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DES MOINES, IOWA



# Raising Capital Seminar

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# RAISING CAPITAL SEMINAR

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# Equity Compensation

Joe Leo



# Equity Compensation

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- There are three common methods:
  - Stock Options
  - Restricted stock
  - Stock appreciation rights
- Strategies for using each

# Stock Options

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- Provides employees the right to purchase stock in the future.
- Can be Incentive Stock Options or Non-qualified stock options.
- Need to determine fair market value for the stock at least annually.
- You need a good advisor / attorney to work through the details.

# Vesting

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- Commonly 3-4 years.
- Can allow accelerated vesting on a change in control (exit).
- Time based vesting is easy, but performance based vesting can incentivize positive behaviors.
  - Performance based vesting should be tailored to each employee's expected contribution
  - Consult with your team to establish effective goals