



## Executive Compensation Guide

#### **Restricted Stock**

	RESTRICTED STOCK SHARES	RESTRICTED STOCK UNITS (RSUs)
Description	<ul> <li>Awarded to compensate employees via company issued shares</li> </ul>	<ul> <li>Awarded to compensate employees via units linked to performance of stock</li> </ul>
	<ul> <li>Shares subject to vesting schedule</li> </ul>	<ul> <li>Shares delivered at vesting</li> </ul>
		<ul> <li>Most commonly used to avoid share</li> </ul>
		dilution
Eligible participants	Employees, directors, consultants	Employees, directors, consultants
Limits	No	No
Vesting	Time (graded or cliff) or performance	Time (graded or cliff) or performance
	goals	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	Optional, taxed at ordinary rates until
	vested	vested
Voting rights	Yes	No
lssuer 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> <li>Never under water</li> </ul>	<ul> <li>Never under water</li> </ul>
	<ul> <li>Vesting ends for job termination</li> </ul>	<ul> <li>Vesting ends for job termination</li> </ul>
	<ul> <li>Value taxed when shares vest (Fed,</li> </ul>	<ul> <li>Value taxed when shares delivered at</li> </ul>
	State, Social Security, Medicare)	vesting (Fed, State, Social Security, Medicare)

Source: PIMCO, Investopedia

## Stock Options

Eligible participantsEmLimitsNoVestingTimTransferableYes	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> <li>Provides emplyee opportunity to purchase shares at a fixed, pre- determined exercise price</li> <li>Selectively issued to highly compensated employees</li> <li>Options awarded to link employee compensation to share</li> </ul>
Eligible participants Em Limits No Vesting Tim Transferable Yes Term Exp Leverage Yes	granted Options awarded to link employee compensation to share performance	compensated employees <ul> <li>Options awarded to link employee</li> </ul>
Eligible participantsEmLimitsNoVestingTimTransferableYesTermExpLeverageYes	compensation to share performance	
LimitsNoVestingTimTransferableYesTermExpLeverageYes	nplovees, directors, consultants	performance
VestingTimTransferableYesTermExpLeverageYes		Full-time employees only
TransferableYesTermExpLeverageYes	)	Max \$100,000 grant value can vest in any calendar year
Term Exp Leverage Yes	me (graded or cliff)	Time (graded or cliff)
Leverage Yes	25	No, except at death
	pire, generally 10 years	Expire, generally 10 years
Intrinsic value No	25	Yes
	)	No
Dividends No	)	No
Voting rights No	)	No
Issuer expense At	exercise	At exercise
Triggering event At	exercise	Sale of stock
Tax treatment Oro	dinary income	LTCG potential under qualifying disposition
Early exercise 830	3(b) election option	83(b) election option
- Ir	May be under water or expire worthless Investor must fund purchase unless using cashless exercise	<ul> <li>May be under water or expire worthless</li> <li>Investor must fund purchase unless</li> </ul>
• F	Finite life	using cashless exercise
		<ul> <li>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</li> </ul>

## Other Compensation

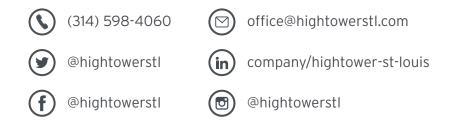
	EMPLOYEE STOCK PURCHASE PLAN (ESPP)	NON-QUALIFIED DEFERRED COMPENSATION (NQDC)
Description	<ul> <li>Allows participating employees to purchase company stock at a discount of up to 15% from fair market value using after tax payroll deductions</li> </ul>	<ul> <li>Allows selected employees opportunity to defer a portion of annual income above qualified plan limits until a specific date in the future</li> </ul>
	<ul> <li>Nondiscriminatory plan allows for broad-based employee participation; offered by many public companies</li> </ul>	<ul> <li>Federal income and state taxes are not paid on compensation deferred</li> <li>Funds grow tax-deferred until employee receives income</li> </ul>
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
lssuer 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> <li>Lookback provision: purchase price may reflect discount from the lower of the share price at the beginning/ending of purchase period</li> </ul>	<ul> <li>Triggering events: specified date, separation, retirement, death, disability, change of control</li> </ul>
		<ul> <li>Early distributions on NQDC plans trigger heavy IRS penalties</li> </ul>
		<ul> <li>Not protected under ERISA - subject to default risk</li> </ul>
		<ul> <li>Loans, rollovers not permitted</li> </ul>
		<ul> <li>May be able to choose between a lump sum distribution vs. flexible distribution</li> </ul>

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