



COMPENSATION AND BENEFITS PRACTICE

Golden Parachute Solutions

Unparalleled Expertise Analyzing Executive Compensation

Executive compensation packages called “Golden Parachutes” can often help soften the blow to executives when they are unexpectedly forced to leave the company due to a merger, acquisition or hostile takeover.

Designing and maintaining executive compensation packages that comply with strict tax laws while offering adequate protection to top executives can be challenging for even the most competitive organizations.

Golden Parachute Analyzer

Under the Internal Revenue Code (IRC), corporations that make excess parachute payments lose significant tax deductions, and the recipient is subject to a 20 percent excise tax on such excess payments. Additionally, excess parachute payments can further limit the deductibility of other compensation paid by the corporation.

Alvarez & Marsal's Compensation and Benefits practice has designed the Golden Parachute Analyzer - a proprietary tool that assesses the tax impact on corporations and employees when golden parachutes are triggered by a change in control of the employer.

A&M utilizes the Golden Parachute Analyzer to help clients navigate through a variety of issues:



Executive Compensation Disclosures

SEC regulations require substantial disclosure of executive compensation, including the amount payable upon a change in control and any excise tax gross-up. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act now requires disclosure regarding an advisory vote to approve golden parachute payments prior to a transaction. The Golden Parachute Analyzer helps your organization quantify these amounts.



Change in Control Planning

Your business needs to design and implement competitive change in control agreements that work in today's corporate environment, which is heavily influenced by shareholder advisory firms. We can assist your team in this process and gauge the potential tax implications of existing agreements.

Many change in control pitfalls can be avoided through strategic compensation plan design that considers tax implications, regulatory hurdles and shareholder concerns.



Actual Change in Control Process

- **Parachute Payment Calculation:** Prior to or in anticipation of an actual change in control, it is critical to calculate the amount of the parachute payments and the amount of any excess parachute payments that would trigger excise tax consequences under various scenarios. A&M can identify planning opportunities and implement proven techniques that can help mitigate the excise tax and lost tax deduction.
- **Non-Competition Agreement Valuations:** An opportunity to mitigate excise tax and lost tax deductions associated with a parachute payment is to attribute value to an employee's non-competition agreement. Alvarez & Marsal's dedicated tax valuation specialists have in-depth experience conducting valuations of non-competition agreements for IRC section 280G, with a primary focus on tax. Our Tax Valuation team understands the nuances and sensitivities associated with valuing a non-competition agreement for 280G tax purposes, while also taking into consideration the broader factors associated with parachute payments as part of a change in control transaction.

The A&M Approach

Alvarez & Marsal reviews your executive compensation packages and develops a set of services that best fits the needs of your company and executives. Our Golden Parachute services include the following:

For each affected individual, calculation of the parachute payments received, such as severance payments, acceleration of equity awards, enhanced benefits and other non-cash compensation.

- Assessment of whether excess parachute amounts exist and, if so, calculation of the excise tax due for each individual.
- Calculation of “better after tax” analysis and overall parachute costs, including excise tax, gross-ups, cutback amounts and lost deductions to the company.
- Planning based on alternative calculations utilizing different assumptions and scenarios - helping prepare for any contingency.
- Estimating the fair market value of non-competition agreements, including non-solicitation clauses, with a detailed, narrative report supporting our value conclusions.
- Exploring IRC section 280G mitigation concepts and executive excise tax protections (e.g. best payment, cutback and gross-ups).
- Development of a detailed written report outlining individual parachute calculations and combined cost to the company, and making recommendations to avoid triggering IRC section 280G deduction denials and IRC section 4999 excise taxes.
- Drafting IRS Opinion Letters that defend your calculations if audited by the IRS.
- Prepare employee communications to convey the essential information impacted individuals (and their tax preparers) will need to file their personal tax returns.

For More Information:



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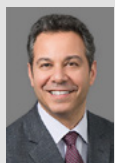
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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 5,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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