





THE VISIONLINK  
ADVISORY GROUP

Today's Presenter:

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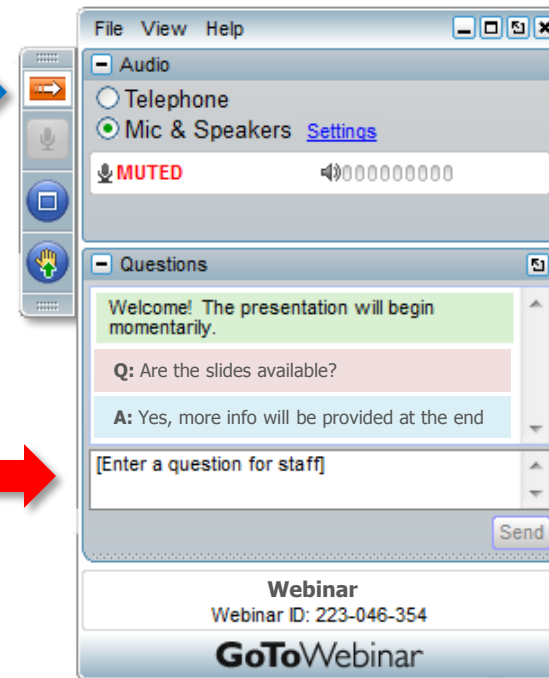


- Founded in 1996
- Over 450 Clients in North America
- Focus: Compensation design and management that drives growth

We're happy to provide a copy of today's slides.  
Information will be provided at the close  
of the presentation.

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the control panel:**   
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# Special Offer



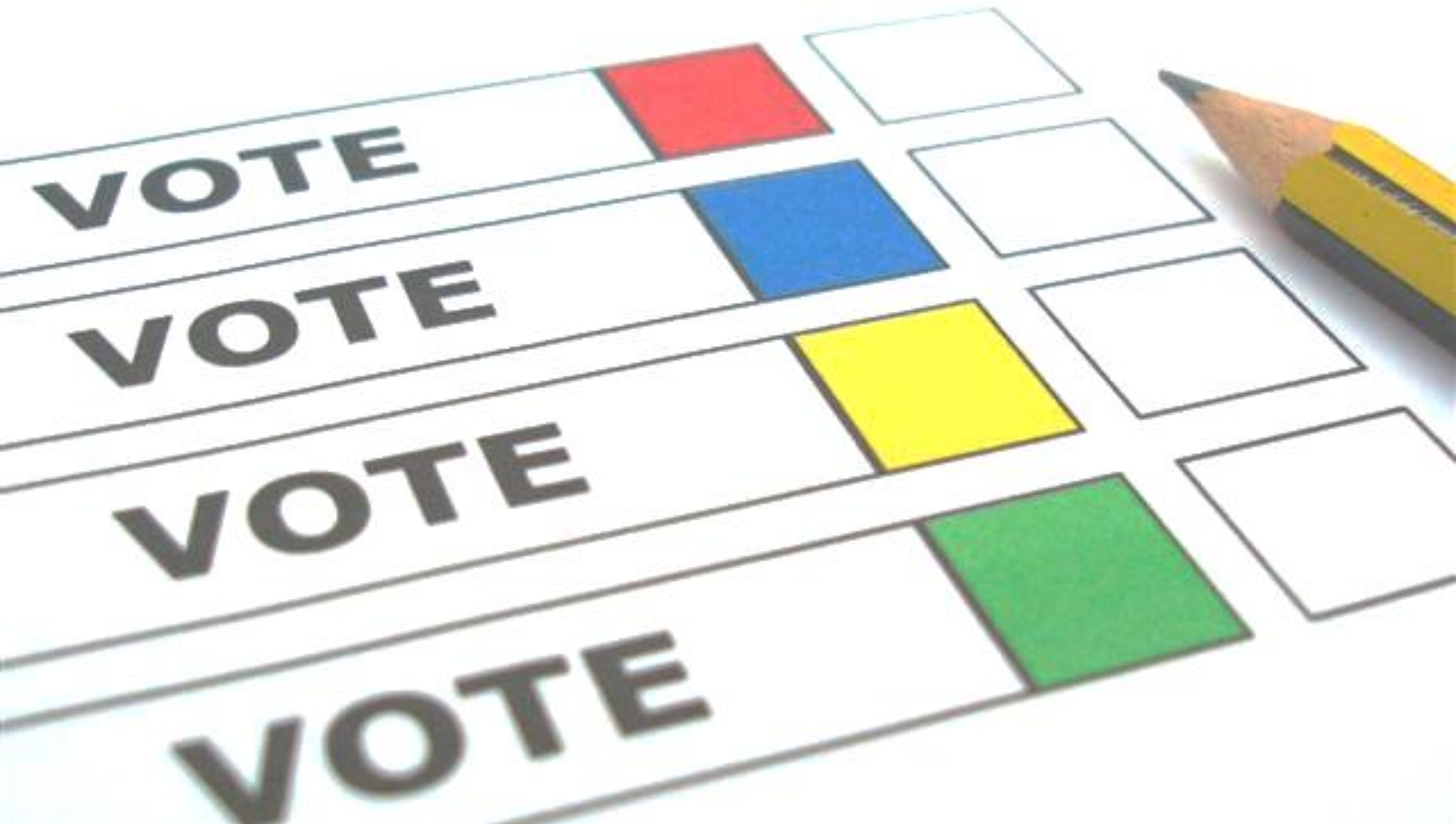
One hour consulting call with  
a VisionLink principal at no  
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**Indicate interest on final  
survey**

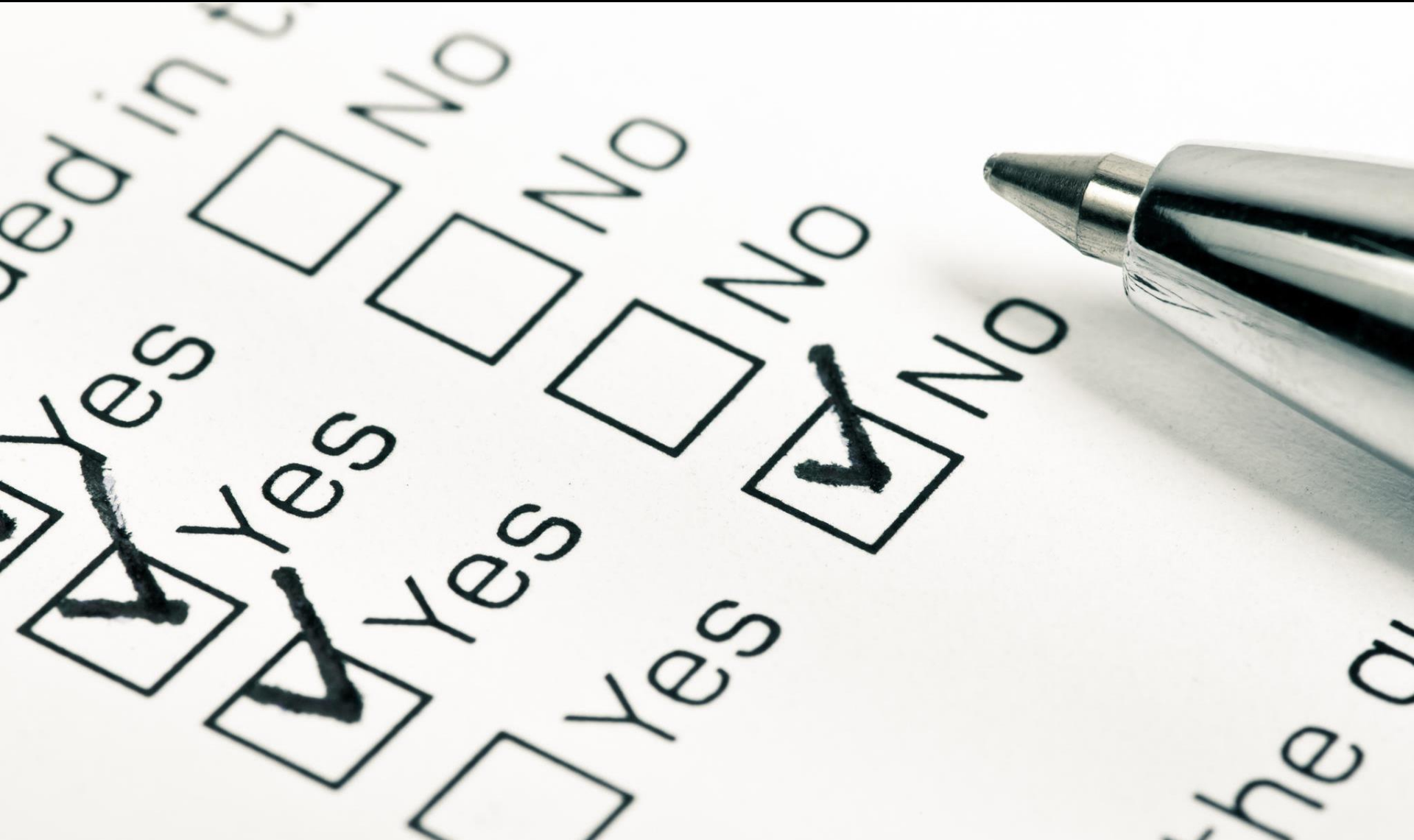
**Special  
Opportunity  
Announced  
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Broadcast.**



# POLL #1



# POLL #2





# Premier Talent Retention: Here's the Issue

Most CEOs struggle to grow the business as rapidly as they want.



# To Achieve That, What's Needed?



## CEOs want:

- Growth partners not just employees.
- Catalysts who know how to leverage growth.
- Leaders who take ownership of results.
- Problem solvers who aren't afraid of accountability.
- A performance culture.

# If Those People Are in the Organization...

**The CEO Wants to Keep Them!**



# The 4 Secrets: Four-Part Total Rewards Approach

1. Compelling Future

2. Positive Work  
Environment

3. Opportunities for  
Personal and  
Professional Growth

4. Financial Rewards

# 1. Compelling Future



- I like the direction the company is headed.
- I embrace the company's values.
- I believe the company can achieve its growth goals.
- I see myself in the company's future.
- I want a "seat at the table" in determining the direction of the company.

## 2. Positive Work Environment

- I like the nature of the work I'm doing.
- I am working within my unique ability.
- My responsibilities have strategic purpose.
- I like the team of people with whom I work.
- There are channels and processes for solving problems and decision making.



# 3. Personal and Professional Development

As a result of the resources of the organization, my unique abilities will improve.



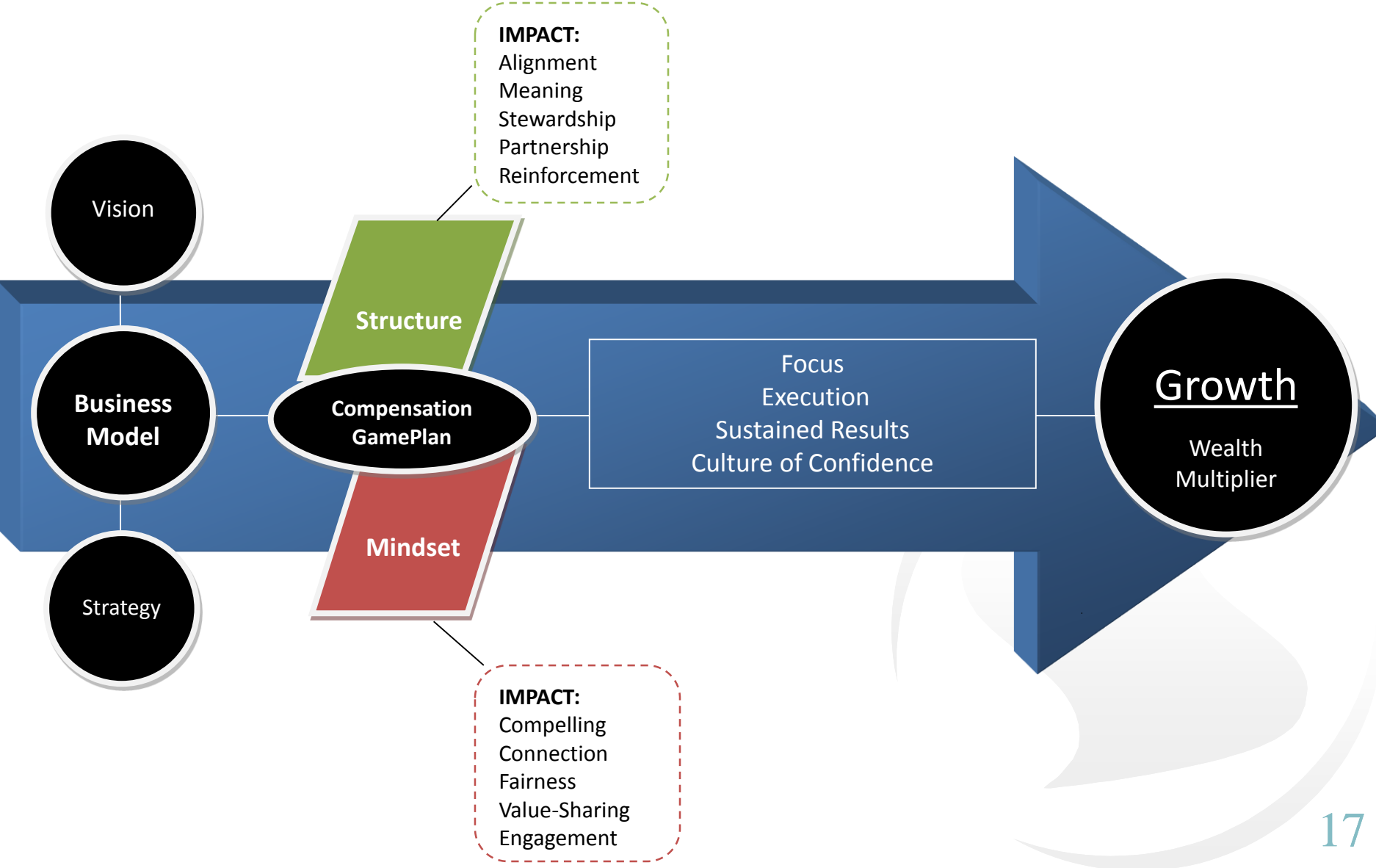
# 4. Financial Rewards



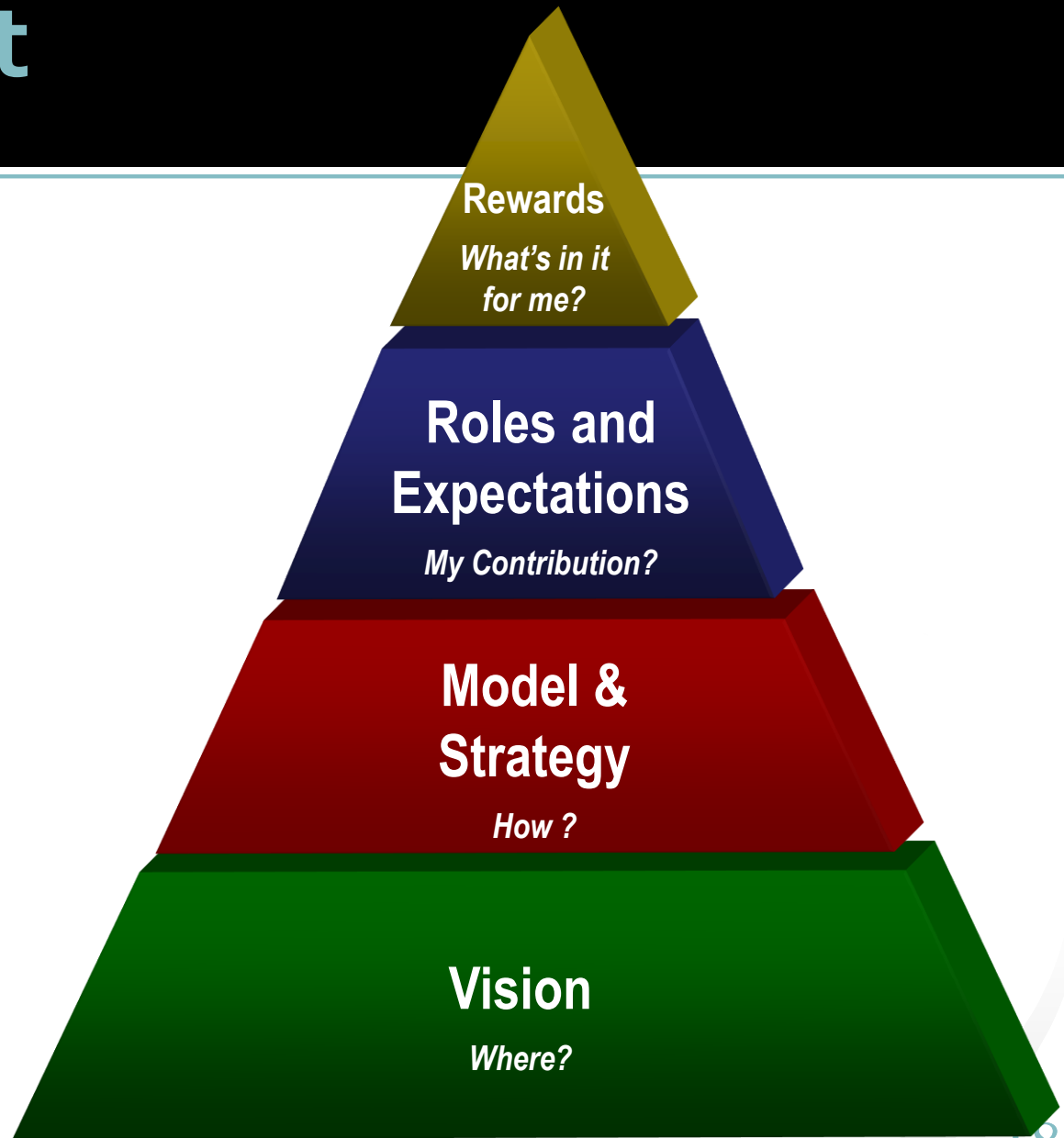
- There is a philosophy that guides pay decisions and I relate to it.
- There is a mechanism for sharing value with those who help produce it.
- I have some control over how much I can earn if I produce.



# Building a Unified Financial Vision for Growing the Business



# Line of Sight



# Link Company & Employee Goals

## Employee "Hierarchy of Needs"



Clear Pay Philosophy

# Wealth Multipliers not just Wealth Creators

## *Transformation not just Growth*

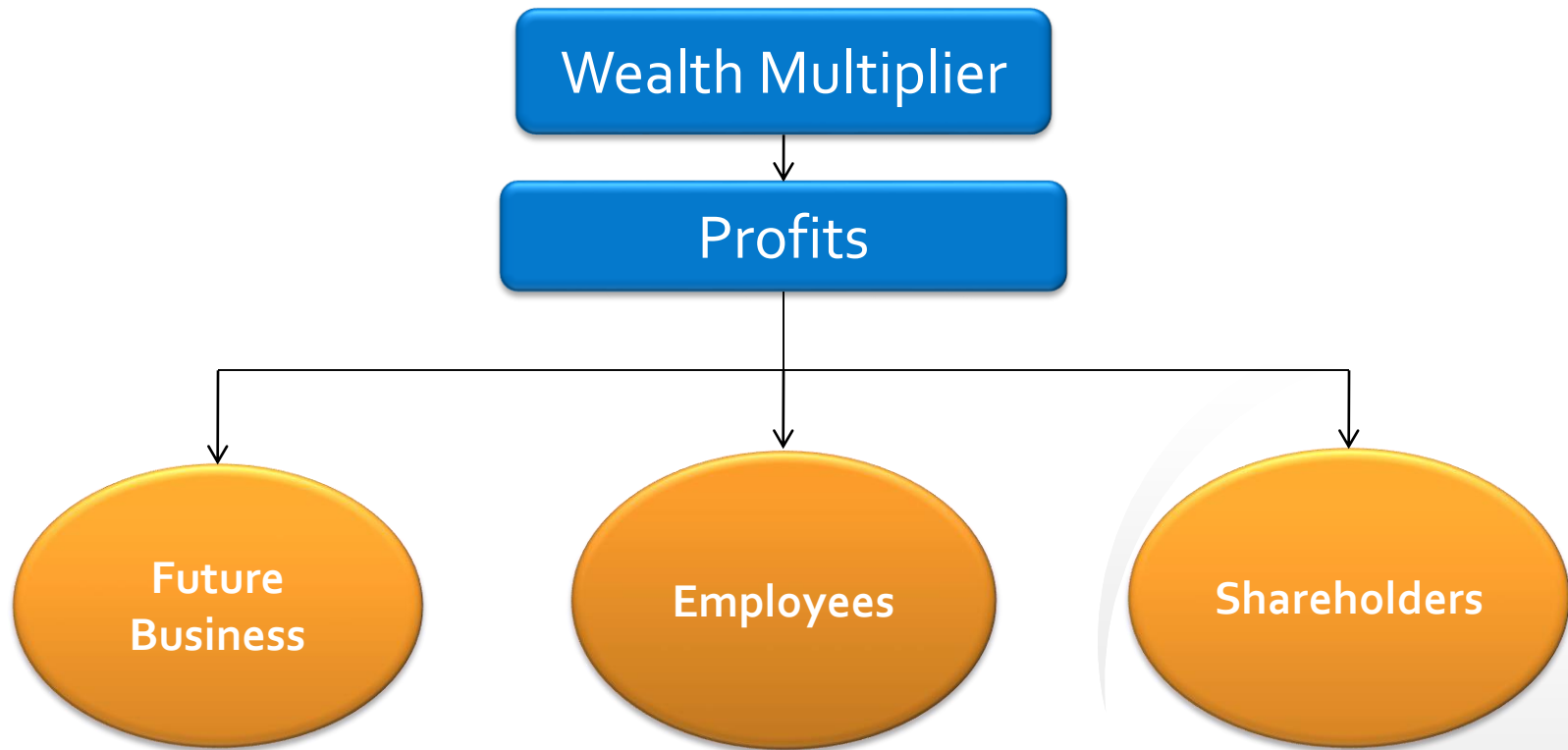
### Wealth Creators

- Profitability focus
- Recruit to skills and experience
- Comp is an important expense to be managed
- Salaries and total pay should be “at market”
- “Pay-for-performance”

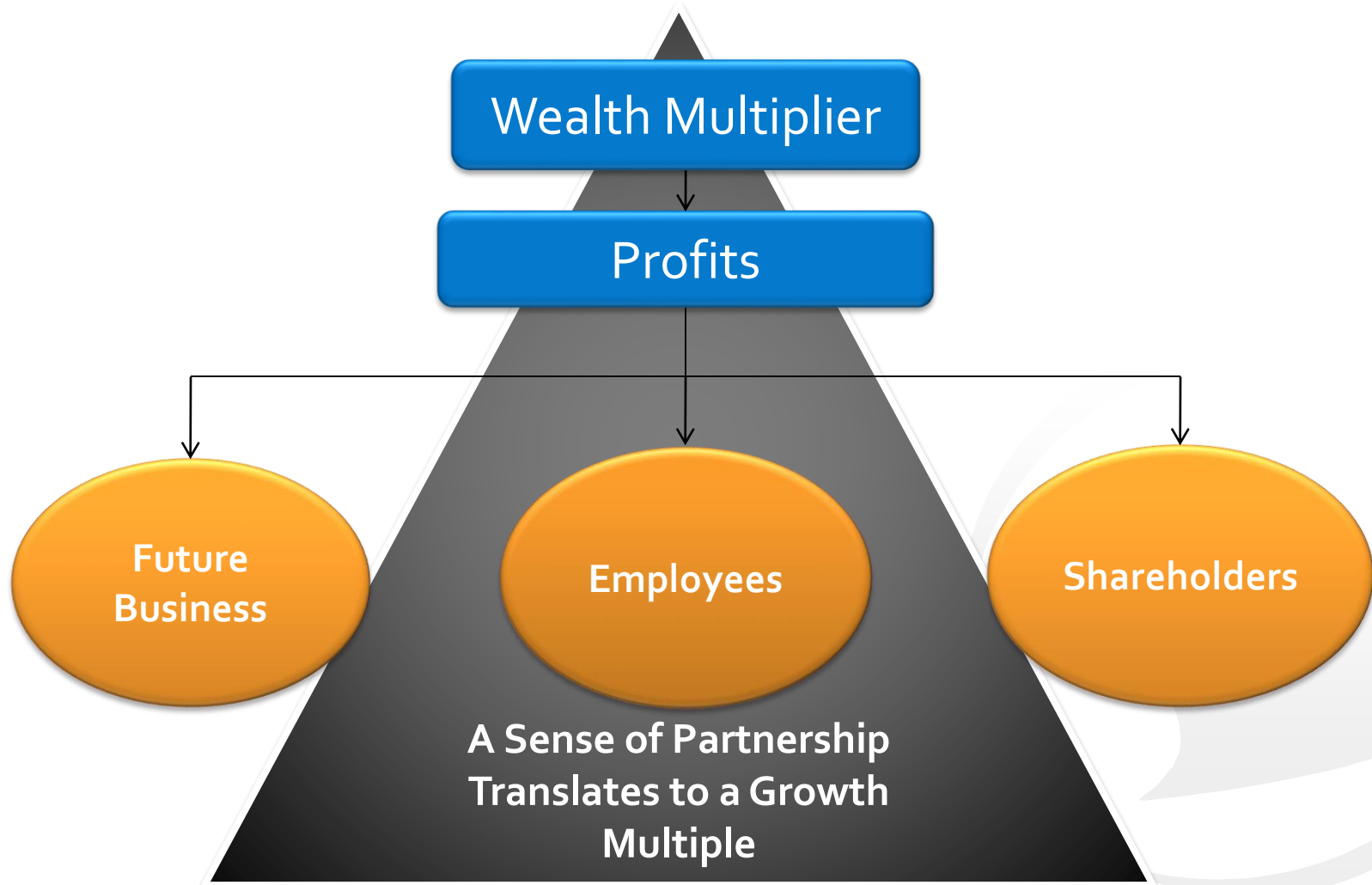
### Wealth Multipliers

- Transformation focus
- Recruit premier talent that relates to our culture
- Comp is an investment that should produce a growing return
- Salary benchmarking can be helpful but pay should be tied to positional value
- “Share wealth created”

# The Value of Profit



# The Value of Profit



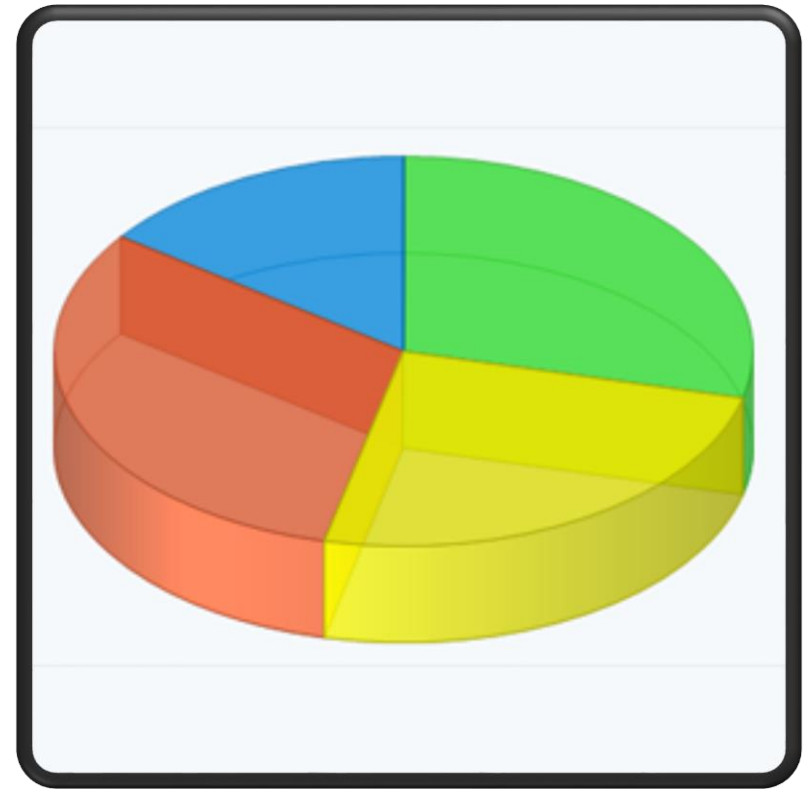
# Profits Generate additional Capital

Wealth Multipliers *continually* look for ways to deploy that capital more productively.



# Capital Deployment “Portfolios”

- Product Portfolio
- Training Portfolio
- Finance Portfolio
- Innovation Portfolio
- Marketing Portfolio
- Compensation Portfolio





# Capital Deployment in Compensation



Compensation is a deployment of capital. It's an investment.

- Investments must be properly allocated
- Investments must be properly measured (ROTRI)
- Investments in human capital should improve productivity

# Compensation Allocation

## “Portfolios”

### ■ Performance Class

- Pay that helps company meet its “budgeted” or targeted level of performance
- Today focused

### ■ Growth Class

- Pay that helps company achieve levels of performance build the future company
- Future-focused

### ■ Transformation Class

- Pay that supports fundamentally altering the course of the industry through unique breakthroughs
- Wealth-multiplier mindset
- Most highly productive class

# Key Concept

Companies that work on compensation in their transformation portfolio have a wealth multiplier and not just a wealth creator mindset. They envision people—both the customers they serve and the workforce they employ—experiencing life in a whole different realm. (Think Apple, Disney, Amazon and others.) As a result, they don't just create compensation programs. **They market a future to their employees on all levels**—product development, market penetration, innovation expectations and yes, rewards—so that all company “portfolios” are completely aligned.



The Future

# Why Long-Term Value Sharing Matters



# Why Long-Term Value Sharing Matters

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

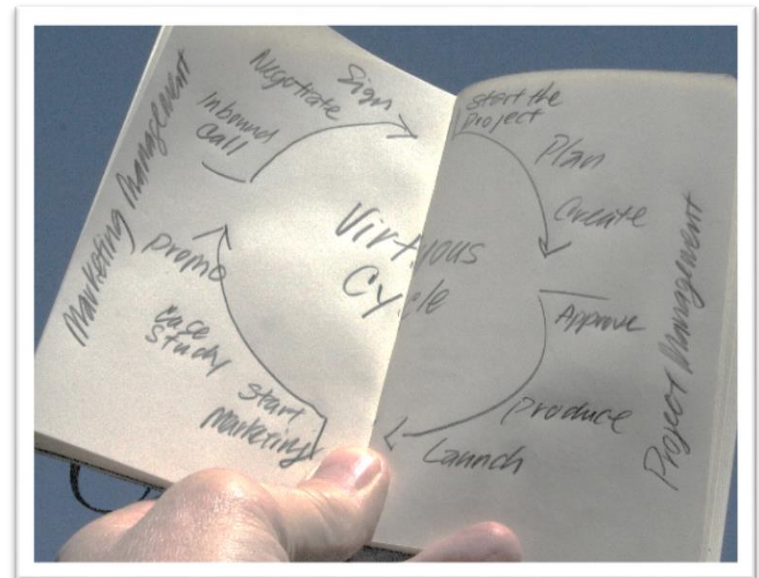


- Keeping the “right” people
  - Willing and able to compete
  - Assume stewardship role in safeguarding shareholder interests
  - Willing to share in risks and rewards of value creation
  - Seek mini-entrepreneurial experience

# Why Long-Term Value Sharing Matters

#2: Value sharing plans (effectively designed) reinforce the company's business model

- Nurture a culture invested in the business model
  - Reinforce virtuous cycles
  - Reinforce leverage points
  - Reinforce roles and expectations



# Why Long-Term Value Sharing Matters



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

- Everyone has an interest in good profits if everyone's wealth multiplier rises or falls on the ability of the company to sustain the right kind of profitability.

# Why Long-Term Value Sharing Matters

## #4: Value sharing promotes an ownership mindset

- Build a rewards system that communicate “what’s important.”
  - Keep performance engine working *while* moving the company forward towards growth goals
  - Define “what’s important” the same way ownership does revenue/EBITDA growth, profit/margin improvement, cost management



**Stewardship**



# Why Long-Term Value Sharing Matters



## #5: Value sharing builds trust and accelerates results

- Turn key people into “partners” in building the future business
  - Value sharing communicates a sense of fairness
  - Validates your trust in their unique abilities
  - Create a unified financial vision for growing the company

# Select the Right Plan Type

Phantom Stock  
Option

Restricted Stock

Performance Shares

Phantom Stock

Profit Pool

Performance  
Phantom Stock

Strategic Deferred  
Compensation

Stock Option

Performance Unit



# Forecast Outcomes



Develop an Effective  
Financial Model

# Sample LTIP Model – P&L Forecast

	C	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	Target	P&L Forecast												
2		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
3	P&L FORECAST	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
4	Net Sales	35,015,667	32,524,143	39,156,444	45,000,000	49,000,000	52,000,000	55,000,000	60,000,000	66,000,000	72,600,000	79,860,000	87,846,000	96,630,600
5	Cost of Goods Sold	19,375,516	17,230,214	21,541,211	24,750,000	26,950,000	28,600,000	30,250,000	33,000,000	36,300,000	39,930,000	43,923,000	48,315,300	53,146,830
6	Gross Profit	15,640,151	15,293,929	17,615,233	20,250,000	22,050,000	23,400,000	24,750,000	27,000,000	29,700,000	32,670,000	35,937,000	39,530,700	43,483,770
7	Selling Expenses	466,785	455,120	489,609	546,750	595,350	631,800	668,250	729,000	801,900	882,090	970,299	1,067,329	1,174,062
8	G&A	5,367,425	5,653,767	6,100,910	6,986,250	7,607,250	8,073,000	8,538,750	9,315,000	10,246,500	11,271,150	12,398,265	13,636,092	15,001,901
9	Interest Expense	48,176	45,388	35,503	36,213	36,937	37,676	38,430	39,198	39,982	40,782	41,597	42,429	43,278
10	Income from Operations	9,757,765	9,139,654	10,989,211	12,680,787	13,810,463	14,657,524	15,504,570	16,916,802	18,611,618	20,475,978	22,526,839	24,782,850	27,264,530
11	Interest & Dividend Income	81,195	52,187	14,171	14,454	14,744	15,038	15,339	15,646	15,959	16,278	16,604	16,936	17,274
12	Gain (loss) on Sale of Investments	(15,596)	1,061	-	-	-	-	-	-	-	-	-	-	-
13	Gain on Disposal of Equipment	9,202	1,750	(9,559)	-	-	-	-	-	-	-	-	-	-
14	Increase in Cash Surrender Value of Life Insurance	67,622	72,272	62,044	63,285	64,551	65,842	67,158	68,502	69,872	71,269	72,694	74,148	75,631
15	Other Income	705	29,525	384	-	-	-	-	-	-	-	-	-	-
16	Earnings Before Taxes	9,900,833	9,296,449	11,056,251	12,758,526	13,889,757	14,738,404	15,587,068	17,000,949	18,697,448	20,563,525	22,616,137	24,873,934	27,357,435
17	Provision for Income Taxes	145,400	26,200	104,000	191,378	208,346	221,076	233,806	255,014	280,462	308,453	339,242	373,109	410,362
18	Net Income	9,755,433	9,270,249	10,952,251	12,567,148	13,681,410	14,517,328	15,353,262	16,745,935	18,416,987	20,255,072	22,276,895	24,500,825	26,947,074
19	Interest Expense	48,176	45,388	35,503	36,213	36,937	37,676	38,430	39,198	39,982	40,782	41,597	42,429	43,278
20	Depreciation	966,850	875,917	853,121	878,715	905,076	932,228	960,195	989,001	1,018,671	1,049,231	1,080,708	1,113,129	1,146,523
21	EBITDA	10,915,859	10,217,754	11,944,875	13,673,454	14,831,770	15,708,308	16,585,693	18,029,149	19,756,102	21,653,538	23,738,442	26,029,493	28,547,237
30	Share Price multiple			5	5	5	5	5	5	5	5	5	5	5
31	Formula Value			\$ 55,930,151	\$ 62,750,482	\$ 69,966,626	\$ 75,481,459	\$ 80,077,599	\$ 85,879,065	\$ 93,380,533	\$ 102,228,885	\$ 112,056,874	\$ 122,856,160	\$ 134,723,536
32	Formula Share Price (EOY)			\$ 5.59	\$ 6.28	\$ 7.00	\$ 7.55	\$ 8.01	\$ 8.59	\$ 9.34	\$ 10.22	\$ 11.21	\$ 12.29	\$ 13.47
33	Annual Increase in Formula Value				\$ 6,820,330	\$ 7,216,144	\$ 5,514,833	\$ 4,596,140	\$ 5,801,466	\$ 7,501,468	\$ 8,848,351	\$ 9,827,989	\$ 10,799,286	\$ 11,867,378
34	Annual Increase in Formual Value Since Plan Inception				\$ 6,820,330	\$ 14,036,478	\$ 19,551,308	\$ 24,147,448	\$ 29,948,914	\$ 37,450,382	\$ 46,298,734	\$ 56,126,722	\$ 66,926,009	\$ 78,793,384
35														
37	Assumptions				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
39	Increase in Net Sales				14.3%	8.3%	6.1%	5.8%	9.1%	10.0%	10.0%	10.0%	10.0%	10.0%
40	Cost of Goods Sold as % of Net Sales				55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
41	Selling Expenses as % of Gross Profit				2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
42	G&A as % of Gross Profit				34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%
43	Annual Increase in Interest Expense				2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
44	Annual Increase in Interest Income				2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
45	Annual Increase in Gain/Loss on Investments				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
46	Annual Increase in Gain/Loss on Disposal of Equipment				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
47	Annual Increase in Cash Surrender Value				2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
48	Annual Increase in Other Income				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
49	California Franchise Tax				1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
50	Annual Increase in Depreciation				3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%



# Communicate and Promote the Plan



1. Explain, celebrate and reinforce the total value proposition
2. Communicate a sense of partnership
3. Project the wealth multiplier opportunity

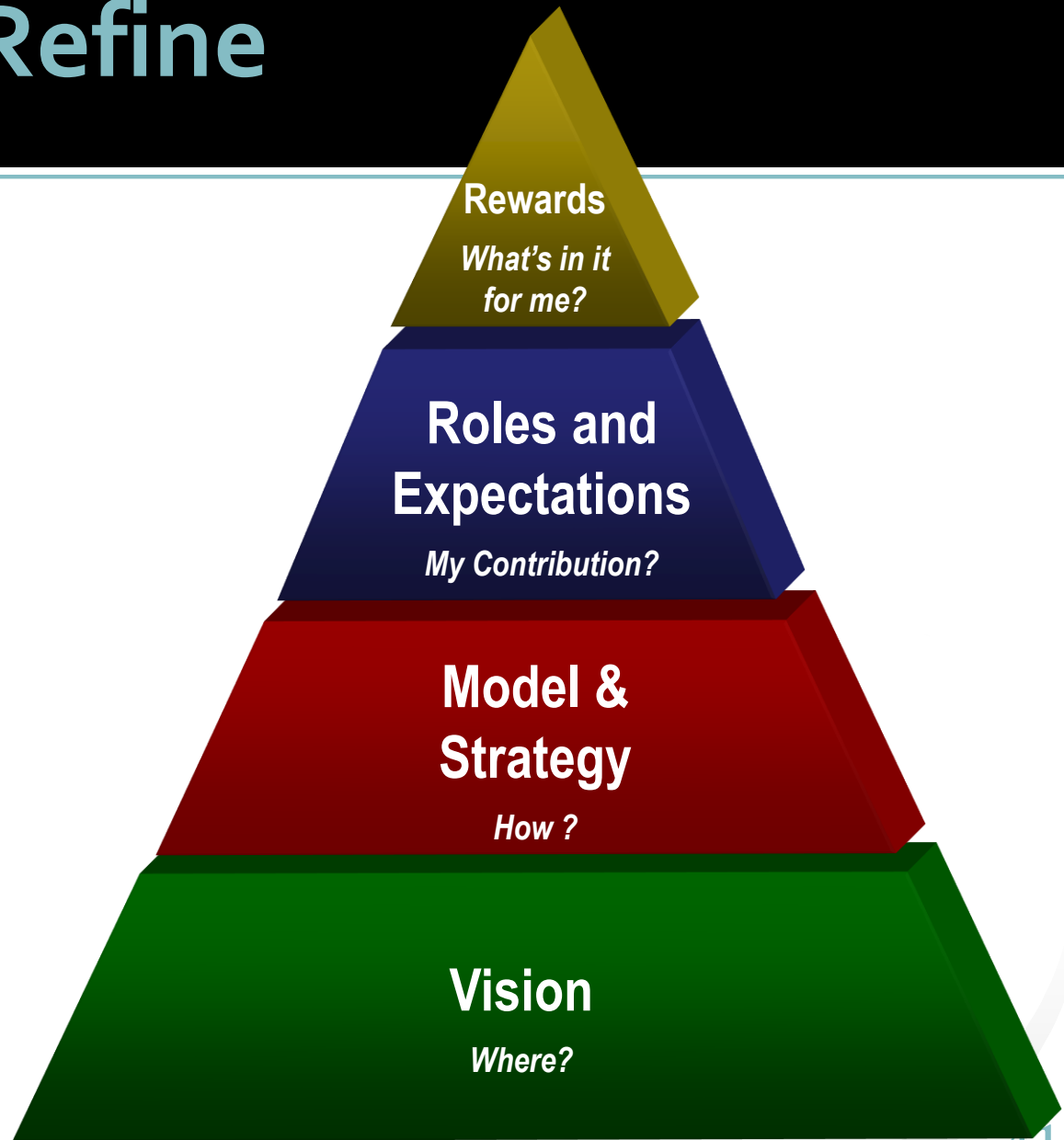
# Key Producer Employee Value Statement

Year	1	2	3	4	5
5-Year Plan Achievement Level	100%	100%	100%	100%	100%
Current and Inflated Salary	\$ 160,000	\$ 166,400	\$ 173,056	\$ 179,978	\$ 187,177
Cash Incentives Paid at Target	\$ 64,000	\$ 66,560	\$ 69,222	\$ 71,991	\$ 74,871
LTIP Vested Value at Year End	\$ -	\$ 74,000	\$ 186,000	\$ 311,000	\$ 448,000
Retirement Plan Value (at 7%)	\$ 17,120	\$ 36,123	\$ 57,169	\$ 80,428	\$ 106,086
Total Cash Received	\$ 224,000	\$ 232,960	\$ 242,278	\$ 251,970	\$ 262,048
Total Wealth Accumulation	\$ 17,120	\$ 110,123	\$ 243,169	\$ 391,428	\$ 554,086
Total Paid or Accumulated	\$ 241,120	\$ 567,083	\$ 942,407	\$ 1,342,636	\$ 1,767,343



# Evaluate & Refine

Line of Sight



# BonusRight



The screenshot displays a user interface for defining a bonus plan. At the top left, a cartoon woman with glasses and a white shirt points upwards. To her right, the text reads: "Let's define your plan. You might wind up with multiple plans within your company, or just 1." Below this is a pencil icon. The main content area is divided into two sections. On the left, a section titled "Here's how we define a plan" (with a question mark icon) explains that there are four things to capture: PEOPLE, METRICS, METRICS, and DESIRED RESULTS. Each item has a corresponding input field and an information icon (i). On the right, a large circular progress indicator shows "15% PLAN COMPLETE" with an "EDIT" button and a pencil icon. At the bottom right, there is a "NEXT" button with a right-pointing arrow.

- New SaaS tool in development
- Build and manage your bonus plan online
- Indicate on survey if you would like to be part of Beta-Testing.

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Indicate interest on final  
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*Please complete our brief survey immediately following our presentation.*

*We value your input.*

*Request a copy of our slides, white paper and a complimentary consultation.*



# Upcoming VisionLink Online Seminars:

<b>I'm Paying My Top 4 People \$1 Million -- What am I Getting For It?</b> <i>How to Measure the Return on Your Compensation Investment</i>	<b>Oct 27<sup>th</sup></b>
<b>How to Build and Manage a Total Compensation Structure</b> (HR Audience)	<b>Nov 11<sup>th</sup></b>
<b>Performance-Based Pay that Actually Performs</b> <i>How to Engineer Rewards that Drive the Outcomes You Want</i>	<b>Dec 8<sup>th</sup></b>

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# NEW VISIONLINK REPORT AVAILABLE!

## Compensation and Transformative Results

*How Growth-Oriented Companies Should Think About and Design their Pay Plans*

### Compensation and Transformative Results

How Growth-Oriented Companies Should Think About and Design their Pay Strategies



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Drive Growth - Increase Value - Multiply Wealth

+ Which Plan is Right for Your Company?

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# Phantom Stock Website

www.PhantomStockOnline.com

The screenshot shows the Phantom Stock website homepage. At the top left is the logo for Phantom Stock, 'The Equity Alternative', featuring a green line graph with an upward-pointing arrow. To the right of the logo is a dark green navigation bar with white text links: KNOWLEDGE CENTER, TOOLS, BUILD A PLAN, BLOG, ABOUT US, and CONTACT. In the top right corner, it says 'POWERED BY VISIONLINK'. Below the navigation bar is a large light green banner. On the left side of the banner, there are three stacked dark green arrow-shaped buttons pointing right, containing the text 'WHAT IS IT?', 'WHAT WILL IT CHANGE?', and 'WHERE DO I BEGIN?'. To the right of these buttons, the text 'A way to share ~~equity~~ Value' is displayed, with 'equity' crossed out and 'Value' written in red cursive. In the top right corner of the banner, there is a red play button icon and the text 'Phantom Stock Watch overview'. Below the banner is a grid of four white boxes, each representing a website section. Each box has a title, an icon, and a short description. The sections are: 1. KNOWLEDGE CENTER with an information icon and the text 'Explore our wiki and find the answers to your Phantom Stock questions.' 2. TOOLS with a brown briefcase icon and the text 'Decide whether Phantom Stock is a fit for your company.' 3. BUILD A PLAN with a wrench and screwdriver icon and the text 'For "do-it-yourselfers." Follow this guide to create your own plan.' 4. BLOG with an RSS icon and the text 'Read the latest discussions about Phantom Stock and other value sharing strategies.' At the bottom of the page is a dark green footer bar with white text links: Knowledge Center, Tools, Build a Plan, Blog, About Us, Contact, and a copyright notice: © 2012 PhantomStockOnline.com.



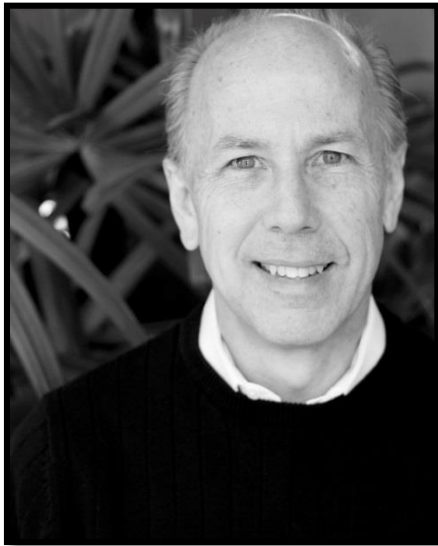


**Q&A**



THE VISIONLINK  
ADVISORY GROUP

# Thank You



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