Pay Starts With Z

CASH BASED LONG-TERM INCENTIVE	OTHER NAMES	HOW IT WORKS	ADVANTAGES	DISADVANTAGES ***	GOOD FOR...
Phantom Stock *Time Based*	1) Phantom Stock 2) Restricted Stock Unit 3) Restricted Stock Award 4) Founders Units	Award of a synthetic share of the company that vests upon time only (i.e. 3-5 years). The award is typically paid out to the recipient upon vesting at the value of each company share at the vesting date. These time based phantom shares are similar to a public company restricted stock.	1) Rewards retention 2) Pays executive regardless of company or market volatility 3) Executive can participate in dividend equivalent rights 4) Payout tied to company stock price	1) Can create company expense regardless of company performance, 2) May not incentivize company performance as much as other LTI vehicles	1) Private companies who compete with public companies that utilize time based restricted stock (energy, manufacturing, real estate, service, healthcare, etc)
Phantom Stock *Appreciation Based*	1) Phantom Stock 2) Stock Appreciation Right 3) Stock Option	Award of a synthetic share of the Company that vests upon time only (i.e. 3-5 years). The award is typically paid out to the recipient upon vesting at the value of each company share upon the vesting date. These appreciation based phantom shares are similar to a public company stock option.	1) Rewards growth in company value 2) Aligned with shareholders 3) Executive can participate in dividend equivalent rights 4) Payout tied to company stock price	1) Pays out only if there is appreciation in the Company's stock price 2) May not retain key executives	1) Private companies who compete with public companies that utilize stock options (tech, biotech, fin-tech, etc)
Performance LTIP	1) LTIP 2) Performance Unit 3) MIP	Award of a unit that is tied to the accomplishment predetermined long-term financial goals such as EBITDA, revenue, ROIC, etc. These plans are similar to short-term incentive plans but typically only utilize one measure over a 3-5 year period.	1) Inventize and reward key long-term financial goals of the Company 2) Not tied to company stock price 3) Can reward for varying performance levels similar to a short-term incentive	1) May not be aligned with shareholder interests 2) May be difficult to design appropriate long-term payouts v performance 3) May be difficult for participants to understand if financial goals are not well understood	1) Private companies who do not have or use a redily available company stock price 2) Private companies who want to reward long-term performance other than stock price
Waterfall	1) Waterfall 2) MIP 3) Carried Interest Plan	Award of a percentage of profits after shareholders get a defined return on investment. These plans are most often awarded in actual stock, but can be awarded in cash.	1) Incentivize and reward shareholder returns 2) Align executives directly with shareholders 3) Can create significant wealth accumulation if shareholder returns are met	1) May not payout as payouts are typically tied to a liquidity event such as sale, IPO, etc. 2) Percentage sharing is subject to private equity sponsor 3) Time to receive payout is typically longer than 3-4 years	1) Start ups 2) Private companies with Private Equity sponsors 3) Private companies who have a strategic exit goal in the near term
Deferred Compensation	1) Deferred Compensation 2) NQDC 3) SERP 4) Defined Benefit 5) Defined Contribution	There are a number of varying forms of deferred compensation but in short it is compensation deferred into paid into an account that can grow tax free until a defined distribution date.The contributions can be performannce based, a certain percentage of an employees base salary, a defined retirement benefit value, or just a withold of a participant's base salary or bonus. These plans are subject to IRC 409A.	1) Similar to a 401k, these plans can experience compounded growth in a tax free environment until distribution occurs 2) The growth can be tied to the Company's stock price or some other market return 3) The funding of the plan can be performance based and/or time based	1) They must be 409A compliant 2) These plans are often supplemental to other LTIP plans 3) They don't typical incentivize long-term company performance 4) The participant is subject to a risk of forfeiture prior to distribution 5) Payout timing doesn't typically align with typical long-term incentives over a 1-3 year period	1) Private companies in industries who utilize deferred compensation 2) Private companies who want to offset a traditional LTI plan with a longer-term retirement focused plan 3) private companies with older executive demographics looking to defer taxes 4) 401k restoration

***All cash based long-term incentives have the following disadvantages as compared to actual stock:

1) Ordinary income tax v capital gains tax to participant

2) Utilizes company cash v. company stock

3) open-ended liability accounting v. fixed accrual based upon stock fair market value