

## SOS ESPP Services & Solutions

Our line of ESPP solutions and services will simplify your life, save you time and reduce your company's risk by streamlining your processes, helping you stay in compliance with accounting standards and tax regulations, and facilitating effective participant communication and education.

### *ESPP Plan Rollout*

Is ESPP new to your company? Our consultants have developed project plans for implementing these plans end-to-end. We work with decision makers to develop timelines, communications, process documentation, tax compliance, custom reports, and interface files. We can also provide assistance with, or complete management of, the ongoing processing of purchases.

### *SOS Outsourcing*

Outsource your ESPP management to SOS. SOS can provide a spectrum of services in this area that can be tailored to your company's unique plan. We can manage your Open Enrollment, process your purchase, coordinate with payroll, respond to employee inquiries and provide financial reporting and reconciliation. You decide what level of expertise and involvement you want and let SOS take care of the rest. The SOS outsourcing solution is unique, let us show you how.

### *Participant Communications*

- **Participant Communication Campaign**  
SOS can prepare a wide range of roll-out or ongoing communications beyond enrollment forms and presentations. May include FAQs, cover letters, email text, explanations of tax treatment, supplemental materials to assist in accessing brokerage accounts (web URL, contact info, commission rates, step-by-step account activation instructions), etc.
- **Participant Education**  
Customized to the features of your plan, our ESPP Participant Education Program helps domestic and non-US participants understand plan basics, the finer points of taxation, and builds an understanding and appreciation of the value and benefits of your ESPP. May also be combined with similar SOS programs for options, restricted stock, or performance shares, as needed.
  - **Topics**
    - **ESPP Basics**  
What is an ESPP? What are the features of my company's plan? Why does it matter to me? What are the benefits? When can I enroll? What are the rules around withdrawals, increases and

decreases? Why is it important to activate my brokerage account before purchase? How do I activate my brokerage account? What is a 3922 and what do I do with it?

- **Advanced ESPP Issues**

What are the tax implications in my country? How does the \$25K limit work? Are there times when disqualifying dispositions give me better tax treatment than qualifying?

- **Formats**

- FAQs - Word, PDF or PowerPoint, HTML for web pages

- Trainings

- Onsite

- Live webcasts

- Recorded webcasts

Note: for recorded and webcast-based sessions, we recommend several shorter sessions instead of longer sessions.

- **SOS Email Xpress**

An MS Access-based application, installed at your site, allows you to email ESPP communications to your participants, saving hours of tedious and risky manual labor and significant costs associated with hardcopy mailing. Additional static documents (such as FAQs, etc.) can be attached to these communications as well.

Communications may include:

- **Confirmations of Purchase**

- **Year-end Tax Summaries**

- **Form 3922<sup>1</sup>**

- **ESPP Online Enrollment**

We can tailor an ESPP enrollment website, hosted inside your firewall, to your plan and specific requirements to allow your participants to enroll, withdraw, and change their enrollment online.

- **Online Disposition Surveys**

Tired of paper surveys? Put your disposition surveys online! Streamline the collection and import of disposition data into your stock plans database. We can tailor a Disposition Survey website to your plan and specific requirements, allowing your participants an easy way to notify you about their ESPP share sales.

- **Participant Response Center**

Whether your ESPP plan is new or you are trying to find better ways to handle the flood of participant inquiries around your enrollment window or purchase dates, SOS can help manage your workload better. We can establish a dedicated call center or email response team staffed by equity compensation experts trained in the specifics of your plan to provide your participants with the answers they need. And the centers can be scaled up or down based on the needs of your company, increasing hours at peak times and decreasing as inquiry volume drops.

- **SOS Participant Portal**

A secure website, hosted inside your firewall, allows you to provide secure ESPP (and other) communications to your participants, saving hours of tedious and risky manual labor and significant costs associated with hardcopy mailing. This portal allows your employees to obtain the information they need when they need it,

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<sup>1</sup> To distribute forms only electronically, participant consent must be obtained.

reducing calls and emails to you or your group. ESPP-related communications may include:

- **Confirmations of Purchase**
- **Year-end Tax Summaries**
- **Form 3922<sup>2</sup>**
- **Consent collection module**  
Allows you to collect participant consents for electronic delivery of forms 3922

### ***Stock Plan Personnel Training***

Customized to the features of your plan to help your staff understand ESPP basic and advanced topics. May also be combined with option, restricted stock/unit, or performance share trainings.

- **Topics**

- **ESPP Basics**  
Administration, global taxation (withholding/reporting requirements for US and non-US locations), common issues, contribution file reconciliation
- **Advanced ESPP Issues**  
Accounting for ESPPs, Diluted/Basic EPS Treatment, Tax Accounting, mobility issues

- **Formats**

- Onsite
- Webcasts

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<sup>2</sup> To distribute forms only electronically, participant consent must be obtained.

## ***IRS 6039 Compliance - Form 3922***

- **Participant Statements**

For some in-house software, a custom report can be installed, allowing you to print these forms just as easily as you print a Confirmation of Purchase.

- **IRS Filing**

You are required to report ESPP “transfers”<sup>3</sup> to the IRS for transactions that occurred during the prior calendar year. If you have over 250 transactions to report, you will also be required to report electronically. SOS can help.

- **SOS 6039 Xpress**

Our MS Access-based application can be deployed at your company site, allowing you to keep your sensitive participant data inside your firewall. Stock plan data is downloaded from your stock plan database to a pre-specified location. The SOS 6039 Xpress application retrieves the data, formats it per the detailed IRS file specification, and then creates substitute statements for mailing or emailing to your participants. Substitute statements are formatted to fit in a standard two-window envelope to avoid the need for mailing labels and to assure the right statement goes to the right person. Our application also creates the IRS e-file in the proper format for you to drop off at the IRS FIRE website.

- **3922 Outsourcing**

Let our expert team take the burden of 6039 compliance off your shoulders. Transmit your sensitive data to SOS securely and let SOS produce the participant statements for you. We do not outsource the fulfillment process, but keep your sensitive data secure while the SOS team prints and mails your forms. We can even add these forms to standard year-end mailing packages and mail the entire package for you. In addition, we complete your IRS filing.

### ***Process Improvement / Automation***

- **\$25K Limit Review**

We can work with your stock plans group and other departments to refine or develop documented processes and procedures. Can include development of customized reports.

- **Disposition Survey/Reporting Process Review**

Are you capturing as much of the valuable tax deduction as you can from disqualifying dispositions? Let SOS review your current process and suggest improvements - from finding ways to streamline the process to identifying issues that will get you in hot water with the IRS.

- **SOX Review**

Assist in identifying key controls that may be needed for and/or impact SOX 404 documentation/processes.

- **Modification Accounting**

If your plan contains an “automatic reset” or “auto-re-enrollment” when the stock price drops during an offering period, or if participants can increase their

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<sup>3</sup> For most companies the transfer can/should be reported as of the date of purchase. Please contact SOS for more information.

contributions during the period, modification accounting is required. Many systems cannot support this accounting requirement. We can customize an MS Access-based application to handle the necessary calculations and deploy it at your company site, allowing you to keep your sensitive participant data inside your firewall. Data is extracted from your in-house system or downloaded from your vendor to a pre-specified location. The SOS ESPP Modification Accounting application will retrieve the data, supplement it with additional information, as necessary, and produce reports customized to your needs. Excel models are also available and in some cases software workarounds may be implemented.

### ***ESPP Conversions***

Are you planning to change ESPP systems or providers? Struggling with complicated data formats and logistical hurdles during the conversion process? SOS can help! We've converted clients to and from many different systems and providers over the years and have faced the challenges you are encountering (or will encounter). Our ESPP conversion process leverages both subject matter expertise and technology tools to make the process consistent and repeatable and speed you on your way.