

### Incentive Compensation

### Incentive Compensation Typically Comes in Four Varieties

Type of Compensation	AMT Tax (26%-28%)	Income Tax (up to 37%)	Investment Tax (up to 20%)	Cash/Risk
<b>Incentive Stock Option</b>	When exercised on difference between FMV & strike	Sold within 1 year on difference between sales & strike	Sold after 1 year on difference between sales & strike <sup>1</sup>	Strike price
<b>Non-Qualified Stock Option</b>	None	When issued	None	None
<b>Restricted Stock</b>	None	Sold within 1 year	Sold after 1 year	Price paid
<b>Employee Stock Purchase Plan</b>	None	Sold within 1 year	Sold after 1 year	Price paid

#### Terms Defined

**Vesting Date:** First date when options can be exercised

**Expiration Date:** Last date when options can be exercised

**Strike Price:** Price paid to exercise options

**Sales Price:** Price when sold

**Exercise:** Convert options plus cash into shares

**Fair Market Value:** Price when option exercised

#### Strategy

**Risk Management:** Working for company and owning shares combines career risk and financial risk

**Liquidity and Cash Flow:** Optimal timing of exercising options and selling shares

**Tax Optimization:** Sell enough to take advantage of lower tax rates

**Level:** Sell equal portions of each grant between now and expiration

**Minimizing AMT Taxes & Private Companies:** Exercise and sell ISOs with each tender offer, then sell others as needed for liquidity and risk management

37 Vicente Street  
San Francisco, California 94127

[www.efinvest.com](http://www.efinvest.com)  
(415) 523-5373  
[support@efinvest.com](mailto:support@efinvest.com)

<sup>1</sup> Also two years after date granted

Disclaimer: Consult an accounting or tax professional before implementing a strategy.