

NACCB 2005 CONVENTION

Alternative Compensation Packages

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Staff Compensation Elements

- Annual comp plan: base + incentives
 - > Base: salary, recoverable or non-recov. draw
 - > Incentives: sales, cash, margin, hours, stats, etc.
- Perks: health insurance, phone, expense acc't, etc.
- Long term retention: cash, equity, pseudo-equity
- Career advancement and learning opportunity
- Enjoy coming to work, teamwork, participation in mgt, etc.
- Working conditions: safety, corner office, etc.
- Flexibility: hours, job sharing, balance with personal life, etc.
- Retirement plan: pension, 401K, vesting, etc.
- Other: commutation, job security, being appreciated, tax benefits, recognition, working for respected company, etc.

Motivating and Retaining Staff

- Recognize that your primary assets are your staff
- Realize the market is improving and your staff has options
- Treat your employees with respect and dignity
- Develop a “win-win” compensation plan for your staff
- Develop a long term retention plan for your key employees
- Remember it takes more than money to keep good people
- Create a motivational environment to maximize performance
- Build a team and don't be dependent on a lone producer

Compensation Plans

Current compensation options

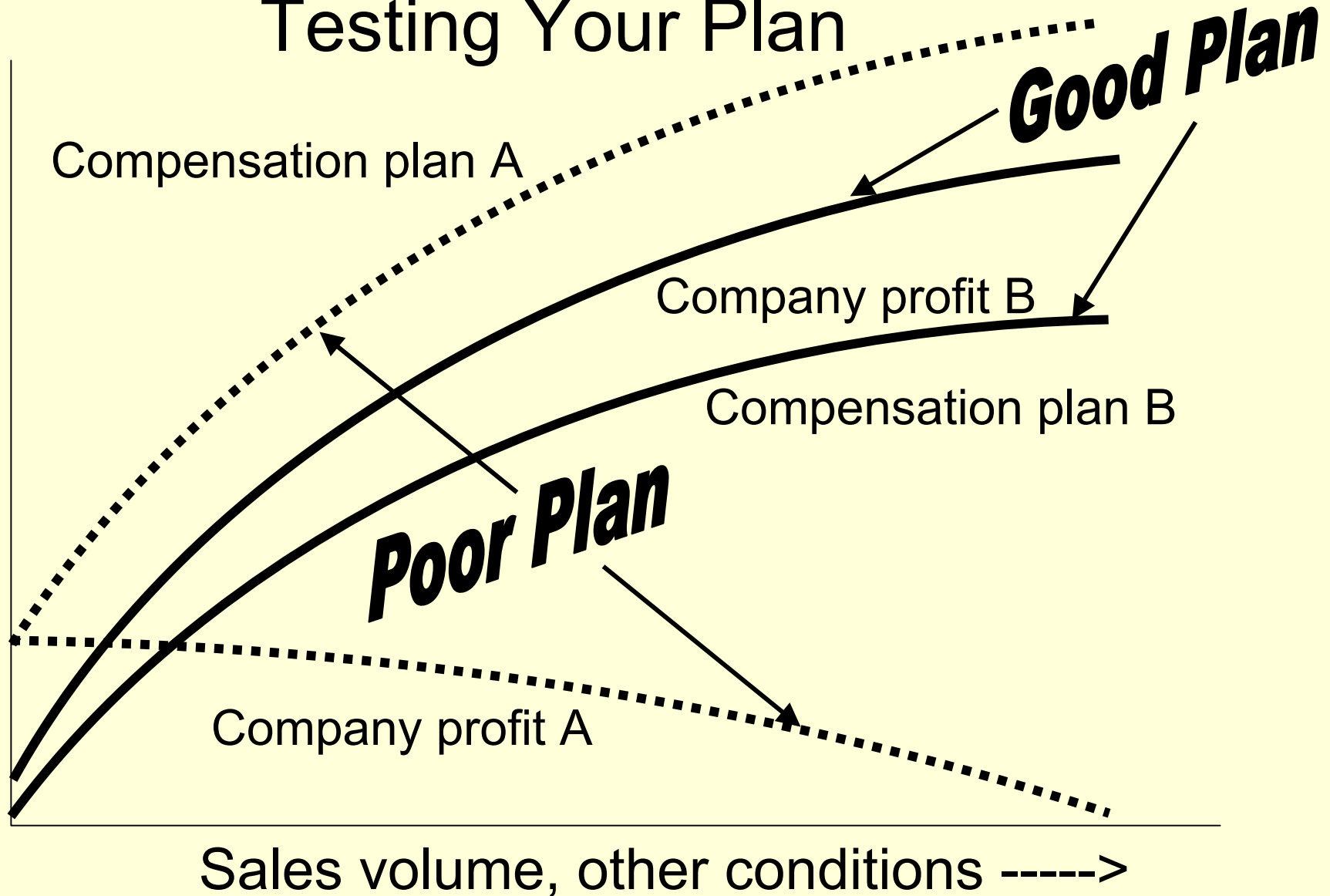
- Team vs. individual annual comp plans
 - > Every plan has to be customized to meet co. needs
 - > 3 elements: base/draw, results incentive, activity bonus
 - > Salary vs. refundable or non-refundable draw
 - > Sliding scale disproportionately rewards top producers
 - > Activity bonus may vary, focuses on keys to success
 - > Non financial rewards, recognition, perks, etc.
 - > Test program to verify they work under all scenarios

Long term retention plans to keep top producers

- Golden handcuff program pays out only when vested
 - > Options: equity, phantom stock, conditional bonus
 - > The use of an employee equity pool
 - > Helps insure the value of the company

Compensation Plans

Testing Your Plan



Compensation Plans

Example: Sliding Scale Incentive

Incremental incentive %	<u>35</u>	<u>40</u>	<u>45</u>	<u>50</u>	<u>55</u>
Cum margin or cash \$K	200	300	400	500	600
Incentive %	35	37	39	41	44
Total comp @ \$40K base	110	151	196	245	304
Compensation %	55	50	49	49	51
Profit @ \$50K fixed cost	40	99	154	205	246
ROS (at 25% margin) %	5	8	9	10	10

Deferred Compensation Plans - Example

Tie reward to co. value for staff retention

Chg.

Annual sales \$ mil:

Multiple

ROS %:

Profit (EBITDA) \$ mil:

Company value \$ million

Number of staff in pool:

@ 20% equity pool

Value/share \$K

Value/share \$K

Value/share \$K

Value/share \$K

<u>5</u>	<u>10</u>	<u>20</u>	<u>50</u>	10X
3.5	4.0	5.0	7.0	
5.0	6.0	7.0	7.5	
0.25	0.60	1.4	3.8	15X
0.9	2.4	7.0	26	28X
1	2	4	10	
180		Increasing value even with more participants		
	240			
		350		
			520	3X