



Contact Information

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RADFORD VALUATION SERVICES

A Best-in-Class Approach to Equity Expensing

The expensing of stock options under FAS 123(R) brought significant change for public companies with employee stock option programs. With Aon Consulting, Radford Valuation Services has been doing significant work in the area of Employee Stock Option (ESO) valuation and accounting under FAS 123(R). Led by thought leader and actuarial expert Terry Adamson, and through our experience working with 150-plus companies, including 40 Fortune 500 companies, our consultants have a mastery of:

- > The development of required assumptions as prescribed under FAS 123(R) for traditional stock options in any option pricing model
- > Alternative modeling approaches such as the Aon Actuarial Binomial Model, Aon Multiple Point
- > Black-Scholes Model, or Aon Hazard Rate Model that better approximates compensation expense
- > Exotic models required to calculate the fair value and amortization period of Performance Awards under FAS 123(R)
- > Communication tools for Relative Total Shareholder Return (TSR) programs
- > Holistic HR rewards solutions, working in collaboration with Aon Consulting's premiere compensation consultants at Radford and McLagan

The Need for a Radford Valuation Survey

Equity awards continue to be a lucrative, valued form of compensation to executives and line employees alike. They are changing in design, however, some becoming more exotic, with indexing or performance-based features. Radford Valuation Services supports your needs in FAS 123(R) compliance with the following benefits. Both public and private organizations should consider the benefits of our modeling and analysis in improving your bottom line.

- > Sophisticated actuarial modeling that more accurately determines the range of expected expense. Aon's modeling techniques can reduce P&L charge from a traditional model by approximately 3.5 percent on the valuation model and up to 30 percent, including additional assumptions.

The Need for a Radford Valuation Survey (continued)

- > Expert assistance and partnership - we work closely with your internal resources to achieve buy-in and ensure success, and we reduce cost of internal staffing and resources, which is typically a reduction of approximately ½ the cost of an employee.

Why Actuarial-Based Valuation Models Are Superior

The FASB places great importance on estimating the impact of employees' expected exercise behavior and expected post-vesting employment termination behavior. Therefore, organizations should use valuation models that can recognize these behaviors in their valuation assumptions. For this reason, we consider stock-based compensation valuation an actuarial issue. This actuarial perspective complements FASB's intent to encourage employers to more rigorously value their stock-based compensation plans based on realistic patterns of behavior and market-based inputs.

Aon's Radford ShareVal: Communication Tools for Relative TSR Plans

Equity compensation approaches based upon market conditions, including relative total shareholder return (TSR) plans, are gaining favor in the marketplace. Awards are granted at the beginning of a three-year period across a broad spectrum of employees. At the end of the period, the awards vest according to a schedule reflecting the organization's ranking within an established index, such as the S&P 500. Our ShareVal communication tools allows companies with TSR programs to clearly communicate to plan participants how their equity vesting percentage ties to the relative ranking of a company within an index or peer group over a performance period. Learn more at www.relativeTSR.com.

The Next Generation of Equity-Based Compensation

Radford's premiere compensation and Valuation Services consultants can help your company design and model the next generation of equity awards, including TSR plans and customized approaches with market and performance conditions. We have initiated lattice-based models in a wide variety of industries. Regardless of the model, a more accurate assumption selection and documentation can mitigate risk and improve the bottom line under FAS 123(R).

We Emphasize Transparency and Documentation

Radford believes that all assumption development, valuation, and accounting should be transparent. For this reason, sufficient documentation on the development of assumptions is critical. Further, we have published the mathematics behind all of our modeling approaches. You can review our approach for expense amortization and forfeiture reconciliation in our Technical Roadmap to Expense Allocation, available at www.radford.com/valuationservices. Lastly, Radford will educate and discuss these approaches with your management team and auditors to ensure smooth FAS 123(R) disclosures.

Wide Variety of Services

Aon Consulting Worldwide is shaping the workplace of the future through benefits, talent management, and rewards strategies and solutions. We leverage our global network of offices, unmatched talent, innovation, thought leadership, and operational excellence to deliver distinctive value to our clients.