



SOS Educational Webcast: Basic Training: A Day in the Life of a Stock Admin

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Agenda

- Stock Options
- Restricted Stock Units
- Employee Stock Purchase Plans
- Financial Reporting
- Questions and Answers

3

Materials

- http://www.sos-team.com/pdfs/basic_training.pdf

4

Stock Options

- What is a stock option?
- What are the different types of stock options?
- Who decides what type of options are granted?
- What is vesting and how it is applied?
- What does it mean to exercise a stock option?
- What are the different exercise types?
- How do exercises work through a broker?



Stock Options

- Can employees pay cash for the shares and taxes?
- Is the transaction taxed? If so, what type of taxes?
- What is included on the annual W-2?
- International taxation
- Mobile employees



Restricted Stock Awards

- Are there different types of awards?
- How do these awards differ from stock options?
- Who decides what type of awards are granted?
- What happens when the award vests?
- How does a release of shares work through a broker?
- What is vesting and how is it applied?
- What does an employee have to do to obtain these shares?



Restricted Stock Awards

- Is the transaction taxed? If so, what type of taxes?
- What is included on the annual W-2?
- International taxation
- Mobile employees



Employee Stock Purchase Plans

- What is an Employee Stock Purchase Plan?
 - Qualified Plans (423)
 - Non-Qualified Plans
- How does the average (qualified) ESPP program work?
 - Offering Periods
 - Purchase Periods
 - Purchases
 - Dispositions
 - Qualified Dispositions
 - Disqualified Dispositions



Employee Stock Purchase Plans

- Common Practices in Plan Administration
 - Open Enrollments
 - Contributions
 - Disposition Tracking
- Information Necessary to Calculate Expense
 - Estimated Contribution
 - Annualized Salary
 - Contribution Rate



Employee Stock Purchase Plans

- Data Accuracy
 - Employment Status – Prior to Purchase
 - Terminations
 - Full Time vs Part Time
 - Leave Status
 - Data Completeness Checks in Software – Prior to Purchase
 - Enrolled Participants vs Number of Expense Records
 - Manual Estimated Contribution vs Software Estimated Contributions
 - Withdrawn Participants = Still Expensing
 - Terminated Participants = Expense Reversed
- International Considerations



Financial Reporting

- Ensuring the accuracy of your data
 - Monthly audits to HR data
 - Monthly audit of activity reports
- Changes to existing grants
 - Is it a modification?
 - Get the accounting group involved
- Monthly and/or Quarterly Reporting
 - What does your accounting group require?



Financial Reporting

- Activity reports
 - Grants
 - Exercises and releases
 - Cancellations
 - Adjustments – require explanation and perhaps proof of approval
- Form 4 Reporting – Required by the SEC
 - May be done by Stock Administration or by Legal
 - Reports must be filed within 2 days of the reportable activity

Financial Reporting

- Reportable events
 - Grants (except grants with performance vesting)
 - Board certification of performance criteria
 - Exercises and releases
 - Reportable events
 - Any other acquisitions or dispositions
- What other departments need information?
 - Tax – usually quarterly.

Financial Reporting

- Annual -Proxy Reporting
 - Ownership and Compensation tables
 - Plan Summary information
 - Review of all sections that cover equity
 - Helpful hints
 - Keep a folder during the year to record changes to plans or policies that may need to be disclosed in the proxy
 - Record any pain points from this year's proxy for reference next year
 - Note any late Form 4 filings because they need to be disclosed



Financial Reporting

- Forecasting
 - Quarterly forecasts with monthly updates
 - Forecast all items that involve cash
 - Option exercises
 - RSU tax withholding
 - Dividend equivalent payments
 - ESPP purchases
- Calculating expense
 - Options
 - Black Scholes Model – detail assumptions
 - Monte Carlo Model – for market vesting conditions



Financial Reporting

- Calculating expense - Continued
 - Restricted Stock
 - Time based vesting or performance
 - Performance –market conditions or not?
 - Performance - timing of Form 4 reporting
 - Dividend Equivalent Rights
 - ESPP
 - Black- Scholes
 - Automatic resets
 - Modifications
 - Require the calculation of additional value resulting from the change.

Questions and Answers

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