Executive Compensation Update

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

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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.

These materials provide general information which does not constitute legal or tax advice and should not be relied upon as such. Particular facts or future developments in the law may affect the topic(s) addressed within these materials. Always consult with a lawyer about your particular circumstances before acting on any information presented in these materials because it may not be applicable to you or your situation. Providing these materials to you does not create an attorney/client relationship. You should not provide confidential information to us until Reinhart agrees to

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