



## SOS Educational Webcast: No More Proxy Woes: Executive Compensation Disclosures within the Proxy Statement-Debunked!

Moe Zohny, CEP, Stock & Option Solutions  
Sven Skillrud, TransUnion



## Disclaimer

- The following discussion and examples do not necessarily represent the official views of **Stock & Option Solutions, Inc.**, or **TransUnion**, with respect to any of the issues addressed. Moreover, this presentation and the views expressed by the individual presenters should not be relied on as legal, accounting, auditing, or tax advice. The outcome of any individual situation depends on the specific facts and circumstances in which the issue arises and on the interpretation of the relevant literature in effect at the time.
- Anyone viewing this presentation should not act upon this information without seeking professional counsel and/or input from their advisors.



## Materials Slides

[http://www.sos-team.com/pdfs/proxy\\_webcast.pdf](http://www.sos-team.com/pdfs/proxy_webcast.pdf)

3

## Agenda

- Executive Compensation Disclosures, a brief overview
- Named Executive Officers (NEOs)
  - How to determine Named Executive Officers (NEOs)
- Tabular Executive Compensation Disclosures
  - Tables that require data from Stock Plan Professionals
  - Data points needed and how they are calculated
  - Effective timeline to mitigate the glut
- Resources
  - Rules/Guidance/Support

4

## Executive Compensation Disclosures, A Brief Overview

- New executive compensation disclosures effective in November 2006
- Amendments in December 2006 and again in December 2009 to alter the reporting of equity awards
- Amendment in 2011 to add various requirements under the Dodd-Frank Act
- Continue to be a source of interest by the SEC
- Recent enforcement action against The Dow Chemical Company for perquisites disclosure

5

## Named Executive Officers (NEOs)

- Anyone serving as Principal Executive Officer (i.e. CEO) during the fiscal year regardless of compensation
- Anyone serving as Principal Financial Officer (i.e. CFO) during the fiscal year regardless of compensation
- The company's three other highest paid Executive Officers with a minimum of \$100k of compensation in the fiscal year
- Up to two additional individuals whose compensation would have qualified them as NEOs had they been Executive Officers during the fiscal year

6

## How to Determine NEOs

- Individuals are to be treated as NEOs based on their Executive Officer status and/or total compensation as required to be reported on the Summary Compensation Table (SCT)
- The SCT includes various compensation components such as Base Salary, Bonus, Equity Awards, and Perquisites
- Tracking all compensation components for every individual to determine NEOs may be overly burdensome and so we suggest the following...

7

## How to Determine NEOs *continued...*

- Begin with largest compensation components such as Salary, Bonus, and Equity to rank individuals and Executive Officers
- Determine ranges for smaller compensation components and sum up the top end of each range
- Add this sum to the lower ranking individuals to see if the smaller compensation components could possibly impact the NEO determination
- If the review places other individuals in an NEO spot, review them individually to determine actual compensation for final determination

8

## Tabular Executive Compensation Disclosures

### Tables That Require Data From Stock Plan Professionals

- Summary Compensation Table\*
- Grants of Plan-Based Awards
- Outstanding Equity Awards at Fiscal Year End\*
- Option Exercises and Stock Vested
- Potential Payments Upon Termination or Change in Control
- Director Compensation\*
- Security Ownership of Certain Beneficial Owners & Management
- Equity Compensation Plan Information

\* These are the only proxy tables required for companies classified as "*Emerging Growth Companies*" by the JOBS Act of 2012 or SEC "*Smaller Reporting Companies*".

## Summary Compensation Table (TransUnion example)

Year	Salary (\$)	Bonus (\$)	Stock Awards(1) (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation(2) (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation(3) (\$)	Total (\$)
2017	950,000	—	5,412,447	—	1,860,891	—	242,651	8,465,989
2016	950,000	—	6,069,077	—	2,141,300	—	157,092	9,317,469
2015	963,461	—	—	—	2,021,125	—	293,395	3,277,981
2017	371,563	—	689,107	—	425,812	—	32,944	1,519,426

- Equity columns represent aggregate amounts of the ASC 718 Grant Date Fair Value of awards granted in the last 3 fiscal years (unless EE was not an NEO)
- Footnotes should include reference to award valuation assumptions (i.e. Refer to SEC Form 10-K Stock Comp Footnote for valuation info and FMV)
- If Performance awards are included and award is not valued at max, include max amount in a footnote
- All Other Comp Column may include equity comp value associated with termination or change in control

## Grants of Plan Based Awards (TransUnion example)

Name	Grant Date	Compensation Committee Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards(2)		All Other Stock Awards: Number of Shares of Stock or Units(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(4) (\$)
			Target (\$)	Maximum (\$)	Target (#)	Maximum (#)			
2017 Annual Incentive	—	—	1,092,500	2,185,000	—	—	—	—	—
2017 RSUs	2/17/2017	1/30/2017	—	—	—	—	66,802	—	2,475,014
2017 PSUs	2/17/2017	1/30/2017	—	—	66,801	133,602	—	—	2,937,433

- Equity columns represent **grant-level** quantity and ASC 718 Grant Date Fair Value of awards granted in the last fiscal year
- Footnotes should include reference to award valuation assumptions (i.e. Refer to SEC Form 10-K Stock Comp Footnote for valuation info and FMV)
- Threshold, target, and maximum payment scenarios should be disclosed for performance awards as applicable
- If using an FMV other than close price for option strike prices, include a column after “Exercise or Base Price of Option Awards” and disclose the close price on each grant date

11

 Stock & Option Solutions

## Outstanding Equity Awards at Fiscal Year-End (TransUnion example)

Grant Date	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable(1) (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price(2) (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(3) (#)	Market Value of Shares or Units of Stock That Have Not Vested(4) (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested(5) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested(4) (\$)	
12/31/2012	946,081	—	—	4.99	12/31/2022	—	—	—	—	
2/19/2016	—	—	—	—	—	115,613	6,354,090	—	—	
2/17/2017	—	—	—	—	—	66,802	3,671,438	—	—	
2/19/2016	—	—	—	—	—	—	—	231,224	12,708,071	
2/17/2017	—	—	—	—	—	—	—	66,801	3,671,383	

- Data represents **grant-level** quantity outstanding at fiscal year-end
- Intrinsic values are disclosed for each grant and are calculated using the FMV as of the last trading day of the fiscal year
- Report performance based grants under the columns titled “Equity Incentive Plan Awards” so long as the performance conditions have not been satisfied. If performance conditions are satisfied, report the grant, if still outstanding, as a non-performance based award
- Include a row for each NEO even if they have no outstanding awards

12

 Stock & Option Solutions

## Calculating Performance Awards on Outstanding Equity Awards Table

- Generally, the values calculated for performance awards are calculated based on achievement of threshold goals unless...
- If award provides for a single estimated payout, that amount should be reported
- If prior fiscal year's performance exceeded threshold, calculate value assuming next level of performance has been met (i.e. if target performance was met in last fiscal year, calculate figure assuming maximum payout)

13

## Options Exercised & Stock Vested (TransUnion example)

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized On Exercise(1) (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
	348,070	15,887,504	—	—
	63,218	2,072,728	—	—
	401,845	13,323,029	—	—
	234,565	10,901,111	—	—
	—	—	—	—
	73,488	3,381,792	—	—

- Data represents **aggregate** income realized from option exercises and stock vestings including any dividends or equivalents vested in the last fiscal year
- Intrinsic values are disclosed for each transaction and are calculated using the FMV as of the transaction date
- If there are deferrals, disclose value of amounts deferred and include terms and details in a footnote

14

## Potential Payments Upon Termination and Change in Control (TransUnion example)

Type of Payment	Involuntary Termination (\$)	Death (\$)	Disability (\$)	Qualifying Termination Following a Change in Control (\$)
Severance Payments(1)	3,317,832	—	—	3,317,832
Stock Options(2)	—	4,658,205	4,658,205	4,658,205
RSUs(3)	—	2,584,494	2,584,494	2,584,494
PSUs(3)	—	2,584,439	2,584,439	2,584,439
Outplacement(4)	35,000	—	—	35,000
Welfare Benefits(4)	32,212	—	—	32,212
<b>Total</b>	<b>3,385,044</b>	<b>9,827,138</b>	<b>9,827,138</b>	<b>13,212,182</b>

- This table calculates executive compensation in the event of various hypothetical events or actual events if they have occurred. Hypothetical events are calculated as of year-end. Actual events are disclosed based on actual compensation realized
- Employment agreements and agreements underlying outstanding awards including plan documents and equity agreements should be reviewed for severance terms
- If an NEO holds awards under more than one incentive plan, review each plan to calculate the respective award's payout since terms may differ

15

 Stock & Option Solutions

## Director's Compensation Table (TransUnion example)

Name	Fees Earned or Paid in Cash (\$)	Stock Awards(1) (\$)	Total (\$)
	95,000	149,977	244,977
	42,500	149,982	192,482
	125,000	149,977	274,977
	85,000	149,977	234,977
	47,500	149,982	197,482
	215,000	149,977	364,977
	120,000	149,977	269,977

- Stock Awards column represents the ASC 718 Grant Date Fair Value (Total Expense) for awards granted during the last fiscal year
- Footnotes should include reference to award valuation assumptions (i.e. Refer to SEC Form 10-K Stock Comp Footnote for valuation info and FMV)
- Include all persons who have served on the Board of Directors at any time during the last fiscal year

16

 Stock & Option Solutions



### Security Ownership of Beneficial Owners & Management (TransUnion example)

- Includes total shares held plus outstanding exercisable options, plus vested deferred full-value share awards, plus any awards scheduled to vest within 60 days following the proxy record date.
- Other beneficial owners is not usually populated but the stock plan manager. But if requested, refer to the company's Schedule 13G and 13D filings (available on sec.gov) for information on 5% stockholders and Forms 3, 4, 5 for 10% stockholders

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock Outstanding
	29,283,980	15.93%
	16,936,742	9.21%
	14,235,408	7.74%
	10,572,548	5.75%
<b>Directors and Named Executive Officers:</b>		
	40,466	*
	3,544	*
	—	—
	20,976	*
	76,047	*
	3,544	*
	80,794	*
	57,125	*
	1,218,990	*
	9,106	*
	219,638	*
	341,325	*
	4,318	*
	40,187	*
<b>All Directors and Executive Officers as a Group:</b> (Consisting of 15 persons) <sup>(15)</sup>	2,196,940	1.18%

### Equity Compensation Plan Information (TransUnion example)

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
TransUnion Holding Company, Inc. 2012 Management Equity Plan (approved by security holders)	5,494,372	\$ 7.42	—
TransUnion 2015 Omnibus Incentive Plan (approved by security holders)	—	—	3,349,386
TransUnion 2015 Employee Stock Purchase Plan (approved by security holders)	—	—	2,063,679
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>5,494,372</b>	<b>\$ 7.42</b>	<b>5,413,065</b>

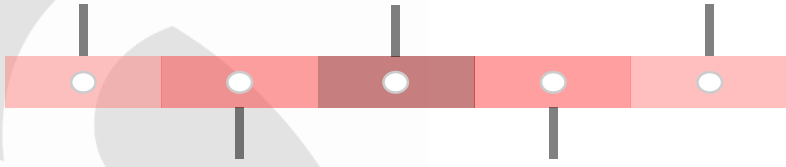
- This table lists each equity plan for which there are outstanding awards or shares remaining available for issuance
- Weighted Avg exercise price excludes full-value share awards from the equation
- Table must be included in the proxy in years when a compensation plan is being submitted for shareholder approval, otherwise it may be included in proxy or 10-K
- Equity plans intended to qualify as retirement plans such as Employee Stock Ownership Plans (ESOPs) and 401k plans do not need to be included

Proxy Statement Preparation


# PROJECT TIMELINE



## Project Timeline – Where do I start?



- Throughout the year:**
  - NEO Determination
  - Potential Payments Upon Termination and Change in Control
- Shortly after year-end:**
  - Outstanding Equity Awards at Fiscal Year-End
  - Option Exercises and Stock Vested
- Near record date:**
  - Securities Ownership of Certain Beneficial Owners and Management
- Towards year-end:**
  - Director’s Compensation Summary Comp
  - Grants of Plan Based Awards
- 1-2 months after year-end:**
  - Equity Compensation Plan Information



## Questions?

21

 Stock & Option Solutions

## Proxy Resources

- [Executive Compensation Disclosure Handbook by Gibson, Dunn & Crutcher LLP & Willis Towers Watson](#) (Ising, Mueller, Hanvey, Kroll, & Marshall)
- Compensation Standards
  - [www.compensationstandards.com](http://www.compensationstandards.com)
- Executive Compensation Disclosures
  - [SEC Regulation S-K Item 402](#)
- Security Stock Ownership Disclosures
  - [SEC Regulation S-K Item 403](#)
- Equity Compensation Plan Info
  - [SEC Regulation S-K Item 201](#)

 Stock & Option Solutions

## Contact Information



Moe Zohny, CEP  
Senior Equity Compensation Consultant  
1475 S. Bascom Ave, Suite 203  
Campbell, CA 95008 USA  
Bus: (408) 979-8700  
E-mail: [mzohny@sos-team.com](mailto:mzohny@sos-team.com)



Sven Skillrud  
Vice President, Total Rewards  
555 West Adams Street  
Chicago, IL 60661  
Bus: (312) 985-4384  
Email: [sven.skillrud@transunion.com](mailto:sven.skillrud@transunion.com)