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Employee stock options are often an important element in a company’s compensation package and are usually designed as both a reward and an incentive. Companies grant stock options to their employees to promote a sense of ownership, recognize individual contributions and encourage a focus on the company’s long-term success.

**AN OPPORTUNITY FOR REWARD WITH LIMITED RISK**

Employee stock options present an opportunity for you to share in the rewards of the company’s financial growth without having to worry about risks normally associated with buying stock. With an employee stock option plan, a company grants a specific number of stock options, which give the right to purchase the company’s stock in the future under certain terms. Employees who receive grants are not required to invest any of their own money when they receive stock option grants. As a result, an employee will not lose any money if the price of the stock goes down below the option’s exercise price. If your company’s stock loses value all that is lost is the opportunity to exercise your stock options and sell the shares at a profit. On the other hand, if the value of the stock goes up above the option’s exercise price, an employee can profit from this increased value. Of course, if options are exercised and held, the employee becomes a shareowner. As an owner, an employee is generally entitled to certain benefits, including company voting rights and dividends that may be declared.

**HOW DO EMPLOYEE STOCK OPTIONS WORK?**

Employee stock options provide you with the opportunity to purchase a specified number of shares of your company’s stock at a preset price (the option price) for a fixed period of time (the term of the option). Generally stock options are subject to a service-based vesting period. This means that you may need to work for the company for a period of time before you can exercise your options. This could be a cliff vesting in which 100% vests at one time at the end of the period. (i.e. 3 years) Another example is a graded vesting over a period of time such as 5 years whereby 20% will become vested on the anniversary each year.
UNDERSTANDING YOUR STOCK OPTIONS

Until you choose to exercise them, your stock options do not generally have any monetary value. Your stock options will have monetary value only if you decide to exercise them once they are vested and the current stock price is greater than the option price. You are never required to exercise your stock options, but be aware; stock options have a limited lifespan and will expire after a certain period of years. If you leave the company your option may be subject to an accelerated expiration or they may be forfeited. If you do not exercise your stock options before your grant expires or is forfeited, you will no longer have the right to exercise them. Please review your company’s stock option grant plan and agreements for the expiration date(s) of your options and conditions that may cause them to be forfeited.
When you exercise your stock options, you purchase the shares underlying the option. The purchase price equals the exercise price multiplied by the number of options being exercised. Different exercise methods may be available that give you the choice of paying for these shares with cash or profits from your exercise.

**EXERCISE METHODS**

When you are ready to exercise your vested stock options, you must decide which exercise method you wish to use. Please note: Depending on the plan rules and local laws, certain exercise methods may not be available to all optionees.

**Cash Exercise**
For this type of exercise, you use your own money to buy stock. The payment due includes option costs, applicable taxes and fees and must be sent to the plan administrator prior to the completion of the exercise. Once the exercise is completed, the purchased shares belong to you.

**Cashless for Cash**
For this type of exercise, you do not provide any cash to exercise your options. Simultaneously with the exercise of your options, the underlying shares are sold on the open market. The purchase price for the shares and any taxes due is deducted from the proceeds of the sale. You receive cash in the amount of the difference between the gross proceeds (sale price x number of options exercised) and the option costs (exercise price x number of options exercised), less applicable taxes and transaction fees.

**Cashless Hold Exercise**
In this transaction, you do not provide any cash to exercise your options. Simultaneously with the exercise, a portion of the underlying shares is sold to cover all option costs, applicable taxes and transaction fees. You receive the balance of the underlying shares [with a value at the time of the exercise equal to the difference between the gross proceeds (sale price x number of options exercised) and the option costs (exercise price x number of options exercised), less applicable taxes and transaction fees].

**Limit Orders**
Limit orders can be made on the Cashless for Cash or Cashless Hold exercises if they are permitted. A limit order allows you to exercise and specify a specific price at which you would like the shares to be sold. If the stock price reaches or exceeds your specified price after you place the order and the shares can be sold in the market, your exercise will be executed. When placing a limit order, it is important to know that your order will not be executed if the stock does not reach your specified price. Limit orders can be placed as good-for-day and good-for-30-days.

**Net Settled Exercise**
In this exercise, a portion of the optioned shares are withheld in order to satisfy the cost of the exercise price and or taxes due. This nets you a smaller number of options than you would gain by exercising all the options with cash and then holding the stock.

**Stock Swap Exercise**
This exercise method allows you to exchange shares that you already own in lieu of cash to pay for the option cost and/or taxes. Typically rather than actually submitting the shares, the net number of new shares will be issued after you attest to the ownership of the required number of shares.

**TAXATION OF STOCK OPTIONS**
Exercising your options is a taxable event. The value of the option at the time of exercise minus your option cost is considered taxable income. In the event that tax withholding is required, Computershare and/or your local payroll provider will estimate taxes and mandatory payments due and assist in facilitating the payment based on the exercise method selected.
RECEIVING YOUR NET PROCEEDS

The following are common methods for disbursement of net proceeds. Please check your plan documents to determine which methods are available to you.

Direct Deposit (for US citizens only)
You can receive proceeds through direct deposit. You can set up direct deposit instructions online by logging in to your Computershare account at www.computershare.com/employee/us.

Wire Transfers
You can receive proceeds by Wire Transfer. You can set up wire instructions online by logging in to your Computershare account at www.computershare.com/employee/us. Over 100 foreign currencies are available for international wire transfers.

Check
You are able to receive proceeds via a USD or foreign currency check.

REQUIRED FORMS

The IRS requires that you certify your tax status by completing Form W-9 or Form W-8BEN. You can certify your tax status via Computershare’s website at www.computershare.com/employee/us or by calling the communications center to have a copy of the appropriate form mailed to the address on record with Computershare. If you do not certify your tax status, your net proceeds will be subject to the Internal Revenue Service’s (IRS) mandated 28% withholding tax. Please note: Form W-9 does not expire. Form W-8BEN expires on December 31, three years after the year you certify.

ACCESSING AND MANAGING YOUR ACCOUNT

Log in to your account at www.computershare.com/employee/us to view, manage and transact on your account. You can also call the Computershare communications center at the number listed on your plan correspondence. The Computershare communications center is available from 3:00 a.m. - 9:00 p.m. ET. The same phone number may be used to access the Computershare Interactive Voice Response (IVR) system.
**Glossary**

**Common Stock** - A security that represents units of ownership of a company. An owner of common stock would typically be entitled to proxy votes and any dividend payments made by the company.

**Dividend** - A distribution to shareholders that represents participation in the company's earnings or profits. Dividends may be paid in either stock or cash.

**Exercise** - To purchase the stock offered in your stock option grant at the grant price.

**Expiration Date** - The last day that you are able to exercise your option.

**Fair Market Value (FMV)** - The price at which a company's stock can be bought or sold in the open market at any given time.

**Grant Date** - The date that a stock option is "granted" or issued. This date is used as a starting point for other relative dates such as vesting and expiration.

**Grant Price** - The fixed price at which you can purchase shares of stock pursuant to a stock option.

**In the Money** - The term for a stock option that has an exercise price that is less than the fair market value.

**Market Price** - The price at which a stock is sold in the open market.

**Under Water** - The term for a stock option that has an exercise price that is greater than the fair market value.

**Vested** - Stock options that have met certain time and/or performance criteria and are eligible for exercise.

*Please note: The information contained herein is not investment advice or tax advice, but only a general overview of employee stock options. Computershare and your company do not make any recommendations as to whether and when you should exercise your stock options or sell the shares you acquire upon exercise of your option. We suggest that you consult with your own tax and/or investment advisor about these matters, as well as the personal tax consequences of your stock option grant, option exercise and the sale of underlying shares.*
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