



## **DEVELOPING STRATEGIES FOR CORPORATE EXECUTIVES**

Sophisticated capabilities for individual and corporate planning needs

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**RAYMOND JAMES**

You work hard looking out  
for your company's future.  
**Are you planning just as  
carefully for your own?**



As a corporate executive, you understand that planning is at the heart of running a successful business. The same is true for your own future. However, between the time-consuming demands of your job and the often complex nature of your personal financial situation, planning for your own future can be difficult. Your Raymond James financial advisor understands these challenges and has access to specialized resources to consolidate multiple issues into a comprehensive strategy designed to help you work toward achieving your financial goals.

Our consultative approach spans the entire spectrum of topics pertinent to corporate executives while taking into account the challenges of balancing personal and corporate responsibilities and objectives. Our process involves evaluating each case individually and tailoring strategies around your unique circumstances.

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### INDIVIDUAL STRATEGIES

Many of the strategies tailored for executives can be complicated, requiring navigation through various legal, tax and estate planning issues. Every situation is different, so we invite you to review your specific circumstances with your advisor to help determine your private wealth management needs:

- Concentrated equity strategies
  - Stock option planning
  - Restricted stock and 83(b) election
  - 10b5-1 plans
  - Net unrealized appreciation
- Investment management
- Estate and trust services
- Cash management and lending solutions
- Philanthropic strategies

### CORPORATE STRATEGIES

Many executives make paramount decisions at the corporate level. Issues such as the design and administration of various benefit plans, marketing to institutional investors, or executing a corporate repurchase program can create additional layers of time-consuming responsibility. Your advisor has access to a full range of corporate investment strategies to help you weigh the pros and cons of various topics:

- Benefit plan design and administration
- Share repurchases
- Institutional marketing
- Investment banking services
- Corporate lending and cash management
- Cash strategies

Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

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## Concentrated equity strategies **aligned with your success**

Corporate executives often acquire a concentrated position of their employer's stock over time. Maintaining a significant percentage of one's assets in any one investment can be an issue for any investor, but executives employed by the company in which they own concentration must consider additional factors when balancing their personal financial plans with their responsibilities to company shareholders. These factors can include ownership of low cost-basis shares, stock options and shares owned in retirement plans, trading restrictions, mandated ownership, and having their families' health insurance and other benefits subsidized by their companies.

If a company's fundamentals and/or share price were to deteriorate unexpectedly, the impact on an executive could be magnified due to his or her concentrated exposure. There are a variety of strategies available to address concentration in company stock, which can be grouped into five categories:

- Hedging
- Monetization
- Income enhancement
- Tax-efficient diversification
- Tax-efficient gifting

Your Raymond James financial advisor can review various strategies to address concentration in your company stock, including techniques to manage the impact of the public disclosure of certain activities to the company's existing shareholder base. With access to a broad array of institutional resources, your advisor will work with you to build a comprehensive wealth management plan targeting your long-term goals.

Diversification and asset allocation do not ensure a profit or protect against a loss. Investing involves risk and you may incur a profit or loss regardless of strategy selected.

## STOCK OPTION PLANNING

Corporate executives often receive a significant portion of their compensation in the form of stock options. Stock options entitle the holder to purchase a specified number of shares of company stock at a predetermined price (the strike price) on or before the expiration date. There are two types of employer stock options (ESOs): incentive stock options (ISOs) and non-qualified stock options (NQSOs). ISOs are sometimes called qualified stock options. If strict rules regarding the granting, exercising and subsequent holding of ISOs are followed, they carry special tax treatment. NQSOs do not have to meet the same requirements as ISOs and, therefore, are much more flexible than ISOs for employers and employees.

ISOs may receive favorable tax treatment. If certain conditions are met, they are not taxed in the regular tax system until the stock positions are actually sold. No tax is incurred upon grant or exercise of the options, and when the stock is eventually sold, long-term capital gains tax rates will apply.

NQSOs are not subject to the same requirements as ISOs. As such, NQSOs are taxable to the holder upon exercise. When an NQSO is exercised, the difference between the current market price and the exercise price is taxable as compensation, or ordinary income. Any appreciation in the stock price that may occur after exercise is taxable at long- or short-term capital gains rates, depending on the holding period.

Planning for the exercise of your ESOs can be complicated. Your Raymond James financial advisor can help you develop a plan that fits your needs. This may include funding for an exercise in cash or with borrowed funds,\* a cashless exercise, or stock swap. There are also tax issues to consider, including the timing of taxable events and possible exposure to the alternative minimum tax (AMT).

## PROCESS FOR STOCK OPTION ANALYSIS

Analyze options positions and vesting/expiration schedules



Determine timing of exercise while evaluating tax implications



Analyze methods to pay for exercise



Assess how the newly exercised shares fit into your overall portfolio

\*A margin account may not be suitable for all investors. Borrowing on margin and using securities as collateral may involve a high degree of risk. Market conditions can magnify any potential for loss. If the market turns against the investor, he or she may be required to deposit additional securities and/or cash in the account. The securities in the account may be sold to meet the margin call, and the firm can sell the investors' securities without contacting them. The interest rates charged are determined by the amount borrowed. Visit [SEC.GOV/INVESTOR/PUBS/MARGIN.HTM](http://SEC.GOV/INVESTOR/PUBS/MARGIN.HTM) for additional information.

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## RESTRICTED STOCK AND 83(B) ELECTIONS

For corporate executives, restricted stock generally refers to stocks whose shares are legally restricted, or to restricted stock grants received as equity compensation.

### **Legal Restrictions**

#### *Regulatory*

These restrictions typically apply to unregistered securities or shares owned by corporate affiliates. An affiliate is generally defined as a person who controls or is controlled by a company. Officers, directors and beneficial owners of more than 10% of the outstanding shares are usually assumed to be affiliates. Owners of stock covered by regulatory restrictions must follow certain guidelines when transacting in company stock. These guidelines are primarily given by Rule 144 of the Securities Act of 1933 and Section 16 under the Securities Exchange Act of 1934. There are many issues to consider when selling controlled stock, including certain volume limitations, required filing forms and the avoidance of short-swing profits.

#### *Contractual*

Stock can be restricted via a contractual agreement. A common example of this is when a stock is secured between a shareholder and the company and/or the underwriter associated with a public or private securities offering, corporate reorganization or merger.

#### *Corporate*

Corporate restrictions may include blackout windows and trading policies specific to each company that govern when insiders can transact in their company shares and what types of transactions are allowed or prohibited.

### **Equity Compensation**

In addition to stock options, companies often reward employees with grants of stock to enhance compensation packages and align personal wealth with company success. These grants typically come in the form of shares, units or rights.

Generally, there is no tax event upon the grant of a restricted stock award. There is typically a vesting date in the future, at which time the award becomes the legal possession of the employee and is taxed as compensation. This vesting date may be a specific day, staggered over several years or tied to a certain performance measurement.

#### *83(b) Elections*

Employees who receive a restricted stock award can elect to pay compensation tax at the time of grant instead of at the time of vesting by choosing the 83(b) election within 30 days of receiving the grant. This option is only available for restricted stock, not rights or units. Careful consideration needs to be made when assessing the value of electing 83(b). Until the award vests, the employee faces the risk of forfeiting the stock if he or she is separated from employment. Any taxes prepaid via an 83(b) election will not be refunded in the event of separation of service.

## 10b5-1 PLANS

Rule 10b5-1 plans offer a valuable solution for executives who often find they are prohibited from executing trades in their employers' stocks for as many as nine months of the year.

Rule 10b5-1 creates an affirmative defense to charges of insider trading for an executive transacting in his or her company's stock. Rule 10b5-1 says that, so long as the plan is adopted at a time when the executive has no material, nonpublic information, the executive is protected from insider trading liability even if he or she has material, nonpublic information at the time the transaction actually occurs.

Rule 10b5-1 plans can be used to buy or sell stock, exercise stock options, or facilitate other transactions in an executive's stock, including certain hedging and monetization strategies. One of the key features of these plans is that they can be tailored to each individual's specific set of circumstances. This allows an executive to define the number of shares or dollar values, prices at which executions can occur, and the timing of transactions over the course of the plan.

Raymond James has several plan templates that can be used for various transactions by corporate insiders. Your advisor can help you determine the inputs that best fit your objectives and facilitate the execution of a 10b5-1 plan.

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A 10b5-1 plan must be adopted at a time when the executive is not aware of any material, nonpublic information and the company trading window is open. The plan must specify the amount, price and date of the transactions or formulas that determine those variables.

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## NET UNREALIZED APPRECIATION (NUA)

Corporate executives frequently hold large amounts of their employers' stock inside qualified retirement plans, such as a 401(k) or an employee stock option program (ESOP). While these shares are held inside their retirement plans, there are no tax consequences. Only when the time comes to transfer the shares out of the plans do taxes become an issue.

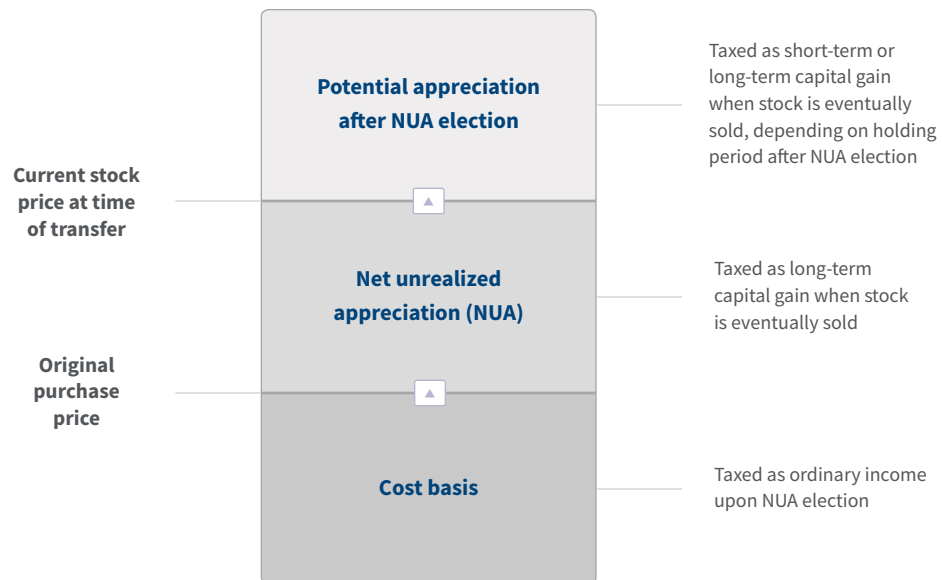
Often it seems the best option is to roll the shares into a self-directed traditional IRA because this is a tax-free transaction. In this scenario, no tax is incurred until a distribution is taken from the IRA. At that time, the whole distribution is taxed at ordinary income tax rates.

Individuals who hold substantial amounts of employer stock in qualified plans may be able to benefit from the net unrealized appreciation (NUA) of that stock. For example, if

an individual chooses to take a lump-sum distribution from his or her qualified plan and deposits the employer stock in a regular brokerage account, he or she may ultimately pay less in taxes. Here's why: Only the cost basis of the stock is taxed at ordinary rates upon transfer. The value between the cost basis and the fair market value at the time of the transfer (the NUA) is not taxed until the position is sold. At that time, it is taxed at preferential capital gains rates.

This strategy makes the most sense when the cost basis is relatively low compared to the total value of the stock position. Your advisor can work with your tax professional to evaluate your situation and determine if NUA is appropriate for you.

### Tax treatments of employer stock positions for which NUA treatment is selected







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# A coordinated approach to **seamless wealth management**

Your advisor can access a cross-disciplined team of dedicated private wealth management specialists at Raymond James.

## **INVESTMENT MANAGEMENT**

From high-quality individual stock and bond analysis to various asset management programs, Raymond James can facilitate a multitude of investing strategies. Your advisor can provide institutional-level investment capabilities, including forward-looking asset allocation models, extensive outside manager due diligence, award-winning equity research commentary, and access to varied structured investments and alternative investments\* such as hedge funds, managed futures and private equity offerings.

## **ESTATE & TRUST SERVICES**

Every individual and family has unique goals. Creating an estate plan that addresses those goals requires careful consideration and expertise to ensure the tools and strategies employed align with your objectives in the most efficient manner. An improperly structured estate plan can have unintended consequences such as higher taxes, assets not going to intended heirs or insufficient liquidity to pay estate taxes – any of which could leave your loved ones in a position to sell assets at a potentially inopportune time. When an estate plan includes a trust, an independent trustee can likewise help to minimize technical difficulties and emotional perils for your loved ones. Raymond James Trust N.A., a wholly owned subsidiary of Raymond James Financial, Inc., can serve in this capacity, either as full or limited trustee. Whether an existing estate plan needs to be reviewed or better incorporated into your overall financial plan, your advisor can assist in this process.

## **CASH MANAGEMENT AND LENDING SOLUTIONS**

Your brokerage account provides access to a variety of liquidity solutions, allowing you to simply and flexibly manage your cash needs. You can leverage your existing investments to create liquidity through customized structured lending, securities-based lines of credit or margin accounts. These lending solutions provide access to cash without disrupting your carefully constructed long-term financial plan. For streamlined cash management, the Capital Access account lets you consolidate your finances with a full suite of mobile and online banking features, including fraud protection. Corporate executives often have reason to hold large cash balances, and your advisor can call on the Cash Solutions team to help design a strategy that aligns with your needs for liquidity, safety and return.

## **PHILANTHROPIC STRATEGIES**

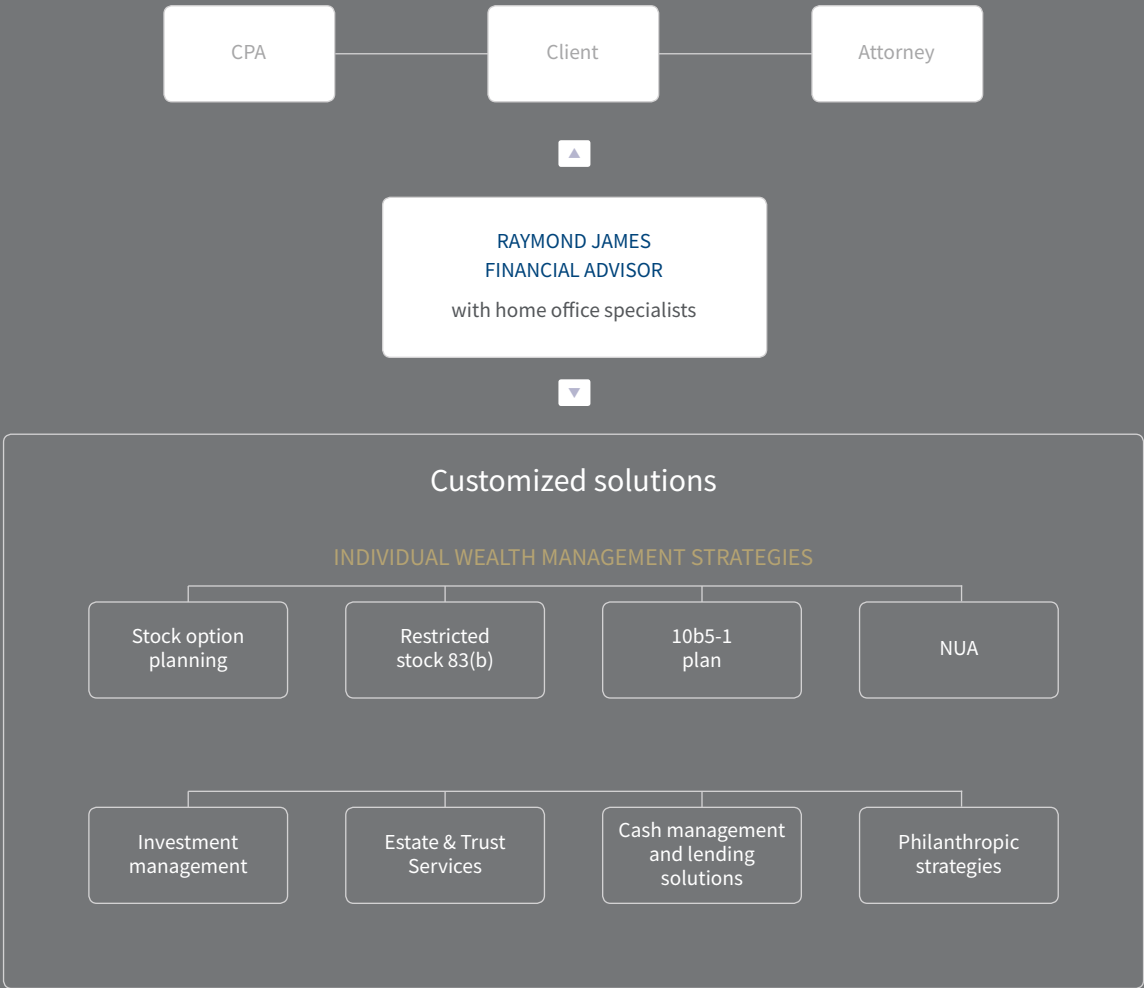
Many times, individuals who are fortunate enough to generate substantial wealth over their lifetimes have a desire to develop lasting impacts on their communities through charitable endeavors. Raymond James can help you define your philanthropic goals and execute a long-term giving strategy designed to maximize the value of your gifts while minimizing the tax impact on you and your estate, including a donor advised fund through Raymond James Charitable.

\* Alternative investments involve specific risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum-net-worth tests. You should consider the special risks with alternative investments including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. You should only invest in hedge funds, managed futures or other similar strategies if you do not require a liquid investment and can bear the risk of substantial losses. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided.

Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

The value of professional advice is hard to measure, but **the benefit is easy to see**

Corporate executives face multiple scenarios with complicated variables. Seeking the advice of a professional financial advisor is imperative to creating a holistic plan for your long-term financial goals. Professional advisors bring a disciplined, unbiased perspective to your decision-making process that can help you avoid some of the mistakes commonly made by individual investors. Your Raymond James advisor will work in combination with other professionals, such as your CPA, attorney, your company's counsel and the specialists at the Raymond James home office, to construct a customized plan targeting your specific objectives.





## Corporate-level strategies for the future of your business

In your role as an executive, you may make decisions related to corporate-level strategies. Through your relationship with your advisor, you have access to the full services available at Raymond James, including consultants focused on a wide range of corporate strategies. These specialists are available to design and execute those strategies, including plan-initiation or providing an independent analysis of the programs you currently have in place.

### BENEFIT PLAN DESIGN AND ADMINISTRATION

Offering a competitive employee benefits package is a key component to retaining your most valued employees. A variety of benefit plans can be provided to employees, ranging from employee- or employer-funded tax-advantaged retirement plans to plans that provide ownership in the company through either the ability to purchase stock at a discount or stock option grants. Another example is a non-qualified deferred compensation plan, commonly funded through corporate-owned life insurance. Raymond James has the tools and resources available to assist your company with defined benefit plans, defined contribution plans, stock option plan administration and insurance solutions.

### SHARE REPURCHASES

In periods of depressed stock prices, some companies elect to repurchase their stock on the secondary market through a variety of techniques, including 10b-18 opportunistic repurchases or consistent corporate 10b5-1 plans. Implementation of a buyback plan can be an accretive strategy for existing shareholders. Raymond James has a dedicated team of corporate trading consultants available to work with your company in assessing and executing the best structure for a repurchase program.

### INSTITUTIONAL MARKETING

Maintaining active communication with the institutional shareholder community is a key function for company management. Raymond James' institutional marketing team leverages strong relationships with more than 1,800 domestic and international institutional investors to assist in this effort. Through the Corporate Access program, we offer a variety of solutions to facilitate management interaction with investors including non-deal roadshows, field trips, and one-on-one meetings or conference calls.

### INVESTMENT BANKING SERVICES

Raymond James' broad range of investment banking services includes debt, equity and equity-linked capital-raising services through public and private offerings; merger and acquisition advisory services including sales and divestitures, tender offers, leveraged buyouts, takeover defenses, fairness opinions, and valuations; and corporate restructuring and reorganization. The Raymond James Investment Banking division has eight industry-specific teams that facilitate a variety of capital market solutions. Additionally, there are three specialized transaction teams that work across all industries.

#### Industries of focus:

- Business, financial and technology services
- Consumer and retail
- Energy
- Financial institutions
- Healthcare
- Industrial growth
- Real estate
- Technology and communications

#### Transaction groups:

- Financial sponsors
- Mergers and acquisitions
- Recapitalization and restructuring

### CORPORATE LENDING

Raymond James Bank,\* a wholly owned subsidiary of Raymond James Financial, Inc., offers an array of corporate, real estate and high-net-worth lending programs designed to suit a variety of business needs in all 50 states and Canada. The bank's capabilities primarily include business lines of credit to fund working capital requirements, commercial real estate and construction financing, and securities-backed products such as collateralized loans and standby letters of credit. Additionally, the bank joins with many large financial institutions as a participant in national bank loan syndications. Raymond James Bank is committed to strict loan underwriting standards and conservative growth, reflecting the prudent management philosophy that characterizes its parent company.

### CORPORATE CASH STRATEGIES

Cash balances are an integral part of the investment plan. Whether setting money aside, or choosing to invest conservatively, businesses have a variety of reasons for holding large cash balances. Raymond James offers a comprehensive platform of cash and cash alternative offerings, and your advisor can work with the Cash Strategies Consulting team to choose the products and strategies that align with your business's operational, short-term and long-term needs.



\* Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. are affiliated with Raymond James Bank, a federally chartered national bank. Products, terms and conditions subject to change. Subject to standard credit criteria. Property insurance required. Flood insurance may be required.

Utilizing a securities-backed-products line of credit is not suitable for everyone. Loan clients using securities as collateral may be at risk of losing money in their collateral accounts due to market volatility. This may require the deposit of additional equity into a client's collateral account, which could result in further losses.

Though Raymond James Bank will typically contact clients or their financial advisors prior to liquidating pledged assets, Raymond James Bank reserves the right to sell pledged assets of its choosing without contacting clients, if needed to maintain equity in a collateral account. Trading in a collateral account is permissible provided that minimum-balance requirements are maintained.

If a loan client defaults (stops making monthly payments) on a loan, he or she could lose the securities that have been pledged. In addition to regular closing costs, an annual fee may be charged by Raymond James & Associates, Inc. for manual administration of the pledge accounts. Clients should consult with their financial advisors for details.

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## Developing strategies for **your unique needs**

To accurately evaluate your financial position and make recommendations, your advisor will need certain materials and information:

**1. Current investment statements**

**2. Current bank statements**

**3. Options summary statement**

Details current option grants, including grant and expiration date, vesting schedule, strike price, share quantity, type of option.

- *Can be obtained from employer*

**4. Summary of ownership of employer stock**

Specifies what you own outright inside qualified retirement plans [401(k)s, profit sharing plans, ESOPs, etc.] or in the form of restricted stock. Will help establish approximately how much of your overall net worth can be attributed to your ownership of employer stock.

**5. Corporate trading policy**

Describes the timing of trading windows and what transactions are allowed or disallowed under company policy.

- *Can be obtained from employer*

**6. Benefit plan documents**

Outlines details and rules for any corporate benefit plans in which you participate.

- *Can be obtained from employer*

**7. Contact information for appropriate professionals**

Including but not limited to CPA, attorney, corporate council, benefit plan administrator, etc.

Specialists from Raymond James, including your financial advisor, are available to consult in several capacities. These can include educating your corporate board of directors on a variety of topics, hosting employee seminars on benefit plans and providing financial advice to senior management that incorporates sensitivity to the company's perspective. Because we value every client relationship, your decision to work with Raymond James provides you access to these additional levels of service.

A photograph of a man with grey hair and glasses, wearing a dark suit and a patterned tie. He is shown in profile, looking to the left, and is pointing with his right index finger at a document held in his left hand. The document appears to be a table with columns and rows of text. In the background, two other people are seated at a table, looking towards the man. The setting is a bright, modern office or meeting room with large windows.

## Additional considerations

- Are you a control person at your company, subject to rule 144 or section 16?
- Have you bought or sold any employer stock over the previous 6 months?
- Does your company require a minimum ownership in stock?

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**LIFE WELL PLANNED.**

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**RAYMOND JAMES®**

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

[RAYMONDJAMES.COM](http://RAYMONDJAMES.COM)