





Restricted Stock Unit Case Studies – The Experiences of Marriott International and Microsoft

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Discussion Points

- 1. Introduction – The Move towards Full Value Awards**
- 2. Reasons for Choosing RSUs over other Forms of Equity Compensation**
- 3. Stakeholder Perceptions**
- 4. Plan Design Issues**
- 5. Implementation and Global Rollout**

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The Move to Full Value

- **Accounting Standards** – companies commencing to expense options are beginning to re-think their equity compensation programs
- **Stock options** - are they satisfying the goals they were intended to accomplish?
- **Trends towards full value awards and the increased use of performance goals**
- **The European perspective on full value awards**
 - UK – frequently used in form of Performance Share Plans
 - France – still uncommon, most companies continue to use stock options
 - Germany – companies are starting to use full value awards in form of cash-based plans
 - Switzerland – some increase in more diverse designs (including alternative forms of options and full value awards)

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Why Marriott & Microsoft Have Awarded Restricted Stock Units

Two different companies, two different strategies

- **Microsoft** – sweeping change from broad-based options to broad-based RSUs
- **Marriott** – RSUs are a new and additional component to its equity compensation package

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Stakeholder Perceptions

- **Microsoft – Shift to RSUs, and the option transfer program was dramatic, what hurdles were faced in “selling” the plan to stakeholders?**
- **Marriott – The benefits of an omnibus plan**



RSU Design and Grant Issues

- **Number of RSU Grants Compared to Options**
- **Vesting Provisions, Timing of the Transfer of Shares**
- **Additional deferral elections**
- **Performance goals**
 - Was performance vesting considered for the RSUs, or, with the change to Statement 123, will it be considered in the future?
 - Are performance based awards more common in non-US GAAP reporting companies?
 - Are other performance awards being considered?



Implementation and Global Rollout

- **Due diligence – what will be the impact of grants in Romania, Armenia, Guam,....**
 - Square Pegs in Round Holes – Tax laws have been developing to address stock options, now we’re rolling out different forms of equity compensation
- **Implementation of Administrative Procedures**
 - Payroll and net-share withholding
- **Communication is Key!**

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Any Questions?

Thank You

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