2018

OIL AND GAS OILFIELD SERVICES (OFS) INCENTIVE COMPENSATION REPORT

Analysis of Compensation Arrangements Among the Largest U.S. OFS Companies

ALVAREZ & MARSAL

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2018 OIL AND GAS OILFIELD SERVICES (OFS) INCENTIVE COMPENSATION REPORT

ANALYSIS OF COMPENSATION ARRANGEMENTS AMONG THE LARGEST U.S. OFS COMPANIES

INTRODUCTION

Incentive compensation is an integral part of the total compensation package for executives at most large, publicly-traded companies. To understand annual and long-term incentive compensation pay practices in the energy sector, specifically for oilfield services (OFS) companies, the Compensation and Benefits Practice of Alvarez & Marsal (A&M) examined the 2017 proxy statements of the largest OFS companies in the U.S. This report also reviews the total compensation packages for Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) in the OFS sector and the benefits to which those executives are entitled upon a change in control.

Where possible, this analysis only includes companies with revenue derived primarily from OFS activities (i.e., not primarily exploration, production, refining, etc.).[1] The report excludes companies that did not disclose sufficient data on their compensation programs, such as companies that recently went through an initial public offering and did not disclose the structure of their go-forward compensation, as well as companies that have recently undergone a restructuring or bankruptcy.

The data represents the most up-to-date plan structure disclosed by these companies.

COMPANY STATISTICS

The companies analyzed for this report are diverse in terms of size. For comparison purposes, we grouped the companies into quartiles based on market capitalization as shown below:

Quartile	Market Capitalization Range*	Median
Top Quartile	$4.3B - $117B	$7.1B
Second Quartile	$2.0B - $4.0B	$2.5B
Third Quartile	$637M - $1.8B	$1.1B
Bottom Quartile	$74M - $635M	$354M

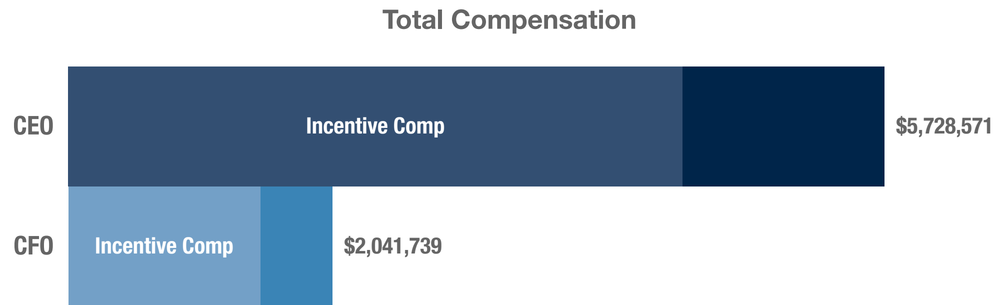
* Market capitalization as of January 2, 2017.

1 For an analysis of the compensation arrangements of the top oil and gas exploration & production companies, please see our 2018 Oil and Gas Exploration & Production (E&P) Incentive Compensation Report.

KEY TAKEAWAYS

TOTAL COMPENSATION

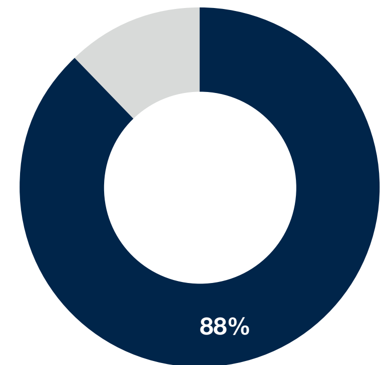
- On average, incentive compensation – including annual and long-term incentives – comprises approximately 76 percent of a CEO's and CFO's total compensation package.
- The average total compensation for CEOs was $5,728,571. The average total compensation for CFOs was $2,041,739.



ANNUAL AND LONG-TERM INCENTIVE COMPENSATION

- No companies in the top quartile utilize annual incentive plans where payout is determined on a purely discretionary basis, while approximately 20 percent of companies in the bottom two quartiles utilize totally discretionary performance metrics.
- The types of annual incentive plan metrics utilized within the sector are varied and diverse. EBITDA is the most prevalent metric, utilized by 71 percent of companies. Health, safety and environmental is the next most prevalent performance metric, utilized by 57 percent of companies.
- The prevalence of long-term incentive awards varies by company size, but time-vesting restricted stock / restricted stock units and performance-vesting awards are most common (each used by 88 percent of companies).
- For performance-based LTI awards, relative total shareholder return is the most common performance metric — used by 74 percent of companies. The most common performance period is three years, used by 92 percent of all companies.

Time-Vesting Restricted Stock and RSU Prevalence

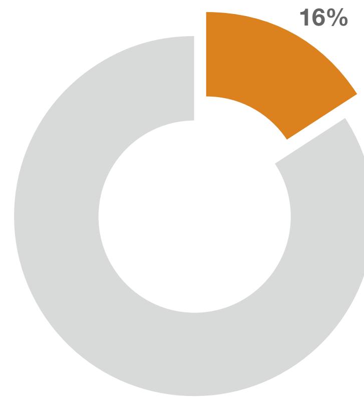


74%

Companies using relative TSR as a performance metric.

CHANGE IN CONTROL BENEFITS

- The most common cash severance multiple for CEOs is three times compensation or greater (50 percent). The most common multiple for CFOs is between two and three times compensation (59 percent).
- The most valuable benefit received in connection with a change in control is accelerated vesting and payout of long-term incentives, making up 61 percent of the total for both CEOs and CFOs.
- Single trigger equity vesting (no termination required) is most prevalent (59 percent), although double trigger equity vesting (termination required) is also common (38 percent).
- Only 16 percent of CEOs and CFOs are entitled to receive excise tax "gross-up" payments – meaning the company pays the executive the amount of any excise tax imposed, thereby making the executive "whole" on an after-tax basis. 61 percent of companies do not address excise tax protection at all.



Only 16% of CEOs and CFOs are entitled to recieve excise tax "gross ups"

BANKRUPTCY COMPENSATION

- Incentive programs, when properly structured, can help bridge the compensation gap between the onset of financial hardship and a healthy go-forward restructuring.
- Just as incentive plans may be effective tools prior to and during the bankruptcy process, equity granted by companies upon emergence from bankruptcy is utilized to motivate and retain employees after the company has emerged from bankruptcy protection.

TOTAL COMPENSATION

We captured compensation data from the summary compensation table disclosed in the 2017 proxy statement for each company. The most prevalent forms of annual compensation include base salary, bonus and long-term incentive awards.

The following tables show the average values for each element of compensation broken out by quartile for CEOs and CFOs:

Chief Executive Officer Annual Compensation					
Market Capitalization Rank	**Base Salary**	**Annual Incentives**	**Long-Term Incentives**	**Other Compensation***	**Total**
Top Quartile Average	$1,235,820	$1,679,749	$7,043,663	$962,935	$10,922,167
Second Quartile Average	$762,119	$745,442	$3,332,410	$113,013	$4,952,984
Third Quartile Average	$770,214	$604,714	$3,152,061	$261,652	$4,788,640
Bottom Quartile Average	$518,415	$355,486	$1,356,020	$20,574	$2,250,494
Average	$821,642	$846,348	$3,721,038	$339,543	$5,728,571

Chief Financial Officer Annual Compensation					
Market Capitalization Rank	**Base Salary**	**Annual Incentives**	**Long-Term Incentives**	**Other Compensation***	**Total**
Top Quartile Average	$661,762	$633,093	$2,365,395	$286,822	$3,947,072
Second Quartile Average	$383,170	$176,319	$1,173,875	$92,581	$1,825,945
Third Quartile Average	$399,788	$198,865	$925,635	$95,761	$1,620,049
Bottom Quartile Average	$279,136	$155,549	$325,618	$13,586	$773,889
Average	$430,964	$290,956	$1,197,631	$122,188	$2,041,739

* Other Compensation includes: change in pension value, above market earnings, and "all other compensation" as disclosed in each company's proxy statement.

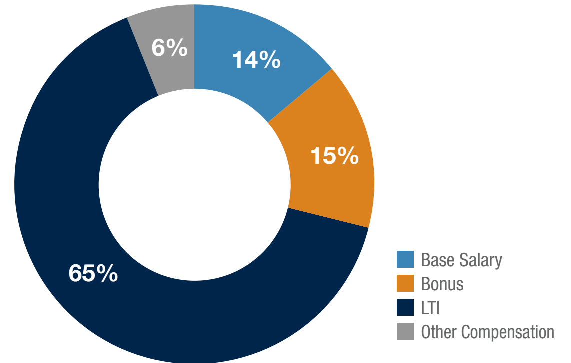
While the pay between the second and third quartiles is not dramatically different, there is a significant increase in compensation when moving from the second to the top quartile (in excess of 100 percent), and a significant decrease when moving from the third to the bottom quartile (greater than 50 percent).

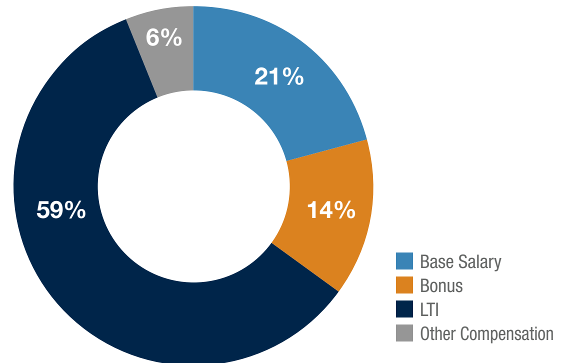
On average, incentive compensation – including annual and long-term incentives – comprises 76 percent of an executive's total compensation package. The charts to the right show the proportion of total direct compensation delivered in base salary, annual bonus, long-term incentive awards and other compensation for CEOs and CFOs.

Because incentive compensation is such an integral part of the total compensation package for executives at most companies, we examine annual and long-term incentive programs in greater detail in the following sections.

76%

average portion of an executive's total compensation package derived from incentive compensation





“Annual incentives drive executive performance in the short term.”

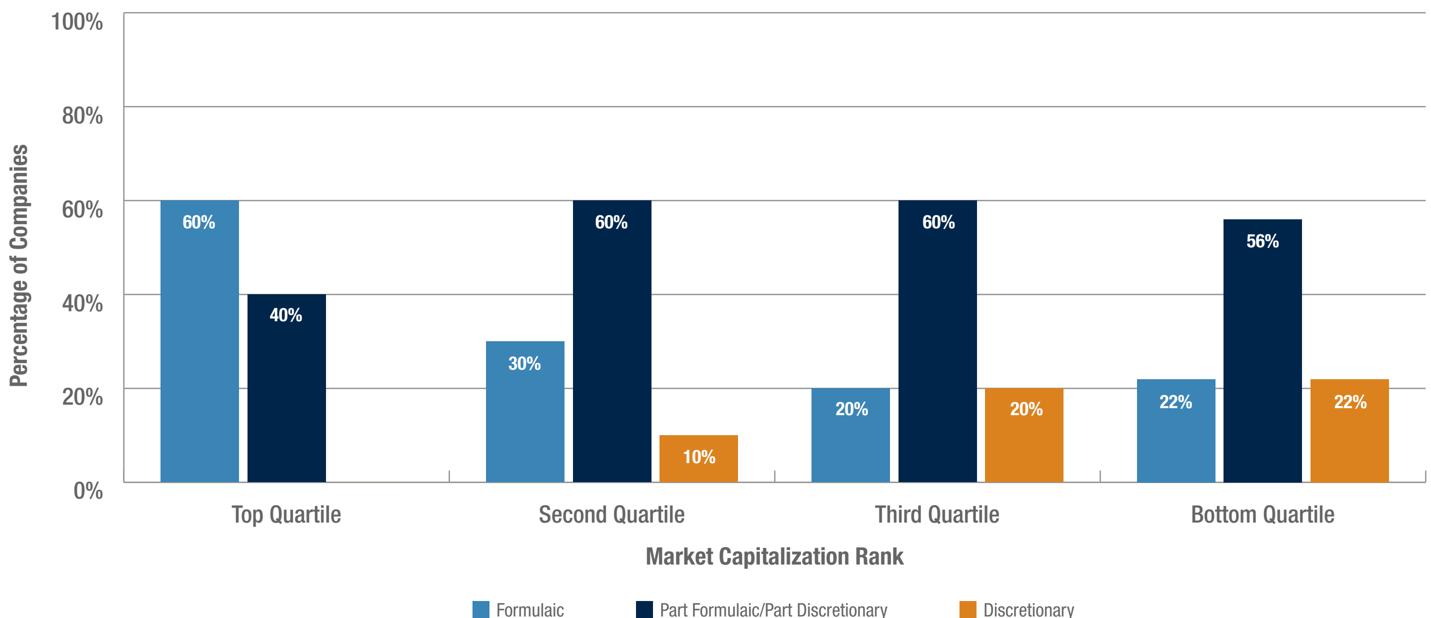
ANNUAL INCENTIVE PLANS

As is the case with most industries, companies in the OFS sector generally provide an opportunity for executives to participate in annual incentive plans (AIPs), also commonly called bonus programs. AIPs generally utilize performance metrics that are measured over a one-year period.

DISCRETIONARY VS. FORMULAIC

- For this analysis, we grouped annual incentive plans into the following three categories based on how the annual bonus payout is determined:
  - **Formulaic** – The plan utilizes predetermined performance criteria with established targets that will determine payout, and the compensation committee does not have discretion to adjust payouts (other than negative discretion).
  - **Discretionary** – The plan may or may not utilize specific, pre-established performance criteria, but the compensation committee maintains absolute discretion to adjust payout levels upward or downward.
  - **Part Formulaic / Part Discretionary** – The plan utilizes certain metrics in which payout is determined formulaically and others in which payout is determined at the discretion of the compensation committee.

As shown in the chart below, 70 to 80 percent of OFS companies in the bottom three quartiles of our study group maintain some form of discretion with respect to their AIP. Notably, none of the companies in the top quartile used a purely discretionary plan, and 60 percent utilize purely formulaic plans, with no discretionary element.



ANNUAL INCENTIVE PLANS

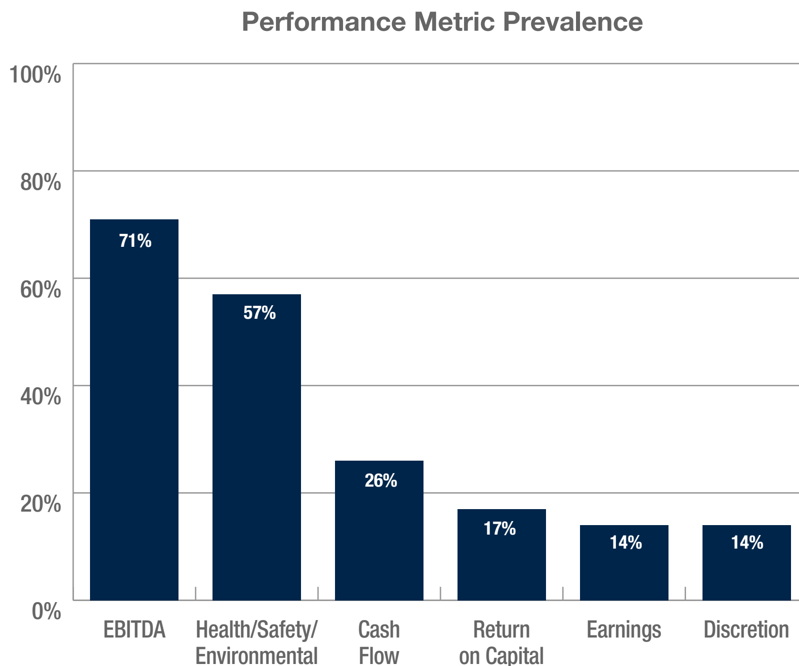
Companies utilize formulaic compensation programs to provide clarity to executives and shareholders on how compensation will be determined. Previously, formulaic plan designs allowed companies to benefit from favorable tax treatment under the now-repealed “performance-based compensation” exemption under Internal Revenue Code (IRC) section 162(m). The Tax Cuts and Jobs Act of 2017 eliminated this exception for calendar years beginning on or after January 1, 2018.

Some companies maintain discretion over the payout of annual bonus plans to allow them to adjust the payouts for events that are unforeseen and/or out of the executives’ control. Some companies exercise discretion by implementing an AIP with a formulaic trigger (e.g., achieving a certain level of EBITDA or cash flow, etc.) to fund a bonus pool, which can then be allocated within the discretion of the board.

PERFORMANCE METRICS

Generally, as market capitalization increases, companies have a stronger preference to utilize stated performance metrics. It is important to note that simply because a plan utilizes performance metrics, it may not necessarily be classified as “formulaic.” Based on the terms of the plan, it may ultimately be classified as “discretionary” if the board retains full discretion to adjust payouts (higher or lower) under the plan.

The chart to the right displays the most prevalent metrics used in AIPs. EBITDA is the most prevalent metric, utilized by 71 percent of companies. Health, Safety & Environmental is the next most prevalent metric, utilized by 57 percent of companies, followed by cash flow, which is utilized by 26 percent of OFS companies. The data reflects that the performance metrics used by OFS companies vary widely.



PAYOUT MULTIPLES

The charts to the right show the threshold, target and maximum level of annual incentive awards as a percentage of base salary for CEOs and CFOs. When disclosed, threshold payout generally ranges from 25 percent to 50 percent of the target, and maximum payout is generally two times the target.

AIP payouts generally range from 50% to 200% of target, based on performance."

Annual Incentive Payout — CEO			
Percentile	**Threshold**	**Target**	**Maximum**
25th	25%	100%	200%
Average	44%	110%	216%
50th	44%	100%	200%
75th	50%	120%	240%

Annual Incentive Payout — CFO			
Percentile	**Threshold**	**Target**	**Maximum**
25th	20%	70%	140%
Average	32%	76%	149%
50th	29%	75%	150%
75th	35%	83%	160%

Long-term incentives comprise the largest portion of executive compensation packages."

LONG-TERM INCENTIVES

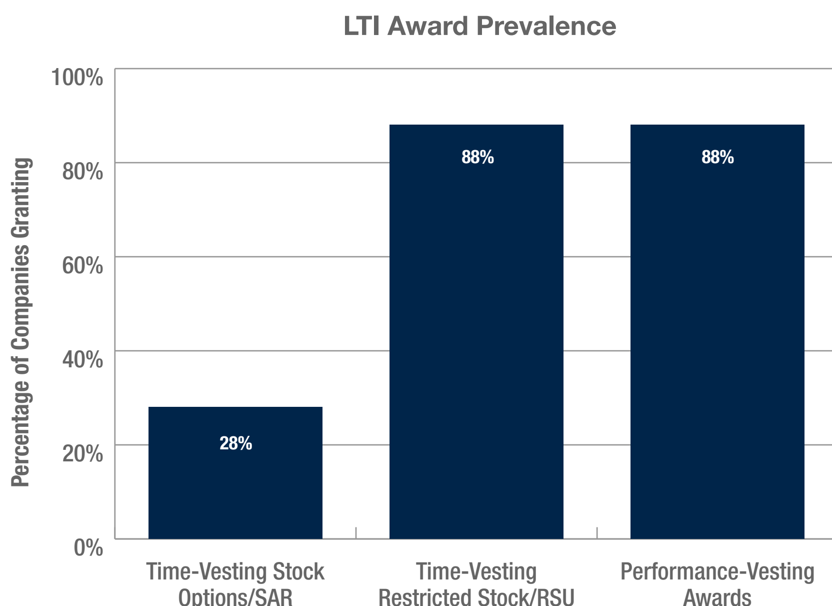
OVERVIEW

Companies grant long-term incentives to motivate and retain executives and to align the interests of executives and shareholders. Nearly all OFS companies analyzed grant some form of long-term incentive award to executives. Long-term incentives generally consist of stock options, stock appreciation rights (SARs), time-vesting restricted stock or restricted stock units (RSUs) and performance-vesting awards (i.e., awards that vest upon satisfaction of some performance criteria rather that solely based on the passage of time). For purposes of this analysis, we grouped awards into three categories: (1) time-vesting stock options and SARs; (2) time-vesting restricted stock and RSUs; and (3) performance-vesting awards.

AWARD TYPE PREVALENCE

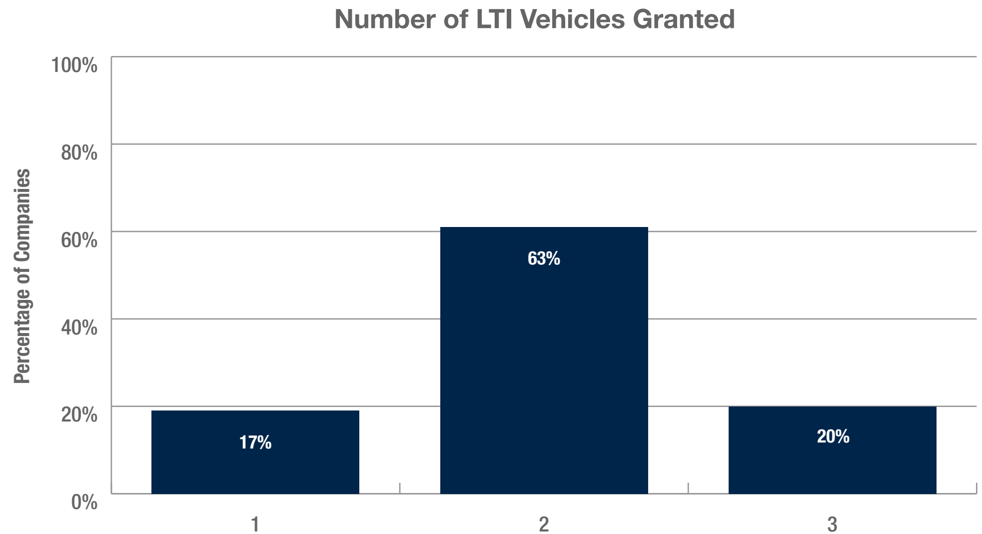
The chart below shows the prevalence of stock options / SARs, time-vesting restricted stock / RSUs, and performance-vesting awards for all companies:

- Time-vesting restricted stock / RSUs and performance-vesting awards are equally as prevalent.
- Stock options / SARs are the least prevalent LTI vehicle utilized, as they provide little to no value to an executive in a down or flat market, which also reduces (or eliminates) any retentive value from this type of award.
- Although stock options / SARs are used by about one-fourth of companies, these awards have generally declined in popularity over recent years for reasons including:
  - The overall market shift toward performance-vesting equity; and
  - The view of proxy advisers that these types of awards are not “performance-based,” even though to receive value from a stock option or SAR, the underlying stock price generally must increase.
- Most companies that utilize performance-vesting awards or stock options also grant time-vesting restricted stock or RSUs to balance out the retentive goal of their LTI program.



LONG-TERM INCENTIVES

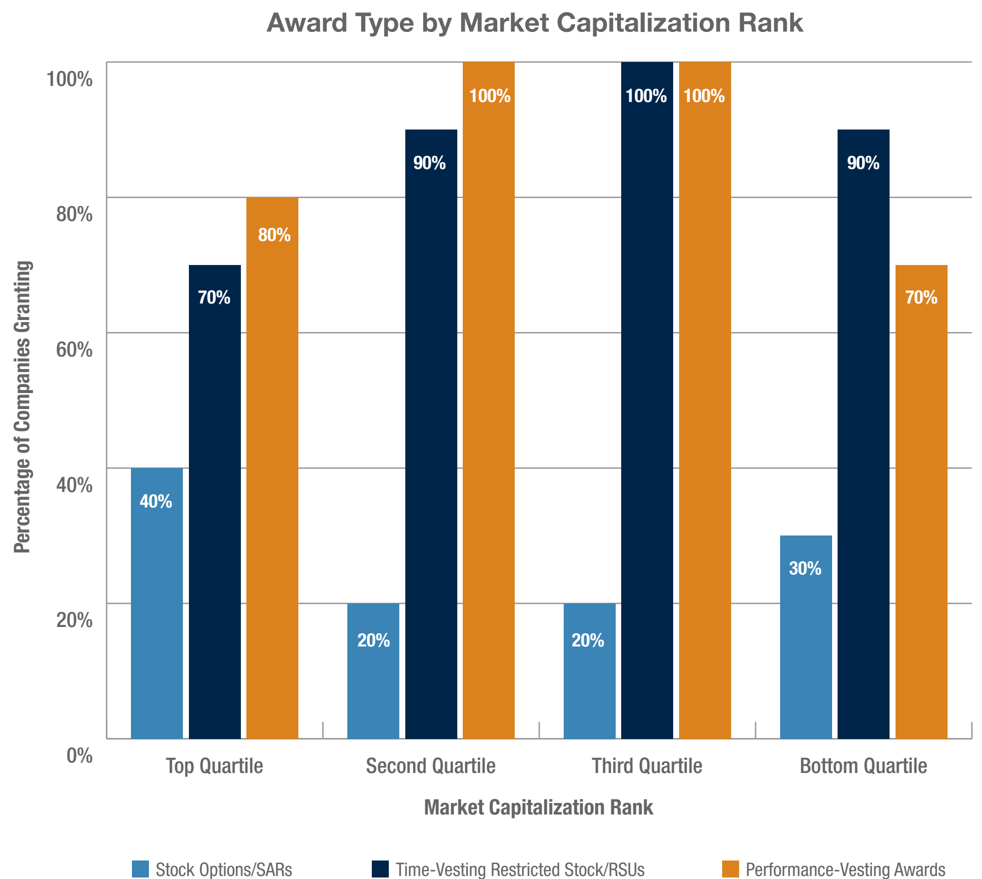
The chart to the right shows the number of LTI vehicles granted at each company. A majority of companies (83 percent) grant two or more types of LTI vehicles.



AWARD PREVALENCE BY MARKET CAPITALIZATION

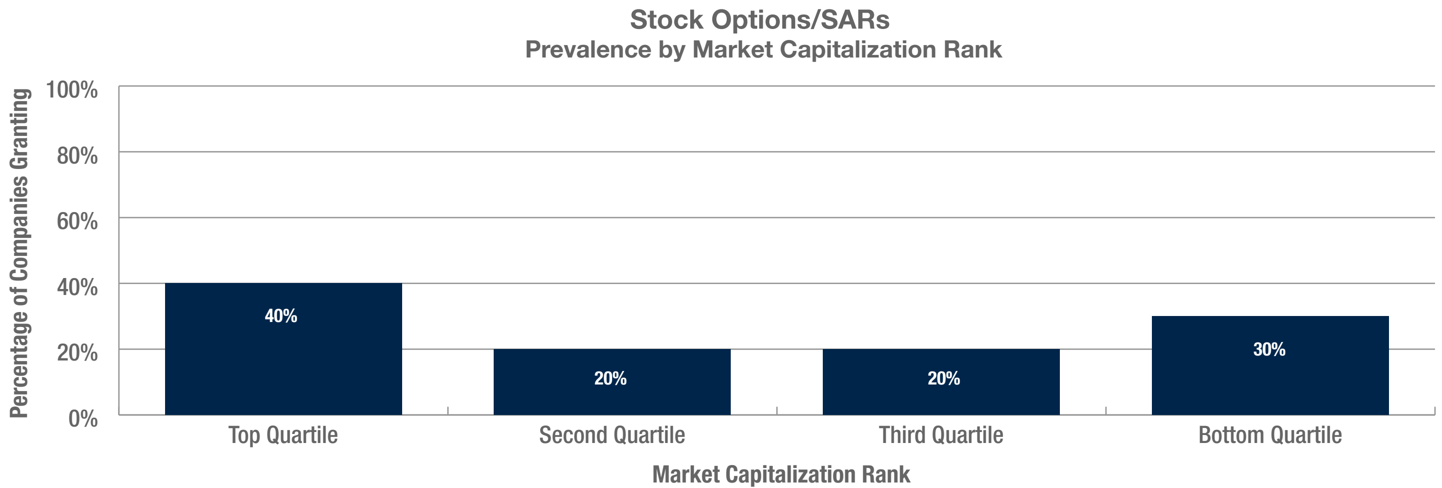
A&M also analyzed whether a company's size (in terms of market capitalization) impacts the prevalence of awards that are provided. As shown in the chart to the right:

- Stock options / SARs vary in their usage, but are more prevalent at larger companies.
- Time-vesting restricted stock / RSUs and performance-vesting awards are utilized fairly uniformly across all company sizes.



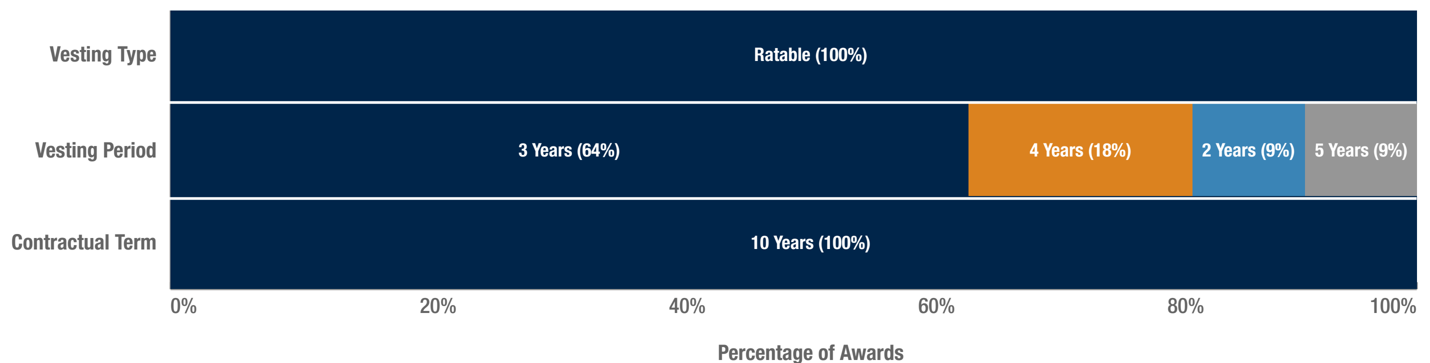
STOCK OPTIONS / STOCK APPRECIATION RIGHTS

The chart below shows the percentage of companies that grant stock options / SARs by market capitalization.



AWARD PROVISIONS

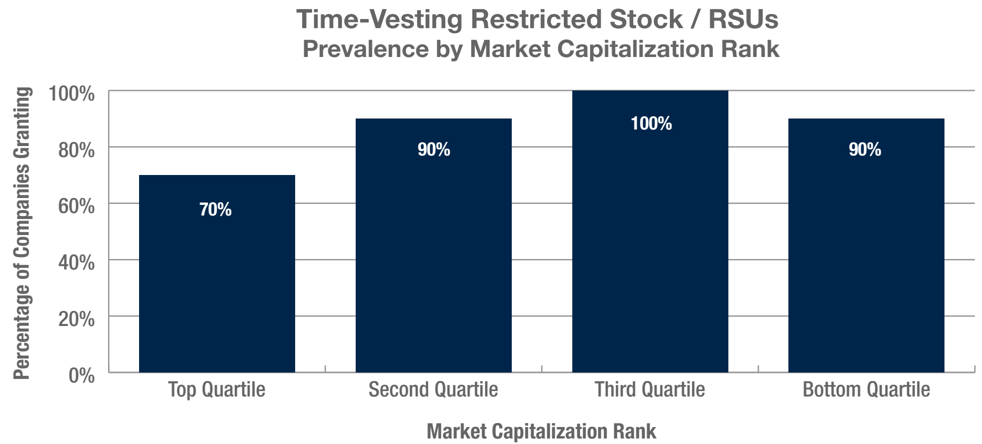
- Stock option awards predominantly consisted of nonqualified stock options rather than tax-favored incentive stock options.
- 100 percent of awards vest on a ratable basis rather than cliff-vesting.
  - Ratable vesting is when a portion of the award vests each year during the vesting period (i.e., one-third of the award vests on each of the first three anniversaries of the grant date).
  - Cliff vesting is when the entire award vests at the end of the vesting period (i.e., 100 percent of the award vests on the third anniversary of the grant date).
- The most prevalent vesting period for stock options / SARs is three years (64 percent of companies), followed by four years (18 percent of companies).
- All companies surveyed used a contractual term for stock options / SARs of 10 years.



LONG-TERM INCENTIVES

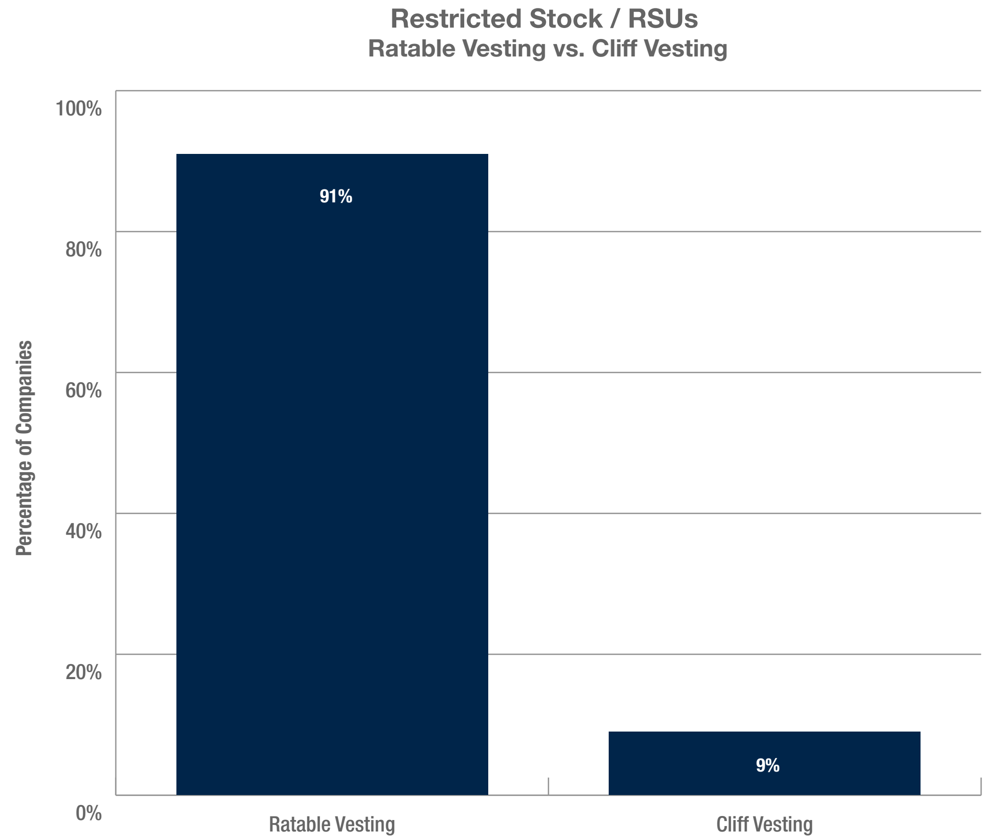
TIME-VESTING RESTRICTED STOCK / RESTRICTED STOCK UNITS

The chart to the right shows the percentage of companies that grant time-vesting restricted stock / RSUs by market capitalization. The prevalence is fairly high, exceeding 70 percent for all sizes of companies.



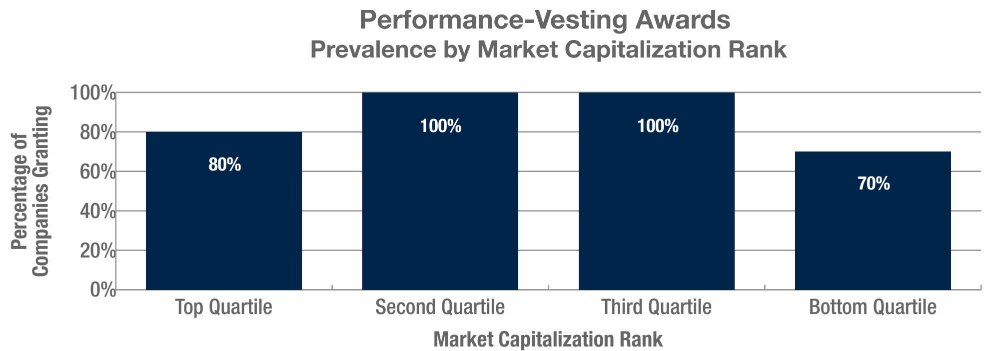
AWARD PROVISIONS

- Of companies that grant time-vesting restricted stock / RSUs, it is more common for companies to grant RSUs than restricted stock.
- A three-year vesting period is the most common vesting period (utilized by 83 percent of companies).
- As shown in the chart to the right, the vast majority of companies utilize awards that vest ratably rather than cliff vest.



PERFORMANCE-VESTING AWARDS

The chart to the right shows the percentage of companies that grant performance-vesting awards by market capitalization. Performance-vesting awards are utilized with regularity across companies of all sizes.



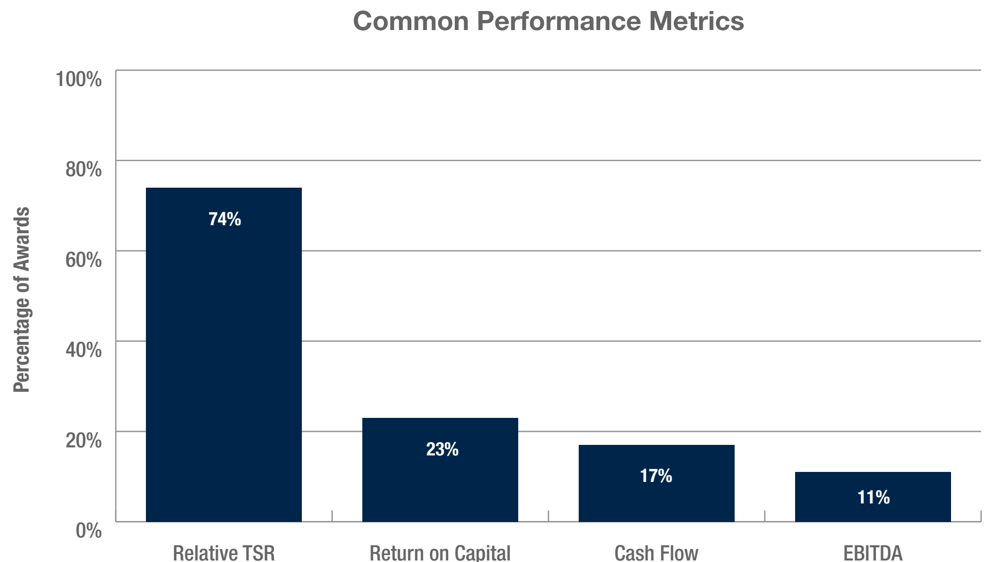
PERFORMANCE METRICS

The most prevalent metric is total shareholder return (TSR) relative to a peer group, which is used in 74 percent of performance-vesting awards. The next-most prevalent performance metric, return on capital, is utilized by only 23 percent of companies. The data suggests that the performance metrics used by OFS companies vary widely.

46 percent of performance-based awards utilize more than one performance metric.

Although the pay-for-performance link for relative TSR awards is fairly straightforward, the valuation of these awards can be quite complex. The vesting of relative TSR awards is dependent on future market conditions for both the company and its peer group. Therefore, the valuation of these awards requires sophisticated modeling techniques, such as a Monte Carlo valuation.

The chart to the right shows the prevalence of the most common metrics used for performance-vesting awards.

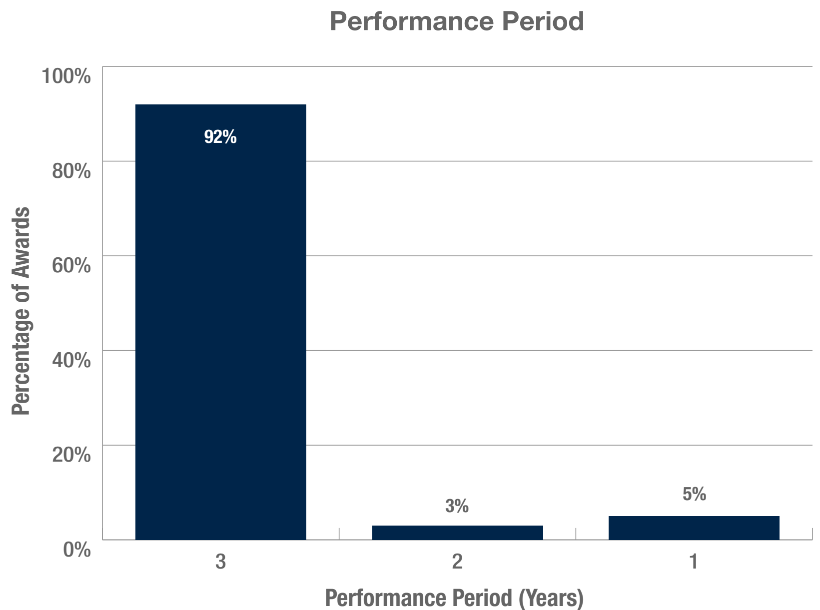


LONG-TERM INCENTIVES

PERFORMANCE PERIOD

The performance period is the duration over which the applicable performance metrics are measured. As shown in the chart to the right, the most prevalent performance period for performance-vesting awards, by a wide margin, is three years (92 percent of awards) followed by one year (only five percent of awards).

Many companies use three-year performance periods to promote long-term sustainable growth, rather than shorter periods, which tend to focus executives only on short-term performance.

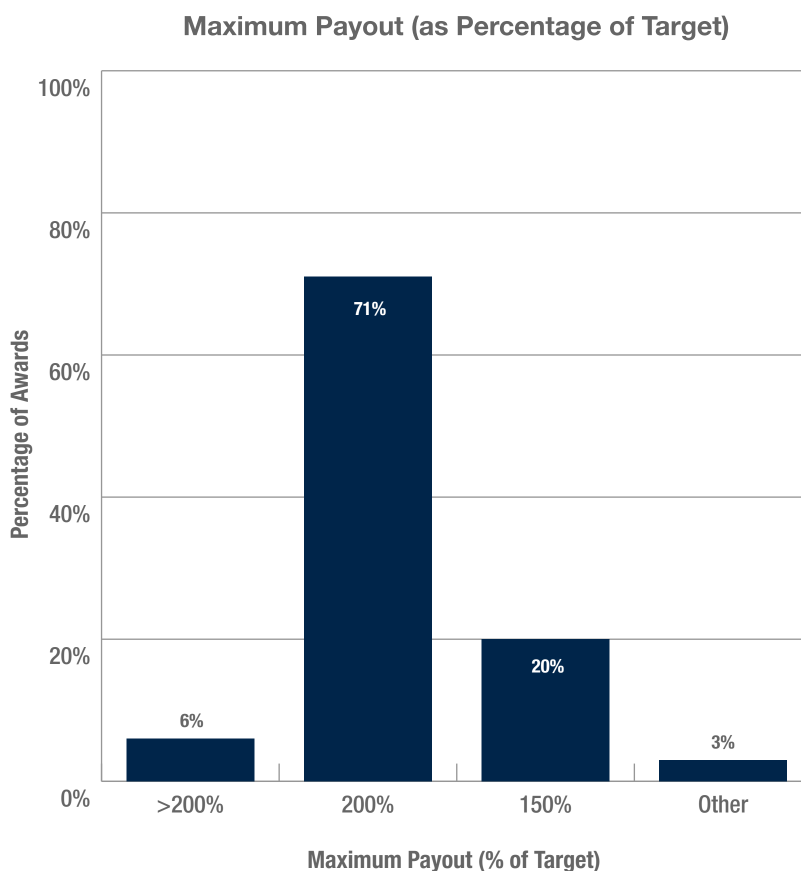


Performance periods of appropriate length keep executives focused over time.”

MAXIMUM PAYOUT

Performance-vesting awards often provide for a range of payouts. For example, if the threshold level of performance is achieved, 50 percent of the award will be earned; if the target level of performance is achieved, 100 percent of the award will be earned; and if the maximum level of performance is achieved, 200 percent of the award will be earned. As shown in the chart to the right, the majority of performance-vesting awards granted by OFS companies provide for a maximum payout equal to 200 percent of the target.

Although 200 percent of target payout is the most prevalent maximum payout percentage, each company should examine its own circumstances and determine what target would be most effective for the company's unique position. For example, an established company that does not expect a sharp growth curve may consider granting more awards with a lower maximum payout. This will allow the company to grant additional awards with lower compensation expense, while retaining value for the executives.



In uncertain market conditions, change in control arrangements help to keep executive talent retained and focused.”

CHANGE IN CONTROL BENEFITS

OVERVIEW

Typical change in control benefits include severance payments, accelerated vesting of equity awards, retirement benefits and excise tax protection. The charts below show the average value of change in control benefits for CEOs and CFOs:

Change In Control Benefit Values for CEOs							
Market Capitalization Rank	**Severance**	**Annual Bonus**	**Long-Term Incentives**	**Retirement Benefits**	**Excise Tax Gross-Up**	**Other***	**Average Total Benefit**
Top Quartile	$6,164,820	$311,302	$20,333,223	$2,172,173	$1,444,703	$297,885	$30,692,976
Second Quartile	$5,232,313	$715,017	$9,487,307	$656,748	$783,993	$94,824	$17,163,645
Third Quartile	$5,248,334	$170,000	$7,685,025	$19,796	$0	$48,949	$13,083,145
Bottom Quartile	$2,736,405	$108,333	$3,849,153	$ 3,541	$518,217	$25,710	$7,198,026
Average	$4,835,549	$357,923	$10,443,584	$752,060	$719,476	$117,407	$17,031,135

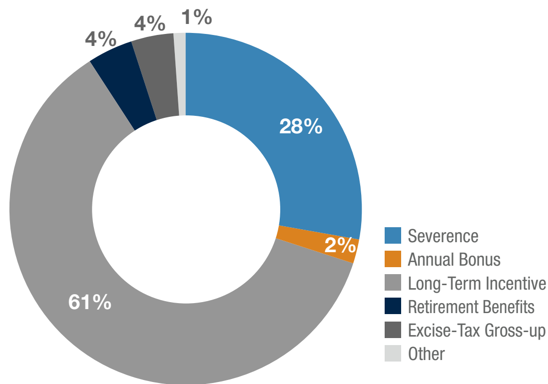
Change In Control Benefit Values for CFOs							
Market Capitalization Rank	**Severance**	**Annual Bonus**	**Long-Term Incentives**	**Retirement Benefits**	**Excise Tax Gross-Up**	**Other***	**Average Total Benefit**
Top Quartile	$2,432,954	$128,936	$6,836,020	$803,390	$299,709	$167,824	$10,575,601
Second Quartile	$1,488,459	$254,104	$2,989,001	$157,667	$0	$43,823	$4,907,643
Third Quartile	$1,543,700	$66,500	$2,434,787	$12,491	$0	$38,285	$4,060,015
Bottom Quartile	$842,012	$40,661	$1,106,832	$0	$197,425	$17,543	$2,192,274
Average	$1,576,781	$135,483	$3,341,660	$240,733	$134,361	$66,869	$5,433,883

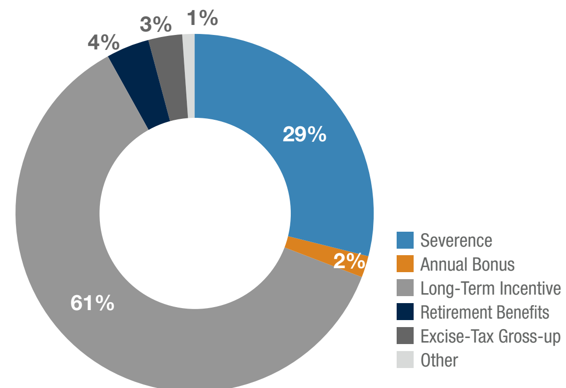
* Other includes health & welfare benefit continuation, outplacement services and other benefits received in connection with a change in control.

As with compensation in general, the amount of change in control benefits payable to CEOs and CFOs varies dramatically based on company size.

CHANGE IN CONTROL BENEFITS

The charts below illustrate the average value for each type of change in control benefit for CEOs and CFOs. Severance and LTI value comprise approximately 90 percent of the total change in control benefits value for both CEOs and CFOs.





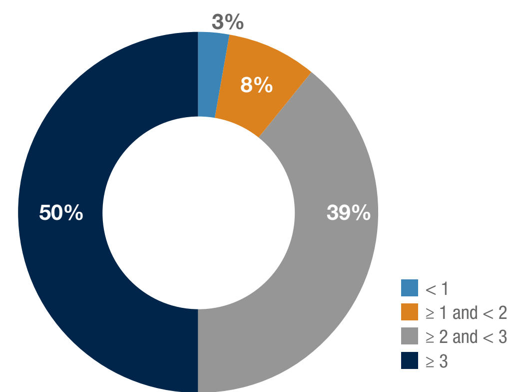
Severance and LTI comprise the most substantial portion of change in control benefits provided to executives.”

CASH SEVERANCE PAYMENTS

- Most agreements or policies with change in control protection provide for a cash severance payment.
- Severance is usually expressed as a multiple of compensation, which varies at different levels within an organization.
- The definition of compensation used to determine the severance amount varies between companies. The two most prevalent definitions of compensation for this purpose are base salary plus annual bonus and base salary only.

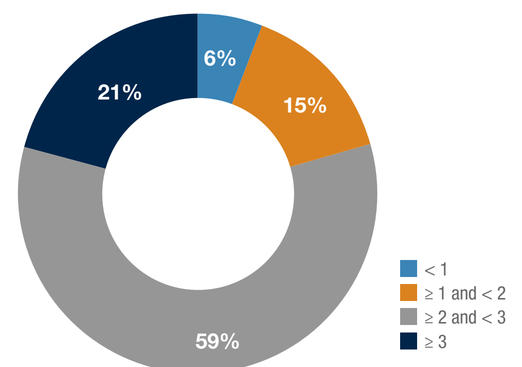
CEOs

- 88 percent of CEOs are entitled to receive a cash severance payment upon termination in connection with a change in control.
- The pie chart to the right illustrates the most common severance multiples provided to CEOs upon a termination in connection with a change in control.



CFOs

- 85 percent of CFOs are entitled to receive a cash severance payment upon termination in connection with a change in control.
- The pie chart to the right illustrates the most common severance multiples provided to CFOs upon a termination in connection with a change in control.



CHANGE IN CONTROL BENEFITS

ACCELERATED VESTING OF LONG-TERM INCENTIVES

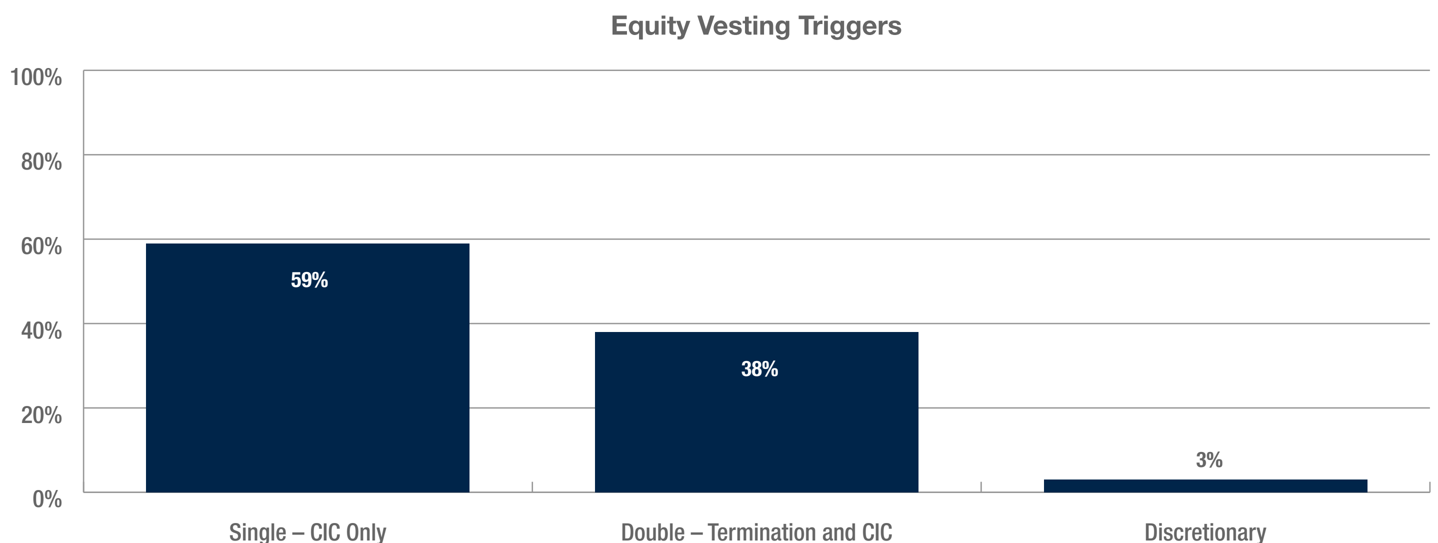
There are generally three types of change in control payout triggers for equity awards:

Trigger	Description
Single	Only a change in control must occur for vesting to be accelerated.
Double*	A change in control plus termination without cause or resignation for “good reason” must occur within a certain period after the change in control.
Discretionary	The board has the discretion to trigger the vesting of an award after a change in control.

* Sometimes companies allow for single trigger vesting if the acquiring company does not assume the equity awards, but require double trigger vesting if the awards are assumed by the acquirer. For the purposes of this study, this treatment was included in the double trigger vesting category.

The most common trigger found in equity plans is single trigger (59 percent). However, 38 percent of companies have at least some equity awards outstanding with a double trigger. Only three percent of companies provide the board with discretion to accelerate the vesting of outstanding equity awards.

The chart below shows the prevalence of change in control triggers for outstanding equity awards of CEOs and CFOs:



Due to pressure from shareholders and shareholder advisory services, there has been a trend in recent years for companies to move toward double trigger vesting provisions. Therefore, we expect more companies to implement double trigger vesting provisions in the future.

EXCISE TAX PROTECTION

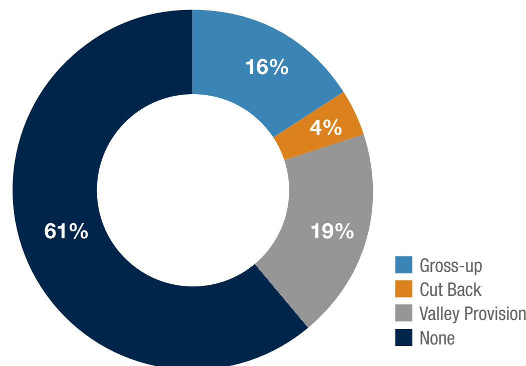
The "Golden Parachute" rules impose a 20 percent excise tax on an executive if the executive receives a parachute payment greater than the "safe harbor" limit. Companies may address this excise tax issue in one of the following ways:

Provision	Description
Gross-up	The company pays the executive the full amount of any excise tax imposed. The gross-up payment thereby makes the executive "whole" on an after-tax basis. The gross-up includes applicable federal, state and local taxes resulting from the payment of the excise tax.
Modified Gross-up	The company will gross-up the executive if the payments exceed the "safe harbor" limit by a certain amount (e.g., $50,000) or percentage (e.g., 10%). Otherwise, payments are cut back to the "safe harbor" limit to avoid any excise tax.
Cut Back	The company cuts back parachute payments to the "safe harbor" limit to avoid any excise tax.
Valley Provision	The company cuts back parachute payments to the "safe harbor" limit, if it is more financially advantageous to the executive. Otherwise, the company does not adjust the payments and the executive is responsible for paying the excise tax.
None	Some companies do not address the excise tax; therefore, executives are solely responsible for the excise tax.

16 percent of companies provide a gross-up to their CEOs and CFOs. The majority of companies (61 percent) do not address the excise tax at all. This is consistent with our broader study of change in control arrangements at the top 200 companies across 10 industries.

The prevalence of these provisions for CEOs and CFOs is illustrated in the pie chart to the right.

Excise Tax Protection Among CEOs and CFOs



BANKRUPTCY COMPENSATION

BANKRUPTCY OVERVIEW

Prior to 2005, companies entering bankruptcy typically retained executives by implementing key employee retention plans (KERPs) whereby executives were paid for simply remaining on the job through specified dates. However, changes to the bankruptcy code enacted in 2005 effectively ended the use of KERPs for “insiders.” As a result, many companies now implement key employee incentive plans (KEIPs) for “insiders” — performance-based plans that are essentially designed to fall outside of the bankruptcy code’s restrictions on the use of KERPs. Conversely, retention plans are generally utilized for “non-insiders.” An “insider” is generally defined as a director, an officer or a person in control of the company.

BALANCE SHEET RESTRUCTURING / BANKRUPTCY ON THE HORIZON

If a balance sheet restructuring or bankruptcy filing is on the horizon, there are certain immediate changes to the incentive plans that should be considered in order to motivate and retain key talent. Because the company’s equity will generally become worthless in the event of a bankruptcy filing, a common defensive approach is to collapse the annual and LTI program into a single cash-based incentive program that pays out over shorter measurement periods based on hitting established performance metrics. In addition, often the annual incentive program will be modified to incorporate performance metrics that are more commonly utilized in bankruptcy and acceptable to the creditors. This allows the annual incentive plan to be easily transitioned into a KEIP in the event of a filing, thus reducing disruption to the key employees.

BANKRUPTCY FILING

In the event of a bankruptcy filing, the type and magnitude of the changes to the compensation plans will be influenced by the anticipated time frame to perform a restructuring or emergence from bankruptcy. In a “free fall” situation (where the debtor enters into bankruptcy proceedings in response to a significant liquidity event without having restructuring arrangements in place with its major stakeholders), the entire incentive compensation program will generally need to be revamped. In a prepackaged bankruptcy (where the debtor has negotiated, documented and disclosed to creditors a plan of reorganization that has been approved by creditors before the bankruptcy case is filed), there might be fewer changes to existing incentive programs and more of an emphasis on equity to be granted to management upon emergence from bankruptcy. Many bankruptcy filings will fall somewhere in between these two extremes, but in any case, the annual and LTI programs will need to be adjusted or overhauled.

KEIP PERFORMANCE METRICS

The KEIP performance metrics must be carefully chosen and structured to be sufficiently challenging. The metrics should also coincide with the company's business plan or objectives. Bankruptcy courts have refused to approve KEIPs where performance metrics are easily attainable and considered "lay-ups," finding such arrangements to be impermissible retention plans.

The amount of potential payout is also a consideration, as it should be sufficiently motivating, but should be reasonable when compared to other similar payments made in bankruptcy. The potential payout should also result in total compensation that is reasonable when compared to market compensation levels and other bankruptcy filings.

POST-EMERGENCE INCENTIVE AND RETENTION

When emerging from bankruptcy, most pre-bankruptcy company stock, along with unvested equity awards held by employees, will have lost their value. Lack of meaningful equity ownership in the go-forward entity, coupled with an uncertain company future, leads to difficulties retaining and motivating key executives post-emergence. Consequently, emergence equity grants are a way to ensure that companies retain motivated personnel who are vital to a successful post-emergence entity. Some important considerations for emergence grants include:

- What percentage of the new company's equity should be reserved for employee equity awards?
- What portion of the equity pool should actually be granted at emergence?
- Who should receive emergence grants (officers, middle management, all employees)?
- How will the emergence grants be structured (i.e., size and type of award, vesting, etc.)?
- Should the emergence grant be structured as time-vesting or performance-vesting?
- What should be the targeted total direct compensation upon emergence from bankruptcy?

When a company's financial health is not optimal, a general practitioner may not have the required expertise to guide the company through these issues during the recovery period, so retaining a qualified compensation specialist is critical.

COMPANIES ANALYZED

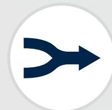
Actuant Corporation
Archrock, Inc.
Atwood Oceanics, Inc.
Baker Hughes Incorporated
Core Laboratories N.V.
Cypress Energy Partners, L.P.
Diamond Offshore Drilling, Inc.
Dril-Quip, Inc.
Ensco plc
Exterran Corporation
Forum Energy Technologies, Inc.
Frank’s International N.V.
Halliburton Company
Helix Energy Solutions Group, Inc.
Helmerich & Payne, Inc.
Independence Contract Drilling, Inc.
Mammoth Energy Services, Inc.
McDermott International, Inc.
Nabors Industries Ltd.
National Oilwell Varco, Inc.
Natural Gas Services Group, Inc.
Newpark Resources, Inc.
Noble Corporation plc
North American Energy Partners Inc.
Oceaneering International, Inc.
Oil States International, Inc.
Parker Drilling Company
Patterson-UTI Energy, Inc.
Pioneer Energy Services Corp.
Profire Energy, Inc.
Rowan Companies plc
RPC, Inc.
Schlumberger Limited
Superior Energy Services, Inc.
Tesco Corporation
TETRA Technologies, Inc.
Transocean Ltd.
Unit Corporation
USA Compression Partners, LP
Weatherford International plc

ALVAREZ & MARSAL'S COMPENSATION AND BENEFITS PRACTICE

The Compensation and Benefits Practice of Alvarez & Marsal assists companies in designing compensation and benefits plans, evaluating and enhancing existing plans, benchmarking compensation and reviewing programs for compliance with changing laws and regulations. We do so in a manner that manages risks associated with tax, financial and regulatory burdens related to such plans. Through our services, we help companies lower costs, improve performance, boost the bottom line and attract and retain key performers.

ALVAREZ & MARSAL'S COMPENSATION SERVICE OFFERINGS

Executive Compensation Advisory Consulting



Pre- & Post-Merger and Acquisition Advisory

Bankruptcy Compensation Design

Incentive & Deferred Compensation Design

Risk Management Consulting

Global Incentive Compensation Services

Within our executive and mergers and acquisitions advisory services, we provide a range of support around Golden Parachutes including:

- **Executive Compensation Disclosures:** The SEC requires greater disclosure of executive compensation information. We assist companies in drafting the executive compensation proxy disclosures and quantifying the change in control payments in SEC disclosures.
- **Change in Control Planning:** We assist companies in designing and implementing competitive change in control protections, and gauge the potential tax implications of existing agreements to make recommendations for remedial redesigns.
- **Change in Control in Process:** When a change in control is underway, we assist with the calculation of the parachute payment and excise tax consequences. Further, we assist with planning opportunities to mitigate the excise tax and lost deduction.

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ABOUT ALVAREZ & MARSAL TAXAND

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