREADTH OF INDUSTRIES

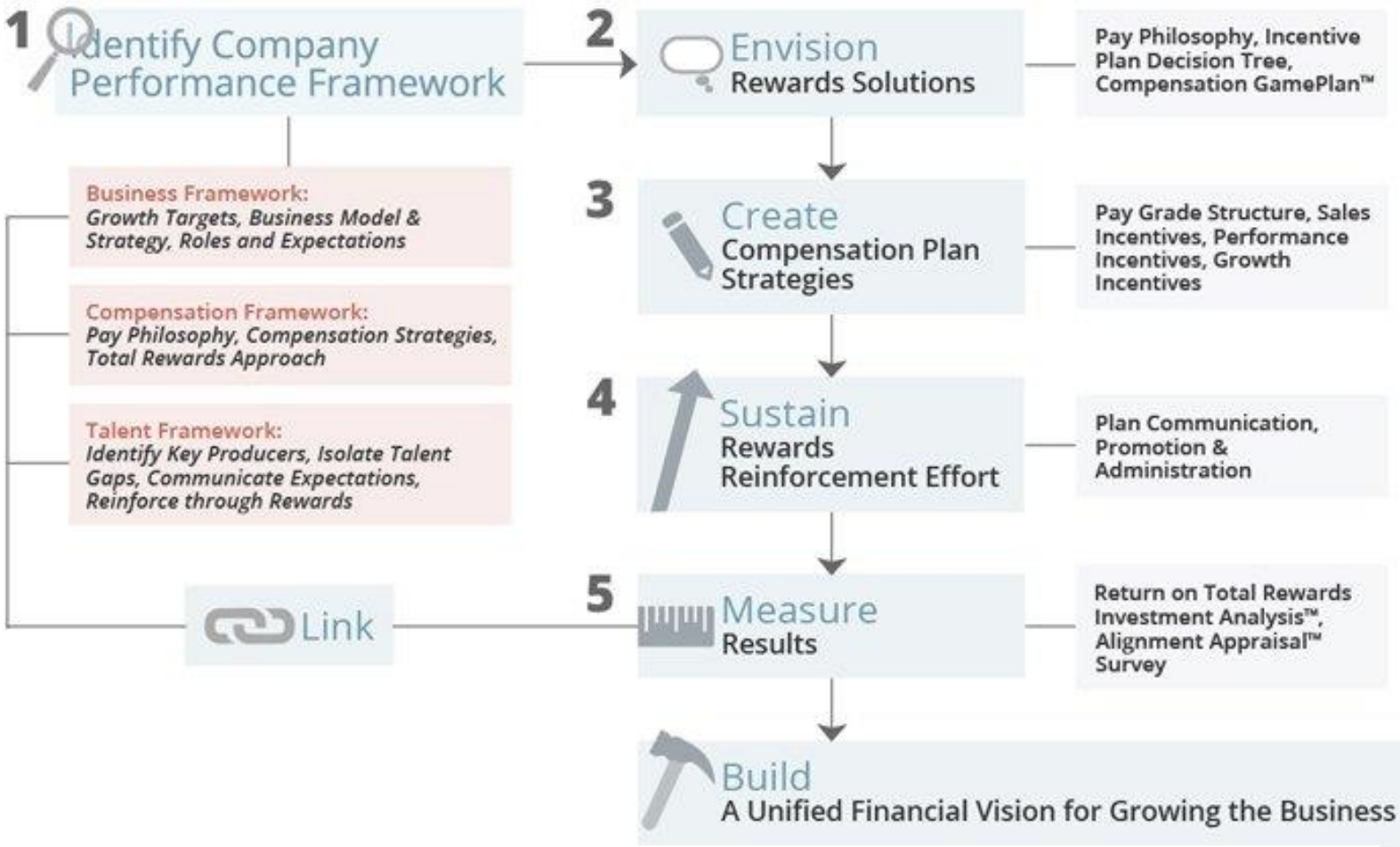
OVER 500 CLIENTS SERVED

+ Our Commitment

DRIVE GROWTH
INCREASE VALUE

MULTIPLY WEALTH

THE VISIONLINK ADVISORY GROUP


1
Identify Company Performance Framework
Business Framework:
Growth Targets, Business Model & Strategy, Roles and Expectations
Compensation Framework:
Pay Philosophy, Compensation Strategies, Total Rewards Approach
Talent Framework:
Identify Key Producers, Isolate Talent Gaps, Communicate Expectations, Reinforce through Rewards
Link
2
Envision
Rewards Solutions
Pay Philosophy, Incentive Plan Decision Tree, Compensation GamePlan™
3
Create
Compensation Plan Strategies
Pay Grade Structure, Sales Incentives, Performance Incentives, Growth Incentives
4
Sustain
Rewards Reinforcement Effort
Plan Communication, Promotion & Administration
5
Measure
Results
Return on Total Rewards Investment Analysis™, Alignment Appraisal™ Survey
Build
A Unified Financial Vision for Growing the Business

THE VISIONLINK ADVISORY GROUP

7700 Irvine Center Dr., Ste. 930
Irvine, CA 92618
(888) 703 0080
www.vladvisors.com
www.phantomstockonline.com
www.bonusright.com