A Tiered Approach to Equity Design with Multiple Equity Compensation Vehicles

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Excerpted from the book *Beyond Stock Options,* 4th ed., published by the National Center for Employee Ownership (NCEO) (see *www.nceo.org*). © 2006 by NCEO and the authors. Redistribution in any form is prohibited.

There was a time, not so very long ago, when equity compensation was simple. With technology companies leading the way, employers who wanted to give their people a stake in the growth of the company turned to a single, "no-brainer" solution: stock options. And who could argue with that strategy? After all, stock options are unrivalled in the linkage they create between employee compensation and growth in a company's stock price. Even better for the employers of that era, those options were free— free in terms of cash costs, free in terms of financial reporting, and free of taxation to the employees (at least until exercise).

My, how things have changed. In the years since the technology-led "bubble economy" burst, changing economic conditions have brought the limitations of stock options sharply into focus. Companies have learned that while stock options perform admirably when equity prices are rising, they lose their luster when growth slows, and blow up in your face when stock prices fall. And options are no longer free. Today's accounting standards now require that stock options be expensed on corporate financial statements, thereby taking an uncomfortable bite out of the reported bottom line.

As the significant limitations of stock options have become apparent, many companies have turned to other equity compensation vehicles, with restricted stock having received the most acclaim as the "true successor" to stock options for twenty-first century equity compensation design. While that vehicle—and variations on the theme such as restricted stock units—has been implemented by a good number of companies, there is a notable absence of consensus that it is indeed the "chosen one," the worthy successor to stock options as "the" answer to every company's equity compensation needs.

Indeed, an undeniable truth is that there simply is no "true successor" to stock options in equity compensation—no single, universally embraced approach of the "one size fits all" variety. Instead, the picture that is emerging as the business cycle moves through a new round of growth has two notable features. First, companies are no longer acting in lockstep, all using essentially the same approach, as they did during the dot-com era. Instead, companies have come to recognize that each must evaluate for itself its own unique needs and circumstances to fashion an equity program that works well for it, and that

the program that is right for one company may be quite different from the one being implemented by competitors down the street. Second, few companies are finding the perfect and complete answer in a single equity compensation vehicle. As outlined in table 8-1, there is a range of vehicles that companies can draw on in fashioning their equity plans that extends well beyond options and restricted stock. Instead

Table 8-1. Tax and Accounting Impacts of Different Equity Vehicles

	Tax		Accounting
Vehicle	**Company**[a]	**Employee**	
Stock Options	Spread deductible at exercise	Spread taxable at exercise	Fair value of options expensed
Performance-Based Stock Options/Shares	Spread deductible at exercise/full value deductible when earned	Spread deductible at exercise/full value deductible when earned	Full value of option shares earned expensed over performance period
Cash-Settled SARs	Spread deductible at exercise	Spread taxable at exercise	Treated as a liability
Stock-Settled SARs	Spread deductible at exercise	Spread taxable at exercise	Treated like a stock option
Stock Grants	Full value deductible at grant	Full value taxed at grant	Full value expensed
Restricted Stock/Restricted Stock Units	Full value deductible at vesting/issuance	Full shares taxable at vesting/issuance	Full value expensed over vesting period
ESOPs	Contributions and dividends deductible when made	Taxed when benefits are received	Interest and cost of allocated shares expensed
Qualified (423) Stock Purchase Plans	No deduction	Taxed at sale (ordinary income/capital gain)	Fair value expensed if discount is greater than 5%
Nonqualified Stock Purchase Plans	Spread and discount deductible at exercise	Spread and discount taxable at exercise	Fair value is expensed
401(k)	Pretax contributions deductible when made	Taxed when benefits are received	Contributions expensed
Qualified and Nonqualified Deferred	Deductible when benefits paid	Taxed when benefits are received	Expensed and carried as a liability

[a] Subject to Section 162(m) or applicable tax qualification rules, as the case may be.

of relying upon just one equity compensation vehicle, effective equity compensation programs are increasingly composed of a combination of vehicles, uniquely blended at each company to achieve a range of business objectives, and with each element offsetting the potential vulnerabilities of the others.

There is nothing new per se in having multiple equity compensation plans. Public companies especially have frequently employed a mix of equity vehicles, typically including stock options, ESPPs, 401(k) matches, and more. However, companies both public and private often lack a well-developed strategy for coordinating their multiple equity plans and integrating those diverse vehicles into a comprehensive employee ownership program.

We present here just such a strategy, which we call a "tiered" approach to equity program design. This approach can help a company harness the advantages of multiple equity vehicles with an eye toward the big picture to achieve coordinated, comprehensive results. For companies that have only a single equity plan, this chapter will show the benefit of using multiple equity plans. For companies that already have multiple equity plans, this chapter will discuss how they may be organized to work more effectively together. Also included are examples of how individual companies are applying the tiered approach to equity compensation design. Finally, we illustrate how a private company can use an ESOP to make a market for shares that employees acquire through the other equity vehicles in the company's tiered program—an important consideration where there is no existing market for the shares.

8.1 Preliminary Considerations

When companies restructure their equity compensation programs, whether to attract and retain talent, motivate individuals to achieve key goals, build a team-oriented culture, or achieve something else, they will be required to address a host of critical issues that relate to the continuing appropriateness of their equity compensation designs. The following four considerations will serve as guideposts when going through this process.

8.1.1 Think Deeply About Why You Want to Share Company Equity and How It Will Lead to Improved Business Performance

As wise heads have long pointed out, "If you don't know where you're going, any road will get you there." And indeed, in their rush to "benchmark" and keep up with what everyone else was doing, many companies in the past plunged into equity compensation without a carefully developed idea of how (i.e., by what mechanisms) such a program would improve the performance of the company. During the technology boom, many companies certainly didn't need a profound analysis. The reality they encountered, very simply, was that they couldn't hire the people they needed unless they offered stock options. Understandably, that was all the reason they needed to implement an equity plan.

With labor markets less overheated today, there is room for deeper reflection on the question of whether and how a company might improve corporate results by giving employees an equity stake in the business. In general, approaches to employee stock ownership tend to fall into two camps:

- The "compensation" camp cleaves to a traditional model of the business organization, seeing employees as people who are hired to work in an enterprise that is ultimately operated for the benefit of others (outside shareholders). With little inherent interest in their employer's success, these individuals need incentives—incentives to come to work for the employer and, once there, incentives to perform diligently. For adherents to the compensation camp, equity serves as a useful addition to the array of incentives that are available to organizations to foster effective performance by employees.
- The "ownership" camp seeks to redefine traditional employee roles and relationships, using shared equity as the foundation for a new approach in which the people at all levels of the organization see themselves as partners in a team united by, and focused on, a common financial stake in the success of the business. While traditional companies typically feature an "us" and "them" culture

that divides management from the rest, companies in the ownership camp seek to create an organization in which there is only "us"—co-owners with a shared commitment to company success.

Fundamental to a company's reexamination of equity compensation strategies and programs, then, is an assessment of where it wants to be along the spectrum of organizational models—whether it wants to "incent" employees who are otherwise seen as lacking an intrinsic reason to perform, to build an organizational culture in which employees are "co-owners" and central stakeholders in their own right, or whether it wants to design equity programs to achieve both of these goals.

8.1.2 Look More Broadly Than Stock Options

There is a diverse range of equity compensation vehicles from which companies can choose in fashioning programs to share ownership and create long-term incentives. These include grants of stock (usually "restricted" by a vesting requirement), stock purchase programs, qualified retirement programs such as 401(k) plans and ESOPs, deferred compensation, synthetic equity (SARs and phantom stock) and a host of variations on these basic themes.

Determining which of these many choices may be right for a given company will involve an assessment of that company's business situation. Selecting the right equity vehicle(s) for a given company will be influenced by:

- The current growth stage of the business (i.e., start-up, growth, or maturing).
- The long-term strategic goals (i.e., is the goal to push for maximum short-term growth and then sell the company, or is the goal to create a company that is "built to last"?).
- The specific purposes that the plan is intended to achieve (e.g., attraction and retention of good employees, motivating employees to improve performance, building a nest egg for retirement, or repositioning employees as central stakeholders).

- The accounting impact (see table 8-1) and economic impact—i.e., what is affordable for the company in terms of impact on cash flow, dilution, and unwanted turnover.

8.1.3 Do Not Assume a Single Vehicle Will Emerge as the Clear Choice for Every Company

It was, and remains, too much to expect any single equity vehicle to be "all things to all companies." Bottom line, the vehicles that work for one company may not be appropriate for another company or even for the same company at a later stage in its development. For example, many commentators have suggested that Microsoft chose to move from stock options to restricted stock units in recognition of its transition from a company experiencing rapid growth to one that is more mature and focused upon longer-range goals. The creation of an effective equity compensation program, therefore, requires that it be designed to fit the company's present situation with an understanding that its elements will likely change with the company's circumstances.

8.1.4 Employ a Combination of Vehicles for Maximum Impact

Each equity vehicle has both strong points and weak points. When a company attempts to rely on just one vehicle, the danger is that the weaknesses inherent in that particular vehicle may cripple the program and result in its falling short of ideal effectiveness. As an alternative, companies may find that if they assemble an equity-sharing program that employs more than one equity vehicle, the weaknesses inherent in any one vehicle may be offset to some degree by strengths in one or more other vehicles. Like investors who diversify their investments among several different stocks so that weak performance by one can be offset by strengths in others, companies are likely to find that they will create the most effective equity compensation program by combining several equity compensation vehicles into a multi-tiered program.

8.2 Building Effective Equity Programs by Combining Vehicles: A Tiered Approach to Equity Design

As discussed above, the choices on the equity compensation menu are many: stock options, restricted stock, ESPPs, ESOPs, 401(k) plans, synthetic equity, stock-settled SARs and more. How does one go about selecting from these diverse choices to produce an effective employee ownership program? Do you just throw them at the wall to see what sticks? Or can there be a method to this madness?

To get a handle on the effective design of equity programs, it may be effective to think about a company's program as having three tiers (as illustrated in table 8-2). Each tier is focused on achieving different objectives for the business:

- A *base tier* is used to create broadly shared, long-term employee ownership, ensuring that every employee has a stake in the company's success. It sends the message that "we're all in this together, we all have a stake in the fortunes of this company." In most large organizations, this would likely be in the form of a highly tax-efficient vehicle such as an employee stock ownership plan (ESOP) or 401(k) employer-matching contributions.
- The *performance tier* is designed to offer additional ownership to incent and reward those employees who make special contributions to the growth of the company. This will typically be done through such vehicles as stock options or restricted stock awards. In this tier, awards are tied to individual performance, and payouts should be clearly linked to the creation of shareholder value.
- The *investment tier* allows employees who are committed to the company to invest their own money in the business. Public companies can take advantage of the ESPP vehicle for this purpose, while private companies can offer direct share purchase opportunities.

This tiered approach to equity compensation design allows a company to use equity in various ways to motivate and reward behaviors

Table 8-2. A Tiered Approach to Multiple Equity Vehicle Programs

Tier	Purpose	Example Equity Vehicles
Investment Tier	• Encourages employees who are committed to the company to invest their own money in the business • At a private company especially, this can be a special privilege that outsiders don't have	• ESPP • Nonqualified compensation deferral • 401(k) employee investment
Performance Tier	• Awards more ownership to individuals who contribute more to the growth of the company	• Stock options • Restricted stock
Base Tier	• Assures that every employee will have at least a basic financial stake in the future success of the company	• ESOP • 401(k) employer match

of different groups of employees that are required to drive the company's success. While most companies will have elements relevant to each tier, different emphasis may be placed on different tiers, and different designs may be used to accomplish objectives in the three tiers. These differences might depend upon whether the company is public or private.

8.3 ESPPs After FAS 123(R)

In addition to requiring companies to recognize the fair value of stock options as an expense on their financial statements, the new accounting standard under FAS 123(R), effective for reporting periods of large public companies that start after June 15, 2005, and for fiscal years of small public companies (with revenues of less than $25 million annually) and nonpublic companies that begin after December 15, 2005, has also affected the recognition of expense relating to ESPP awards by requiring such awards to be treated for accounting purposes as the grant of a stock option when the offering period commences, unless three conditions are satisfied that would allow such awards to receive "noncompensatory" treatment. These three conditions require the plan

to: (1) offer a discount that does not exceed the cost of offering shares through an underwriter; (2) be broad-based; and (3) have no option-like features such as look-backs, which allow the purchase price to be set using the lower of the stock price on the first or last day of the offering period.

Although the new accounting rules allow companies to assume that their underwriting costs are at least 5%, thus allowing for a 5% discount without triggering compensatory accounting treatment, the failure of the conditions for "noncompensatory" treatment to allow either a look-back period or a greater discount akin to the 15% discount allowed before the adoption of the new accounting rules has caused some companies to conclude that perhaps the days of ESPPs are over. Early surveys, however, have shown that ESPPs may in fact be here to stay as companies in greater numbers recognize the value that ESPPs provide in promoting an ownership culture and have come to realize that the accounting expense may be manageable. Consequently, companies with ESPPs and those considering one are placing a greater focus upon controlling the accounting expense associated with maintaining an ESPP through creative plan design.

The earnings charge—and thus the "on-the-books-cost" of maintaining an ESPP—that FAS 123(R) now requires to be recognized may be reduced in one or more of the following ways: by reducing the maximum amount employees can invest; by reducing the employee purchase discount; or by eliminating or reducing the look-back. The most effective of these plan design changes will attempt to balance the impact that such change will have upon the earnings charge against any adverse impact that the change will have upon the plan's continuing employee participation levels. Recent studies suggest that reduction—rather than elimination—of the look-back period will likely provide the greatest reduction in earnings charge without a significant risk of reducing plan participation. Thus, at the very least we should expect to see ESPPs with much shorter offering periods than what was common in the recent past.

Although the new accounting standards certainly will cause companies to reexamine the future role that ESPPs will be expected to play in overall equity compensation strategy, a newer version of ESPPs that effectively controls the accounting expense will continue to find a place

in the mix of equity compensation programs from which employers may choose in designing their multi-tiered program.

8.4 Six Benefits of Using Multiple Equity Vehicles in a Tiered Approach

Companies may find a number of appealing advantages to using multiple equity vehicles in a tiered approach to equity design, including:

1. *Achieves multiple objectives:* Using more than one equity vehicle can allow a company to achieve multiple objectives. For example, a company may wish to build an organizational culture that focuses company-wide attention on business performance and encourages conscientious job performance through a base tier that is built on a longer-term focused vehicle (such as an ESOP or equity grants at hire). At the same time, the company may want to focus top management and other key contributors on building intermediate and longer-term shareholder wealth through a tier of performance-based restricted stock, stock options, or annual incentives that pay out in stock or restricted stock. Selected individuals could also have the opportunity to invest further in the company through a nonqualified deferred compensation plan with company stock as an investment alternative. In this way, the company uses multiple equity vehicles to achieve multiple objectives, where one vehicle standing alone may end up "just missing" on all objectives.
2. *Maximizes tax efficiency while retaining flexibility:* While ESOPs and 401(k) plans offer tremendous tax benefits—giving the company a deduction for the full value of any equity contributed to the plan while imposing no current tax liability on the employees who receive that equity—these tax-qualified vehicles come with rules that significantly limit the company's ability to determine which employees will get how much of the total equity pie. By using a tax-qualified plan as the base tier while "topping off" as needed with a second vehicle that is not restricted by federal in-

come tax nondiscrimination rules (but at the cost of the favorable tax treatment), a company can capture most of the tax benefits that could be obtained by relying exclusively on a qualified plan while gaining the flexibility to create incentives and rewards for those who earn them.

3. *Protects against unintended consequences within a tier:* Multiple equity vehicles within a tier can be structured to complement each other to achieve the right objectives in the right way. For example, stock options alone allow holders to realize gains based on absolute stock price appreciation. However, complementing stock options with restricted stock that vests based on relative total shareholder return can create a powerful combination that sends the message that the real focus is sustained above-average wealth creation for shareholders.

4. *Provides a balance between long-term and short-term equity interests:* Another advantage of combining vehicles is that it enables a company to provide part of its equity awards in a form that gives the employee-shareholder the freedom to control when he or she will liquidate the equity while providing other equity that must be held for the long term. If employees cannot cash in their equity except at retirement, many will see a very limited value in that equity. At the same time, if employees can, and do, sell off their equity within a short time after receiving it, the linkage between company performance and the employee's financial well-being will come to an end. ESOPs and 401(k) plans, for example, are retirement programs that pay out only after the employee leaves the company (except for certain exceptions such as dividends on ESOP-held stock paid directly to employees), while gains on vested stock options and the value of restricted stock (once vested) may be realized whenever the employee chooses. Providing a balance of long-term and short-term equity interests will likely produce the optimal outcome.

5. *Manages dilution:* Companies also need to be cognizant of the fact that different vehicles tend to lead to different levels of dilution. By using vehicles with different dilutive impacts, companies can manage dilution. For example, a company that has in the past

relied solely on stock options (a highly dilutive vehicle) could reduce dilution by substituting another, less dilutive, vehicle (such as performance-restricted stock) in place of at least some of the erstwhile option awards.

6. *Manages predictability of payout:* Different equity vehicles also provide distinct future gain opportunities. While future stock option gains may be difficult to predict, restricted stock values operate within a more certain range. Therefore, companies can gauge the level of predictability required for their equity compensation program by adjusting grant patterns of different vehicles to balance near-term pay delivery needs with longer-term opportunities.

8.5 Risks to Be Managed When Combining Multiple Vehicles

Despite the advantages that companies might realize by combining equity vehicles, a number of risks exist that also need to be managed when designing a multi-vehicle equity compensation program. These risks include:

1. *Too many vehicles can become too complex:* From a practical design perspective, the idea is not to use multiple vehicles for multiple vehicles' sake but to use multiple vehicles in pursuit of a stronger program than would exist using one vehicle. This means every vehicle needs to have a specific role to play, and to the extent the design of the vehicle can make its purpose transparent, all the better. Well-designed communications can also ease concerns about complexity and greatly enhance the effectiveness of a given design.
2. *The performance tier may have inadequate leverage:* Many companies have responded to the reduced appeal of stock options by replacing some, or all, of their performance tier stock option opportunity with another equity vehicle. These companies must be mindful that replacing stock options with a vehicle that has less potential upside for employees could dampen the entrepreneurial drive that this tier of the equity program is intended to foster.

3. *The equity design may become all about pay delivery:* A multi-tiered design would be misused if it were seen solely as a way of delivering immediate pay to employees. Companies must make sure that the overarching focus of its equity program is not so much on what the equity is worth at grant but on what the employees, through their performance, can make it worth in the future. If a grant of $10,000 of equity is seen simply as $10,000 of pay, it loses its power to incent employees to build shareholder value or to promote a culture in which employees are seen, and behave, as owners themselves.

8.6 Public Companies: Emerging Practices

Most activity among public companies appears to be in the performance tier, where companies are diversifying the vehicles they are using to address the current environment and stock options' shortfalls. A few companies are sticking steadfastly with stock options as their vehicle of choice in the performance tier, they are likely to be in the minority. These tend to be companies that have historically exceeded peer group performance levels and have strong communication to help employees understand how their jobs impact stock price performance.

Initially, diversification focused primarily on the replacement of options with service-vested restricted stock. To drive greater performance in the performance tier, this trend has evolved to include a high prevalence of performance restrictions, which ultimately might prove to be a powerful adjunct to stock options, linking vesting to achievement of strategic business results. Another interesting variation in the restricted stock arena is to allow executives to voluntarily defer bonus payments to buy discounted restricted stock, typically with cliff vesting provisions (e.g., at HCA)

Common to all of these practices, the desire on the part of investors that senior executives in particular have some "skin in the game" is as strong as ever, given the continuing corporate scandals that have fueled regulatory and legislative changes. This has raised interest at some companies in new investment tier alternatives. In many cases, the vehicles now fulfilling the objectives of the investment tier are simpler than their earlier counterparts but no less powerful in the messages that they send.

One of the more popular methods currently in practice is to mandate executives to defer a portion of their bonuses into company stock, often with ownership requirements attached. First coming to prominence in the early 1990s, ownership guidelines, which require executives to hold a certain level of stock (often expressed as multiples of salary) are making a return in aligning executive and shareholder interests.

Tables 8-3 and 8-4 illustrate what two public companies are doing at this time with multi-tier equity programs.

8.7 Private Companies: Emerging Practices

Private companies may have more latitude, especially in the investment tier, because their stock will generally be unavailable for purchase unless specially offered by the company. Our first example is one of the growing legends in the world of employee stock ownership, Springfield ReManufacturing Corporation (SRC) and its remarkable CEO, Jack Stack (author of "The Great Game of Business" and "A Stake in the Outcome"). From its beginnings in the mid-1980s as a management buyout of a grimy little diesel engine rebuilding plant from an old and dying International Harvester, SRC has used its employee stock ownership programs as the foundation for an operation philosophy that has seen its stock price climb from $1 a share at the time of the buyout to more than $900 a share currently.

SRC's employee stock ownership system consists of three tiers. At its base is an ESOP, which assures a solid, long-term ownership stake for all employees on highly tax-advantaged terms (for both the company and the employees). The ESOP holds about one-third of the equity in the SRC employee stock ownership system. To combat any tendency toward complacency, the company also issues stock options to anyone in the organization who is in a position to be a key driver of growth for the organization. The outstanding stock options represent another one-third of the equity in the program. The final third of the employee-owned stock is represented by shares of stock that employees have purchased for their own investment.

Tables 8-5 and 8-6 illustrate how two other private firms—an engineering firm and a management consulting firm respectively—have structured their multi-tier equity programs.

Table 8-3. Public Company Example A: Multi-Billion Dollar Pharmaceutical Company

Investment Tier	A nonqualified bonus deferral program allows a select group of senior management to defer portions of their salaries and bonuses, with company stock as one investment option.
Performance Tier	Stock options combined with performance shares earned based on financial performance focus executives on intermediate drivers of business value in addition to longer-term stock price appreciation.
Base Tier	Company-wide stock option grants every two years provide lots of opportunity for all employees to build ownership in their company and a 401(k) investment option in company stock.

Table 8-4. Public Company Example B: Multi-Billion Dollar Hospital Management Company

Investment Tier	A nonqualified stock purchase plan allows members of the executive team to defer their bonuses to purchase restricted stock at a 25% discount to fair market value. The restricted stock cliff-vests after three years and is coupled with stringent ownership expectations to ensure significant long-term ownership levels.
Performance Tier	Stock options, combined with earned annual equity, reinforce short- and longer-term performance achievement. Earned annual equity is restricted stock that is earned based on achievement of annual performance objectives within individuals' control. Once earned, the restricted stock vests over two years. This approach reinforces employee ownership and complements stock options by providing a vehicle with higher "line-of-sight" because the basis for earning awards is within employees' control.
Base Tier	An ESOP ensures all employees have some stake in the company.

8.7.1 The ESOP as a Market for Shares Owned by Employees in Private Companies

Note that in example C (table 8-6), the company is using the ESOP not only as the base tier of its equity ownership program *but also as a market for stock that employees acquire through the other tiers*. This creative method

Table 8-5. Private Company Example B: 150-Employee Engineering Firm

Investment Tier	Annual cash profit-sharing bonuses may be invested in company stock, with employee-investors receiving a “free” stock option for every two shares purchased.
Performance Tier	Stock options granted to reward actions that are anticipated to produce revenue in the future. Restricted stock granted to reward current revenue production.
Base Tier	Employee stock ownership plan (ESOP) that purchases shares from founding shareholders to hold for all permanent, full-time employees.

Table 8-6. Private Company Example C: 100-Employee Management Consulting Firm

Investment Tier	Purchase opportunities granted to newly hired consultants to give them the ability to increase their ownership stake early on.
Performance Tier	Restricted stock granted to reward current revenue production.
Base Tier	Employee stock ownership plan (ESOP) that purchases shares from founding partners and from employees who want to sell shares they acquired through the other tiers of the equity program.

of gaining multiple benefits from diverse equity vehicles offers tremendous power to private companies, who otherwise inevitably struggle with the difficulty of providing liquidity to shareholders, including employees who acquire company equity.

Generally, money that a company spends on redeeming stock from a shareholder is not deductible; it is an after-tax expenditure. A company with an ESOP, however, can channel the money that it has earmarked for stock redemptions through the ESOP, making every penny of that money deductible for corporate income tax purposes. With companies in most states paying a combined federal and state tax bill in excess of 40%, a company that provides liquidity to employee-shareholders via its ESOP is in effect getting the IRS and the state to provide 40% of the funding for such redemptions. These redemptions by the

ESOP in turn provide a continuing source of shares to feed into the "base tier" so that new employees can participate and all employees can build their equity interests over time as they remain with the company. The result is a dynamic system of employee stock ownership in which equity can be acquired by employees through multiple, flexible vehicles while providing a financially efficient mechanism for shareholder liquidity and a continuous renewal of the program.

8.8 Conclusion

Many companies are reconsidering their use of stock options. That does not mean that they will abandon employee stock ownership. A truly effective equity plan starts with a soul-searching evaluation of what the company wants to get out of it. By fashioning a set of complementary equity vehicles into a multi-tiered program, a company can tailor its equity program to fit its individual needs. Don't be disheartened by the end of the glory days for stock options. There are plenty of other equity vehicles out there, and more than one is likely to be suitable as an adjunct to, or substitute for, stock options.