Kimberly Smith Comments on Portfolio Company Exec's Average Incentive Pool

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Kimberly Smith, co-chair of Katten's nationwide Private Equity practice, spoke with *Buyouts* Magazine about a survey she conducted of the incentive equity programs at private equity-sponsored companies. The study concluded that management teams at target companies receive an average incentive pool of 13 percent of fully diluted equity of the business. The value of this compensation is determined by stock dividend payments and other factors. The survey also found that 13 percent of companies provide incentive equity pools that exceed 20 percent of fully diluted equity due to the stiff competition for top management. "While the typical rule of thumb is that private equity funds should award between 5 percent and 20 percent of a portfolio company's fully diluted equity to employees in the form of incentive equity, our survey found that a number of private equity firms are actually exceeding this range," said Kim. "We expect this trend to continue in the midst of stiff competition for the top management talent that is so crucial in maximizing returns." ("Targets' Execs Get 13% Equity Incentive: Study," April 23, 2013)

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