

Ted Spurrier, the owner of Savior Prints¹, a luxe accessories company showcasing such brands as Kate Spade and Lily Pulitzer, purchased Fandero Designs, as an in-house brand of “all-out girlishness” accessories. The CEO



had been watching the company for a while and was impressed with its growth: 2012 revenues soared from \$250,000 to \$7 million in the last three years.

Primary Challenge

Fandero’s founder stayed on with Savior Prints as chief creative officer, earning a payout on the purchase. Ted added two more top executives, one as CEO, one as chief marketing officer. Ted

now felt he had his dream team. *But could he hold onto them?*

Ted came across a [white paper](#) on phantom stock plans written by Executive Benefit Solutions (EBS), which prompted him to call the firm looking for answers to his retention concerns. After a productive discovery conversation, he engaged EBS to develop the right plan for his situation.

Solution Specifics

Once EBS had all the facts in place, the firm set out to design, implement and fund a phantom stock plan, to be structured as a stock appreciation rights plan. Importantly, all parties agreed the EBITDA metric would drive the stock valuation.

Key plan elements included:

- Fandero’s founder reached the end of her earn-out period; the plan had to psychologically offset her loss of income and deliver a salary increase
- All three participants hold the option to cash out their shares at five-years of vesting
- They can also continue to stay in the plan, let shares ride and enjoy stock appreciation

Once all objectives of the plan were fulfilled, EBS funded the plan with mutual funds to provide short-term liquidity at the five-year vesting point. What’s more, it added corporate-owned life insurance with the cash value providing a sinking fund feature to fund the phantom shares as well as a death benefit set up to provide key-man insurance. Again, the plan addressed executive management concerns, particularly important to Ted as he is a hands-off 100 percent owner of the company.

He was also pleased to use EBS’s [Phantom Stock Modeler](#), which provides an interactive Excel model of schedules and charts that show the projected value of the stock granted to each executive, and the financial

¹ Names have been changed.

impact on the company. He was able to access illustrations of basic issues associated with plan design to ensure they met the strategic and financial goals of Fandero.

A serial entrepreneur, this busy executive rests easier at night knowing his key managers are well incentivized and motivated to lead the way on Fandero's growth trajectory; that long-term compensation aligns with the long-term investment return of the owners; and that he has an excellent plan in place to attract additional key employees in the future. His reaction to EBS on the whole process: *"You guys are my heroes."*

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