Guide to Understanding Employee Stock Purchase Plans
Employee stock purchase plans (ESPPs) are an important part of a company’s total compensation package. ESPPs offer employees the opportunity to purchase company stock through regularly scheduled payroll deductions. Your company is providing this plan to promote a sense of ownership and to encourage a focus on the company’s long-term success. When purchasing stock within the ESPP, you become a stockholder with a personal stake in earning and sharing in your company’s success.

THE ADVANTAGES OF OWNERSHIP
An ESPP offers several advantages to an eligible employee:

**Discounted Price**
Your company may choose to purchase stock for you at a discount—anywhere between 5% and 15% below the fair market value.

**No Purchase Fees**
You will not pay any transaction or brokerage fees when shares are purchased. Please note: brokerage fees may apply when selling your shares at some point in the future.

**How Do Employee Stock Purchase Plans Work?**
When you enroll in the ESPP, you decide what portion of your pay you want to contribute to the plan. Your contributions are then deducted from your pay on an after-tax basis and directed to a separate, non-interest-bearing account. At the end of the offering period, your accumulated contributions are used to purchase shares of stock. Your shares are then credited to an account in your name at Computershare. Once the shares are credited to your account, you can hold the stock and share in any future growth, or you may sell the shares.
ELIGIBILITY
Your company may have established guidelines that will help you determine if you are eligible to participate in the ESPP. Please be sure to refer to your specific plan documents to review any eligibility requirements.

OFFERING PERIODS AND PURCHASE PERIODS
The offering period is a predetermined period during which shares of your company stock may be purchased under the plan. The purchase period is the date upon which shares of stock will be purchased on your behalf, using the contributions accumulated during the period.

ENROLLING IN THE ESPP OR CHANGING YOUR ELECTION
If you are eligible to join the ESPP, you may enroll during specified enrollment periods established by your company. When enrolling, you will elect the amount of your contribution, in either a dollar amount or a percentage of your pay. Your contributions will begin as soon as administratively feasible. During a period defined by your company, you may elect to increase or decrease your contribution amount, or withdraw from the plan.

CONTRIBUTING TO YOUR ESPP
Your plan materials will indicate how much of your eligible compensation you may contribute to the ESPP. Your contributions are deducted from your pay and set aside in a separate corporate account until the purchase date. On the purchase date, your contributions will be used to purchase company stock. Please note that US tax laws for qualified plans mandate certain purchase limits, which apply to all participants. Should you reach this limit, you will be notified and your deductions will automatically cease and any deductions made in excess of the limit will be refunded.

WITHDRAWING FROM YOUR ESPP
You may choose to withdraw your participation from the ESPP. Please check with your plan’s documents to determine when you can withdraw and what will happen with any contributions that may have accumulated.
Managing Your ESPP Account

PURCHASING SHARES
Your contributions to the plan are deducted from your paycheck, placed into your account and used to purchase shares of stock. Contributions continue to be deducted until you withdraw your participation from the plan or until your employment terminates. Upon the completion of your purchase, you will receive periodic statements from Computershare, the plan administrator. The statement will reflect the number of shares purchased with your payroll deductions, as well as other important information regarding your account activity.

YOUR PURCHASED SHARES
Once shares are purchased through the ESPP, Computershare will allocate the shares to your personal account as soon as administratively feasible. Shares can be held as a long term investment or you can choose to sell them at any time, unless your plan rules require you to hold the shares for a specified time. If you choose to hold your purchased shares at Computershare, you will not be charged any administration fees for maintaining your account.

DIVIDENDS
Your company may choose to share net profits with its shareholders by offering a dividend. If you are a shareowner as a result of shares purchased through your ESPP, you will be entitled to any dividends paid. You may choose to receive these dividends in cash or reinvest them in additional shares based on your companies specific plan rules. Please consult your plan document to understand what options are available to you.

SELLING YOUR SHARES
You can sell shares through the Computershare website, www.computershare.com/employee/us, the Interactive Voice Response system (IVR) by calling the toll free number for your plan or a Customer Service Representative. Check your plan materials to determine if your company has established a holding period that must be satisfied before shares are sold. You may choose to sell all your shares or a portion of your shares. Every purchase made has a cost basis equal to the purchase price that is used in determining your capital gain (or loss) resulting from the sale. If you sell a portion of your shares, your shares will be sold on a First-In-First-Out (FIFO) basis unless you specify which share lot you wish to sell. A FIFO sale will sell the shares acquired from your first ESPP purchase.

Because all company stock trades occur in real time, your sale price is the market price of your company stock at the time of the sale. When you sell shares, you will receive an estimated sale price. You can confirm the actual sale price by logging in to your account at www.computershare.com/employee/us.

Please note: If you place a sell order after 3:45 p.m. Eastern Time on NYSE trading days, your shares will be sold on the next trading day.

Tax implications vary depending on how long the shares are held. You are responsible for all taxes, trading commissions and other fees that may apply when selling your shares.
**LIMIT ORDERS**

Limit orders allow you to stipulate a specific price at which you want your shares to be sold. If the stock price reaches or exceeds your specified price after you place your order, your trade 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. With a limit order, execution is not guaranteed and may be executed in whole or in part. If the order is placed as a good-till-canceled order, unsold shares will remain as an open order until executed.

**SALE RESTRICTIONS**

Certain individuals may be subject to restrictions on selling their shares during specified times of the year. Shares of stock purchased through the ESPP are governed by your company’s insider trading policy and federal securities laws. See the ESPP prospectus for more information.

**RECEIVING NET PROCEEDS, STOCK OR STOCK CERTIFICATES**

**Receiving Your Net Proceeds**

Your net proceeds are distributed via the method that you selected at the time of sale. You may choose from the following options:

**USD Check**

The default method to receive proceeds is by a check. Checks in US dollars are delivered by the US Postal Service at no additional cost. Overnight deliveries are available for an additional fee.

**Non US Dollar Checks**

Non US Dollar checks are subject to an additional fee.

**Direct Deposit**

You can set up direct deposit instructions to transfer cash proceeds online via Computershare’s website at www.computershare.com/employee/us. Direct deposit transactions are subject to a fee.

**Wire Transfer**

You can set up wire instructions to transfer cash proceeds online, via Computershare’s website at www.computershare.com/employee/us. Wire transfers are subject to a fee. Over 100 foreign currencies are available for non-US dollar wire transfers.

**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.
The following briefly summarizes the US federal income and employment tax consequences associated with your participation in the ESPP. It is applicable only to participants who are residents or citizens of the US, including those working abroad. Your state and local tax consequences, including when amounts are subject to tax and your tax basis in shares purchased, may vary from this description. This document is intended as a guide. Because the summary is general in nature and does not include information about state and local taxes, you should consult with a personal tax advisor regarding your own tax situation.

**W-8BEN/W-9 CERTIFICATION**

When you log on to your account for the first time, you should certify your tax status. If you are a US taxpayer, you should certify on Form W-9. Otherwise, you should certify on Form W-8BEN. Form W-9 does not expire. Form W-8BEN expires on December 31 three years after the year you certify. By certifying, you will avoid having the backup withholding rate applied to the gross proceeds of any sales, as well as a default withholding rate on dividend payments.

**QUALIFIED (423) PLANS**

Your ESPP is intended to qualify as an “employee stock purchase plan” within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended.

**TAX CONSEQUENCES OF PURCHASING SHARES UNDER THE ESPP**

When you initially enroll or when shares of stock are purchased for you in the ESPP, you will not recognize compensation income or capital gains or losses. Typically, compensation income and capital gains or losses are recognized when you dispose of the shares you acquire under the ESPP.

**TAX CONSEQUENCES OF SELLING SHARES PURCHASED UNDER THE ESPP**

Your tax consequences of the sale (or other disposition) of shares you purchase under the ESPP will depend upon how long your shares were held. Specifically, the period of time for which you have held your shares determines whether you have made a qualifying or a disqualifying disposition of your shares. The proceeds from any sale of shares will be reported to you on Form 1099-B.

**What Is a Qualifying Disposition?**

If you hold your shares purchased in the ESPP for at least two years from offering (grant date) and at least one year after purchase date, you will have made a qualifying disposition of the shares.

Example: You acquire 100 shares of stock in an offering period that started on June 1, 2010, and a purchase period that ends on May 31, 2012. If you sold the shares on March 5, 2014, you have made a qualifying disposition of the shares, because they were held for more than two years after the offering period start date and at least one year after the last day of the purchase period during which you acquired the shares.

**Tax Consequences of a Qualifying Disposition**

With a qualifying disposition, you will recognize income taxable as ordinary compensation in the year that you sell or otherwise dispose of the shares equal to the lesser of:

(1) The excess of the fair market value of the shares on the date of disposition over the purchase price of the shares; or
(2) The fair market value of the shares on the first day of the purchase period during which you purchased the shares, multiplied by the discount offered to participants.

Note: Ordinary compensation can never be less than zero. Also, the amount of compensation income you recognize will be added to the tax basis of your shares. Any additional gain recognized will generally be taxed as a capital gain, discussed below.
Example: You purchase shares of company stock under the ESPP for a price of $33.25 per share in a purchase period ending on May 31, 2011. The fair market values of the stock on the first and last day of the purchase period were $30 and $35 per share, respectively. You sell the shares in a qualifying disposition on March 5, 2014, more than 21 months from the purchase date, for $42 per share.

Because 5 percent of the value of the shares on the first day of the purchase period ($30 x 5 percent = $1.50) is less than the difference between the fair market value of the shares on the sale date and the purchase price ($42 - $33.25 = $8.75 per share), you would recognize $1.50 per share as compensation income. To determine your tax basis in shares sold, you add the compensation income you recognize to the amount that you paid for the shares, plus any fees paid ($33.25 + $1.50 = $34.75 per share). To determine the capital gain or loss on the sale, you then compare your tax basis in the shares to the sale price. In this example, your capital gain is $7.25 per share ($42 sale price - $34.75 tax basis = $7.25 per share).

If the fair market value of the shares on the date you sell the shares is less than the purchase price, no compensation income is recognized and the loss recognized will be a capital loss.

**What Is a Disqualifying Disposition?**

If, within two years of the offering period and within one year after the last day of the purchase period during which you purchased the shares, you sell or otherwise dispose of the shares of company stock that you purchased under the ESPP, you will have made a disqualifying disposition of the shares.

Example: You acquire 100 shares of company stock in a purchase period that ends on May 31, 2013. If you sell the shares on June 10, 2014, you have made a disqualifying disposition of the shares because you did not hold the shares for more than 12 months after the last day of the purchase period.

**Tax Consequences of a Disqualifying Disposition.**

If you make a disqualifying disposition, you will recognize income taxable as ordinary compensation in the year that you sell or otherwise dispose of the shares equal to the amount by which the fair market value of the stock on the last day of the purchase period during which you purchased the shares exceeded the purchase price you paid. The amount of compensation income you recognize will be added to the tax basis of your shares, and any additional gain recognized will generally be taxed as a capital gain, discussed below. You will recognize the ordinary compensation calculated above even if your sale price is less than your purchase price.

Example: You purchase shares of company stock under the ESPP for a price of $33.25 per share in a purchase period ending on May 31, 2013. The fair market value of stock on the last day of the purchase period was $35 per share. You sell the shares in a disqualifying disposition on June 10, 2014, within 21 months of the purchase date, for $42 per share. The compensation income you recognize is equal to the amount by which the fair market value of the company stock on the last day of the purchase period exceeded the purchase price ($35 - $33.25 = $1.75 per share). The compensation income will be reported in federal taxable wages shown on Form W-2. To determine your tax basis in shares sold, you add the compensation income you recognize to the amount that you paid for the shares ($33.25 + $1.75 = $35 per share). To determine the capital gain or loss on the sale, you then compare your tax basis in the shares to the sale price. In this example, your capital gain is $7 per share ($42 sale price - $35 tax basis = $7 per share).
INCOME AND EMPLOYMENT TAX REPORTING AND WITHHOLDING

Federal Income Tax Reporting – Upon a disposition of shares, the income recognized as ordinary compensation will be reportable as federal wages on your Form W-2. However, under the current guidance from the Internal Revenue Service, this income is not subject to federal income tax withholding.

Federal Employment Tax Withholding – Under the current guidance from the Internal Revenue Service, any income from the purchase of shares under the ESPP will not be subject to Social Security and Medicare tax. Any changes in the IRS’ position on this issue will be implemented as of the effective date of that change.

TAXATION ON DIVIDENDS

Dividends paid on shares purchased under the ESPP are treated as dividend income received by the participant and are taxable in the year in which such dividends are paid. You will recognize this dividend income even if the dividends are not paid in cash but instead are reinvested in additional shares. Dividends will be reported to you on Form 1099-DIV.
1099 – An annual tax statement that is sent by a payer of dividends, interest or sales proceeds to taxpayers. This statement is forwarded to the IRS and to the individual taxpayer.

Common Stock – A security that represents units of ownership of a public 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 a share in the company’s profits. Dividends may be paid in either stock or cash.

Enrollment Period – Typically, the first day of the offering period in an ESPP. Also referred to as the grant date.

Fair Market Value – The price for which a company’s stock can be bought or sold at a given time.

Offering Period – See Enrollment Period.

Market Price – The price at which a stock is sold.

Proceeds – The total amount you receive from the sale of your shares, less any costs or fees.

Purchase Date – The date on which an exercise of a stock option is effective. With ESPPs, the purchase date is the last day of the offering (or purchase) period, when shares of your company’s common stock are purchased with your accumulated post-tax payroll contributions.

Purchase Period – An interim period within an ESPP offering period, generally when the offering period is longer than six months (e.g., 12 months or 24 months). With a lookback provision, the purchase price at the end of a purchase period is usually based on the fair market value on the first day of the offering period (or on the date you enrolled, if later) or on the last day of the particular purchase period (whichever is lower).

Purchase Price – The price paid to purchase shares. If a discount is offered, the purchase price will be the fair market price multiplied by the discount percentage.

W-8BEN – Certificate of Foreign Status form required by the IRS to tell the payer, transfer agent, broker or other middleman that an employee is a nonresident alien or foreign entity that is not subject to US tax reporting or backup withholding rules.

W-9 – A form that is required by the IRS for US taxpayers and citizens to certify their Social Security number or Taxpayer Identification Number. If form W-9 is not completed, sales of stock may be subject to backup withholding tax.
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