

ATTORNEYS:

John L. Schliesmann
Bennett E. Choice
Jennifer R. D'Amato
Steven E. Grieb
Gregory A. Storm
Sherilyn R. Whitmoyer
Daniel P. Cooper
Eric P. Hagemeyer
Erin E. Margerie
Lucien A. Beaudry
Meghan K. Shannon
Sara E. Kornely

1000 North Water Street
P.O. Box 2965
Milwaukee, Wisconsin
53201-2965
414-298-1000
800-553-6215

22 East Mifflin Street
P.O. Box 2018
Madison, Wisconsin
53701-2018
608-229-2200
800-728-6239

W233 N2080
Ridgeview Parkway
P.O. Box 2265
Waukesha, Wisconsin
53187-2265
262-951-4500
800-928-5529

Executive Compensation Update

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By: Sherilyn R. Whitmoyer

The Executive Compensation Team of Reinhart Boerner Van Deuren s.c., an interdisciplinary practice group focusing on executive compensation issues, is pleased to provide you with the inaugural issue of our e-newsletter, *Executive Compensation Update*. This e-newsletter is designed to provide you with timely updates regarding a wide range of executive compensation issues and to identify topics you may wish to discuss further with members of our team. This first issue provides you with an overview of the Executive Compensation Team's areas of experience and items to consider when designing a compensation program. Subsequent issues of this e-newsletter will provide you with practical, timely information regarding new or pending executive compensation-related developments and discussions of other related issues.

Our Executive Compensation Team includes experienced lawyers who focus their practice in each of the key legal areas associated with executive compensation arrangements: corporate finance and securities law, employee benefits, tax and estate planning. This comprehensive experience allows us to advise employers and executives on all of the issues and risks related to both arrangements with individuals and programs covering groups of executives, directors and other personnel, including:

- Stock options, both statutory ("ISOs") and nonstatutory ("nonqualified").
- Short-term and long-term incentive plans.
- Restricted stock.
- Stock appreciation rights and phantom stock arrangements.
- Stock purchase plans and 423 plans.
- Deferred compensation arrangements, including Rabbi trusts.
- Supplemental executive retirement plans.
- Executive employment agreements.
- Confidentiality and noncompete agreements.
- "Golden parachute"/change of control compensation arrangements.
- "Stay bonus" retention plans and executive severance arrangements.
- "Split-dollar" life insurance and other arrangements using cash value life insurance, including executive "carve-out" life insurance and

employer provided long-term care arrangements.

- Executive perks and other fringe benefit arrangements.

In addition to our experience with compensation arrangements that are specifically designed for executives, we also have extensive experience with assisting clients in establishing and maintaining broad based benefit compensation arrangements, such as qualified retirement plans (including 401(k) plans and ESOPs).

Tax, securities and other legal questions regarding compensation programs have become increasingly important to businesses structuring executive compensation plans and to individual plan participants. When changes are made in compensation programs, or when new programs or employment contracts are established, an analysis of these issues is often critical to the success of the program. A few of the more significant issues include:

- Conditions for obtaining the desired tax treatment for stock options, restricted stock, nonqualified deferred compensation and other benefit arrangements.
- Application of employment taxes and tax withholding requirements.
- Conditions for minimizing individual executive's income, estate and gift taxes.
- Avoiding "golden parachute" tax penalties.
- Section 162(m) limitations on deduction of executive compensation.
- Compensation committee composition and plan administration issues.
- Use of trusts and other devices to ensure the payment of the promised compensation to executives.
- ERISA "top-hat" plan issues.
- Special issues that arise when the employer is a limited liability company or other business entity.
- Application of the federal legislation regulating accounting practices to executive compensation programs.
- Securities registration, exemption and reporting requirements.
- "Short-swing" trading and other securities law restrictions and disclosure requirements.

Our experience makes us a key partner for your business on executive compensation projects. We are also known for our efficient delivery of services, including use of advanced technology to manage client information, streamline legal research and share plan strategies and design ideas. Please contact us to discuss your plans, ideas and issues regarding compensation arrangements.

To view all newsletter archives:

<http://www.reinhartlaw.com/apps/newsletters/xq/ASP/locus.archive/qx/newletters.html>

Executive Compensation Update is an electronic publication of the law firm of Reinhart Boerner Van Deuren s.c., and is prepared by attorneys on its Executive Compensation Team. This publication is intended to afford timely notice to our clients and friends of current events in executive compensation and to provide general information about executive compensation issues. It is not intended, nor should it be used, as a substitute for specific legal advice regarding particular factual situations.

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