



Executive Compensation Guide

Restricted Stock

| | RESTRICTED STOCK SHARES | RESTRICTED STOCK UNITS (RSUs) |
|------------------------------|---|---|
| Description | <ul style="list-style-type: none"> Awarded to compensate employees via company issued shares Shares subject to vesting schedule | <ul style="list-style-type: none"> Awarded to compensate employees via units linked to performance of stock Shares delivered at vesting Most commonly used to avoid share dilution |
| Eligible participants | Employees, directors, consultants | Employees, directors, consultants |
| Limits | No | No |
| Vesting | Time (graded or cliff) or performance goals | Time (graded or cliff) or performance goals |
| Transferable | No | No |
| Term | No limit after vesting | No limit after shares received at vesting |
| Leverage | No | No |
| Intrinsic value | Yes | Yes |
| Dividends | Yes, taxed at ordinary rates until vested | Optional, taxed at ordinary rates until vested |
| Voting rights | Yes | No |
| Issuer expense | At vesting | At vesting |
| Triggering event | At vesting | At vesting |
| Tax treatment | Ordinary income | Ordinary income |
| Early exercise | 83(b) election option | Not eligible |
| Considerations | <ul style="list-style-type: none"> Never under water Vesting ends for job termination Value taxed when shares vest (Fed, State, Social Security, Medicare) | <ul style="list-style-type: none"> Never under water Vesting ends for job termination Value taxed when shares delivered at vesting (Fed, State, Social Security, Medicare) |

Source: PIMCO, Investopedia

Stock Options

| | NONQUALIFIED STOCK OPTIONS (NSOs) | INCENTIVE STOCK OPTIONS (ISOs) |
|------------------------------|---|--|
| Description | <ul style="list-style-type: none"> Provides employee opportunity to purchase shares at a fixed, pre-determined exercise price Most common form of stock options granted Options awarded to link employee compensation to share performance | <ul style="list-style-type: none"> Provides employee opportunity to purchase shares at a fixed, pre-determined exercise price Selectively issued to highly compensated employees Options awarded to link employee compensation to share performance |
| Eligible participants | Employees, directors, consultants | Full-time employees only |
| Limits | No | Max \$100,000 grant value can vest in any calendar year |
| Vesting | Time (graded or cliff) | Time (graded or cliff) |
| Transferable | Yes | No, except at death |
| Term | Expire, generally 10 years | Expire, generally 10 years |
| Leverage | Yes | Yes |
| Intrinsic value | No | No |
| Dividends | No | No |
| Voting rights | No | No |
| Issuer expense | At exercise | At exercise |
| Triggering event | At exercise | Sale of stock |
| Tax treatment | Ordinary income | LTCG potential under qualifying disposition |
| Early exercise | 83(b) election option | 83(b) election option |
| Considerations | <ul style="list-style-type: none"> May be under water or expire worthless Investor must fund purchase unless using cashless exercise Finite life | <ul style="list-style-type: none"> May be under water or expire worthless Investor must fund purchase unless using cashless exercise Qualifying disposition: Stock must be held two years from grant date and one year from exercise date to qualify for favorable treatment. Will trigger AMT preference item in year of exercise Finite life |

Other Compensation

| | EMPLOYEE STOCK PURCHASE PLAN (ESPP) | NON-QUALIFIED DEFERRED COMPENSATION (NQDC) |
|------------------------------|---|--|
| Description | <ul style="list-style-type: none"> Allows participating employees to purchase company stock at a discount of up to 15% from fair market value using after tax payroll deductions Nondiscriminatory plan allows for broad-based employee participation; offered by many public companies | <ul style="list-style-type: none"> Allows selected employees opportunity to defer a portion of annual income above qualified plan limits until a specific date in the future Federal income and state taxes are not paid on compensation deferred Funds grow tax-deferred until employee receives income |
| Eligible participants | Full-time employees only - must be made available to all eligible employees if offered | Full-time employees only, often highly compensated |
| Limits | Max \$25,000 purchase per calendar year | No IRC 409A limits, but plan may impose |
| Vesting | Immediate | N/A |
| Transferable | Yes | No |
| Term | N/A | Triggering events as specified in plan |
| Leverage | No | N/A |
| Intrinsic value | Yes | N/A |
| Dividends | Yes, when paid to shareholders; reinvested automatically | N/A |
| Voting rights | Yes | N/A |
| Issuer expense | On discount | At distribution |
| Triggering event | Sale of stock | At distribution |
| Tax treatment | Ordinary income on discount | Ordinary income (federal, state) deferred until distribution |
| Early exercise | N/A | N/A |
| Considerations | <ul style="list-style-type: none"> Lookback provision: purchase price may reflect discount from the lower of the share price at the beginning/ending of purchase period | <ul style="list-style-type: none"> Triggering events: specified date, separation, retirement, death, disability, change of control Early distributions on NQDC plans trigger heavy IRS penalties Not protected under ERISA - subject to default risk Loans, rollovers not permitted May be able to choose between a lump sum distribution vs. flexible distribution |

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