

# 409A Grant Splitter Program

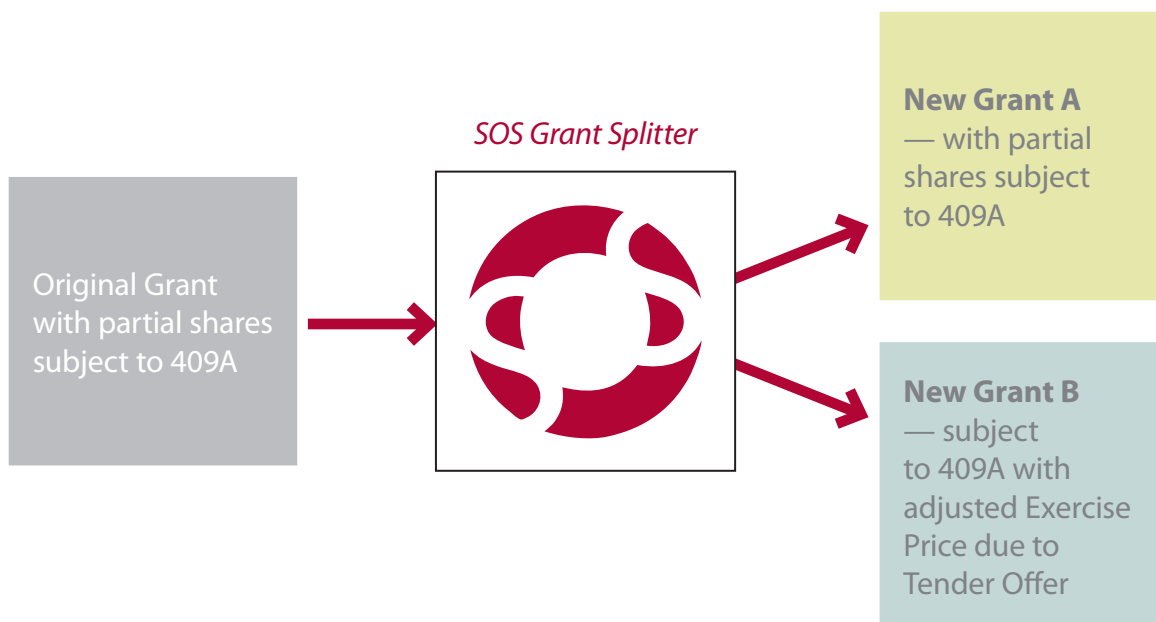
## Is the cure for 409A worse than the pain?

Not with our 409A Grant Splitter solution!

A tender offer to exchange stock option grants subject to Section 409A is only the first step in solving this problem: now the grants need to be adjusted in your stock plan database before employees can exercise the cured options.

The most common method for curing these grants is to “split” the original option into a “non-cured” (shares vesting on or prior to December 31, 2004) and “cured” (shares vesting after December 31, 2004) subgrant with the same terms and vesting schedule but new grant price on the cured portion. In addition, the original exercise history and expense amortization need to be rebuilt for the adjusted grants. The process for accomplishing this task on a manual basis is complex, time-consuming, and prone to errors, especially with a large number of grants to be cured. Not surprisingly, this phase has proven to be the most difficult for companies to perform in a timely and accurate manner.

Stock & Option Solutions (SOS) offers an easy solution to this challenge — an automated, auditable program combined with an experienced 409A project team to manage the process for you. Our 409A Grant Splitter Program systematically splits the cured portion of the grants from the non-cured shares while still maintaining correct grant terms, pricing, and vesting schedules. Once the corrected data is loaded into your stock plan software, our specialist team rebuilds the exercise and valuation history and reconciles exercisable shares and expense amortization. The 409A program also provides simple reports to verify pre- and post-split balances that will satisfy your auditors and Sarbanes-Oxley Section 404 controls. The result: significantly decreased completion time, much greater data accuracy, and a huge headache off your plate!



## Features

- Adjustment of data can be performed in days rather than weeks to minimize database downtime and exercise moratorium for employees.
- 409A Grant Splitter Program automatically splits the original vesting schedule based on the number of cured shares.
- New grant numbers, adjusted pricing, and other terms can be added or modified based on client specifications.
- Historical exercises and associated taxes are moved to the corrected grants
- FAS 123(R) expense amortization is also split, such that total expense will not change in any material way; both multiple option (FIN 44 front-loaded amortization) and single option (straight-line amortization) are supported.
- Extensive reconciliation/audit is performed to ensure data has been adjusted properly.
- Comprehensive audit binder is provided upon project completion for management and auditor approval; data verifications include grant terms, vesting schedules, exercises, exercise taxes, terminations/cancellations, leaves of absence adjustments, and expense valuations.
- Where necessary to comply with Tender Offer requirements, SOS utilizes the cancel/regrant function of your equity software system.
- To preserve your software warranty, SOS does NOT manipulate any data through a direct database connection. This assures that your data complies with your software's requirements and data checks.
- SOS offers additional services to support a tender offer/grant split process, DTA/APIC adjustments including employee statements and communications, and broker updates.
- Our solution can also apply to splitting grants acquired through an acquisition or requiring adjustment for any other reason.