

## OUR VALUE PROPOSITION

EXEQUITY provides our clients with the highest quality, independent executive compensation and HR merger and acquisition services:

- :: Our professionals led the Executive Compensation Center of Technical Expertise and the Global Mergers and Acquisitions practice at one of the largest HR consulting firms.
- :: Our professionals have over 50 years of collective legal and HR consulting experience and have led over 300 transactions for some of the largest and most acquisitive organizations.

## OUR EXECUTIVE COMPENSATION SERVICES

EXEQUITY provides independent executive compensation assistance to Compensation Committees and management. Our executive compensation services include:

- :: Strategic pay program design and implementation.
- :: Assessment of competitive levels of pay.
- :: Help with technical implications of executive pay, such as: proxy disclosure, tax issues, accounting implications, and securities laws.
- :: Development of retention incentive programs to help retain critical executive talent.
- :: Design of appropriate severance coverage (change-in-control and general severance).
- :: Help with understanding likely shareholder reactions to executive pay (including ISS modeling of proposed plans).

## OUR PRINCIPALS

### MIKE SORENSEN

Mike is a founding Principal of EXEQUITY. Prior to joining EXEQUITY, Mike co-managed Hewitt Associates' Executive Compensation Center of Technical Expertise, which has global responsibility for technical areas impacting executive compensation and corporate restructurings. Mike has worked with hundreds of companies and has extensive experience in all areas of executive and director compensation. In addition, Mike regularly consults with companies engaged in mergers, acquisitions, IPOs, and spin-offs. Mike is an attorney and a member of the Illinois State Bar.

### ROSS ZIMMERMAN

Ross is a founding Principal of EXEQUITY. Prior to joining EXEQUITY, Ross served as one of Hewitt Associates' senior executive compensation consultants and continues to maintain many relationships as consultant to Compensation Committees. In addition, while at Hewitt, Ross served as a leader in Hewitt's Corporate Restructuring and Change Practice, advising hundreds of companies on corporate restructuring events, such as mergers, acquisitions, IPOs and spin-offs. Ross is a frequent speaker to national industry groups and professional organizations. Ross is an attorney and a member of the Illinois and Wisconsin State Bars.

### PERRY PAPANTONIS

Perry is a founding Principal of EXEQUITY. Prior to joining EXEQUITY, Perry was the Global Practice Leader of Hewitt Associates' Corporate Restructuring and Change practice, covering mergers, acquisitions, divestitures, IPOs, spin-offs, and other restructuring activities. Perry has served as lead consultant on over 200 transactions over the past 10 years. Perry is a frequent speaker on merger and acquisition topics. Perry is an attorney and is a member of the New York and the New Jersey State Bars.

### EDWARD HAUDER

Ed is a Principal of EXEQUITY. Prior to joining EXEQUITY, Ed managed Buck Consultants' Technical Solutions and Innovation Team, which is responsible for technical matters impacting compensation (e.g., financial accounting, securities, tax, corporate governance, and institutional shareholder issues). Ed previously served on Hewitt Associates' Executive Compensation Center of Technical Expertise. Ed has worked with hundreds of companies, large and small, and has extensive experience in all areas of executive and director compensation. Ed is a frequent speaker to national and regional organizations. Ed is an attorney and a member of the Illinois State Bar and the U.S. Tax Court.

# ProxEASE™ PARACHUTE MODELER

- General Assumptions
- Prior W-2s
- Severance
- Vesting of Unvested Awards
- Award Forfeiture due to Restrictive Covenant Violation
- Time Vested Options
- Time Vested Restricted Stock
- Time Vested Cash
- Restrictive Covenants Impact on Performance Vested Awards
- Annual Bonus in Termination Year
- Performance Vested Options
- Performance Vested Stock
- Performance Vested Cash
- Welfare Benefit Continuation
- Pension Benefit Enhancements
- Retiree Medical Enhancements
- Other Benefit Protections
- General Restrictive Covenants
- Excise Tax Response

## WEB BASED DATA INPUT

**Questions About Prior Taxable Compensation**  
 These questions derive the safe harbor amount that can be paid under IRC Section 280G without triggering excise tax liability. You will need W-2 information for each individual's prior five tax years to complete this section.  
[Watch video tutorial for this page.](#)

	8a. XXXX	8b. XXXX	8c. XXXX	8d. XXXX	8e. XX
Bill:					
Will:					
Phil:					

8. Please enter the individual's taxable compensation for the prior 5 years (or employed at any point during a specified year, please leave the field blank).

8a. XXXX  
 8b. XXXX  
 8c. XXXX  
 8d. XXXX  
 8e. XXXX

9. If the individual was hired after January 1, XXXX, please enter the following  
 9a. Date of hire

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**Questions About Treatment of Time Vested Options**  
 These questions cover stock options that vest solely due to continued employment with the company. Awards for which vesting can be accelerated due to achievement of certain performance levels when the award otherwise would vest solely through continued employment should be included under these questions – an example of this type of award would be a stock option that vests in 5 years but accelerates vesting if the stock price appreciates 25% prior to the lapse of 5 years. Stock option awards that vest solely due to performance are addressed in the Performance Vested Options tab.  
[Watch video tutorial for this page.](#)

	14a. Number Options	14b. Grant Date (MM/DD/YYYY)	14c. Exercise Price (xxx.xx)	14d. Vest Date (MM/DD/YYYY)	14e. Reasonable Comp Post-CIC
Bill:	1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	2	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	3	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	4	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	<input type="button" value="Add Row"/>				
Will:	1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	2	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

## EXCEL OUTPUT

Acme Corporation																
Parachute Payment Summary - R/C Post-CIC Has Been Subtracted																
	Name	Severance	Annual Bonus Paid	Time Vested S/O Parachute Payment	Time Vested RS/RSU Parachute Payment	Time Vested Cash Parachute Payment	Performance Vested S/O Parachute Payment	Performance Vested RS/RSU Parachute Payment	Performance Vested Cash Parachute Payment	Parachute Value of Welfare Benefits	Pension Benefit Parachute Payment	Retiree Medical Parachute Payment	Other Benefits	Aggregate Parachute Payments		
5	Diore	\$2,338,130	\$393,022	\$957,630	\$1,436,415	\$0	\$0	\$7,093,705	\$0	\$41,663	\$133,185	\$87,972	\$37,324	\$12,379,126		
6	Johnson	\$1,334,909	\$255,818	\$384,284	\$876,426	\$0	\$0	\$4,328,031	\$0	\$41,034	\$75,383	\$0	\$16,813	\$7,712,569		
7	Smith	\$1,056,907	\$136,814	\$362,732	\$544,100	\$64,969	\$0	\$2,696,951	\$0	\$43,162	\$90,134	\$0	\$14,365	\$5,991,169		
8	Doe															
9	Jones															

  

Acme Corporation																	
Actual Payments Summary																	
	Name	Severance	Annual Bonus	Time Vested S/O Spread Value	Time Vested RS/RSU Value	Time Vested Cash Value	Performance Vested S/O Spread Value	Performance Vested RS/RSU Value	Performance Vested Cash Value	Welfare Benefit Value	Incremental Pension*	Incremental Retiree Medical Benefit	Other Benefit Value	Total Payments Before Excise Tax Expense	Excise Tax Gross Up Payment	Forfeiture Due to Cap	Total Pre-Tax Actual Payments
5	Diore	\$2,338,130	\$393,022	\$3,546,833	\$5,320,279	\$0	\$0	\$7,093,705	\$0	\$44,282	\$133,185	\$87,972	\$37,324	\$19,054,732	\$5,315,960	\$0	\$24,370,712
6	Johnson	\$1,334,909	\$255,818	\$1,164,015	\$3,246,023	\$0	\$0	\$4,328,031	\$0	\$45,392	\$75,383	\$0	\$16,813	\$11,664,474	\$3,569,815	\$0	\$15,234,289
7	Smith	\$1,056,907	\$136,814	\$1,343,475	\$2,011,213	\$300,000	\$0	\$2,696,951	\$0	\$45,862	\$90,134	\$0	\$14,365	\$2,381,456	\$2,640,314	\$0	\$11,238,770
8	Doe	\$935,100	\$155,830	\$1,089,833	\$1,634,780	\$0	\$0	\$2,179,707	\$0	\$41,338	\$34,940	\$0	\$19,684	\$6,091,278	\$0	\$0	\$6,091,278
9	Jones	\$732,190	\$122,033	\$979,289	\$1,468,933	\$0	\$0	\$1,958,377	\$0	\$40,947	\$51,039	\$0	\$13,614	\$5,366,690	\$0	(\$403,212)	\$4,963,478

# INTRODUCING THE ProxEASE™ PARACHUTE MODELER

## TERMINATION AND CHANGE-IN-CONTROL PAYMENTS

The new proxy disclosure rules mandate comprehensive disclosure of the payments that would have to be made to each Named Executive Officer upon a termination of employment.

Preparing these disclosures will require application of some of the most complex calculations contained in the Tax Code, the “golden parachute” rules. The required disclosures include:

- ⚡ A description of the specific events that would trigger payments or benefits;
- ⚡ An estimate of the payments that would be made under the various scenarios triggering such payments; and
- ⚡ Any material conditions or obligations applicable to the receipt of the payments (e.g., restrictive covenants, like non-competes).

Most publicly traded companies maintain severance programs that could trigger parachute excise tax liabilities – even if the severance program is not specifically designed in response to potential change-in-control events.

Many organizations have not run parachute calculations since adoption of their severance programs. Given the complexity of the calculations, few will have the tools necessary to perform these required calculations for the upcoming proxy season.

The ProxEASE™ Parachute Modeler is the only internet-based modeler that automates the golden parachute calculation process. Through the use of an interactive questionnaire, the model will assist you in gathering the data necessary to prepare parachute calculations and will run the calculations easily, efficiently, and accurately. In addition, EXEQUITY's experts are available to help you satisfy the proxy disclosure requirements.