



## SOS Educational Webcast: Documenting the Process: Why You Shouldn't Rely on Memory Alone

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## Materials Slides

[http://www.sos-team.com/pdfs/documenting\\_the\\_process.pdf](http://www.sos-team.com/pdfs/documenting_the_process.pdf)

3

## Agenda

- Why Documentation Is Important
- Processes that Should be Documented
- Level of Detail
- Potential Audience
- Storing Your Documentation
- Anything else I could/should document?

4

## Why Documentation is Important

- Best practice: able to show consistency in performing equity procedures/processes
- Compliance: SOX requirements
- Planned absences: Vacations, Leave of Absence
- Unplanned absences: Family emergencies, medical issues
- Refresher for “infrequent” processes (ESPP enrollment and purchase, proxy reporting)

5

## Processes that Should be Documented

- Everyday (day-to-day administration)
  - Settling option exercise trades
  - RSU releases
  - Demographic updates (name, address, termination)
  - New grant/award updates
- Section 16 processes
- Monthly/Quarterly processes
  - Validating the month’s activity
  - End of quarter preparation and reporting
- Year end processes (calendar and fiscal)
  - Preparing for year end
  - Year end reporting
  - Vendors involved with year end (6039)

6

## Processes that Should be Documented (cont.)

- Complicated/unusual processes
  - Manual workarounds
  - Processes that involve other departments
  - Processes that are out of the ordinary
- Infrequent processes
  - ESPP enrollment and purchase
  - Proxy reporting
  - Death
  - Divorce
- Team Members
  - Who, title, email, phone

7

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## Level of Detail

- Start with the basics if time is limited
  - Checklist of steps
- Expand when time allows (off peak periods)
  - Narratives (details about company, plans, why, how, who)
  - Specifics related to equity software
  - Screen shots
- Process Flows
  - Simple or Complex
- Combination of all of the above

8

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# Samples of Detail Levels

SOS - 101 Meeting  
AM - Accounting Manager

Equity Administration Checklist				
Daily Tasks				
Task	What	Timing	Comments	Frequency
Input daily value to Equity System	Updates value table	Morning	TSB is data comes directly from the leader	
Secure new Grant # from Log	Excel file	Morning	File maintained by SH for tracking of Transfer agent. Each share request	
Activity from equity vendor	Exercises for day	after 5:00 pm (EST) but prior to 10am (EST)	Check vendor site for activity	

**INTRODUCTION**.....

**GENERAL EQUITY ADMINISTRATION KNOWLEDGE..**

ROLE OF THE STOCK PLAN ADMINISTRATOR (SPA).....

PROCESS FLOW.....

PLAN DOCUMENTATION.....

PLAN PARTICIPANTS.....

STOCK OPTIONS.....

RESTRICTED STOCK AWARDS AND RESTRICTED STOCK.....

PERFORMANCE BASED AWARDS.....

DIVIDENDS AND DIVIDEND EQUIVALENTS.....

GRANT PROCEDURES.....

EXERCISING STOCK OPTIONS.....

VESTING AND RELEASE OF RESTRICTED AWARDS AND A.....

EMPLOYEE STATUS CHANGES.....

ADJUSTING TERMS OF GRANTS / MODIFICATIONS.....

TAX IMPLICATIONS.....

EXPENSING.....

DEFERRED TAX ASSET.....

EARNINGS PER SHARE (EPS).....

EMPLOYEE STOCK PURCHASE PLAN (ESPP).....

INSIDERS / TRADING POLICIES.....

REPORTING.....

PARTICIPANT EDUCATION AND COMMUNICATION.....

TRANSFER AGENT ROLE.....

PROCESSES AND CONTROLS.....

COMMON TERMS.....

**OVERVIEW OF EQUITY ADMINISTRATION AT COMP.**

ROLES AND RESPONSIBILITIES.....

PLANS AND PROCEDURES SPECIFIC TO COMPANY.....

Plans.....

Participants.....

Types of Equity Awards.....

Third Party Equity Vendor(s).....

Granting Procedures.....

Vesting and Release of Restricted Awards (settling.....

Vesting and Release of Restricted Awards (once.....

Vesting and Release - PSAs and associated Divid.....

Exercises - Stock Options.....

Dividends/Dividend Equivalents.....

Employment Status Changes (including Retire, I.....

Award Modifications.....

Tax Implications.....

Accounting/Expense.....

9

**GENERAL EQUITY ADMINISTRATION KNOWLEDGE**

**ROLE OF THE STOCK PLAN ADMINISTRATOR (SPA)**

**The Importance of the Stock Plan Administrator**

Equity compensation can be a critical component of a company's total compensation strategy. It involves multiple disciplines and regulations that are constantly changing. For a company with a large number of employees, a poorly managed equity compensation program can result in inaccurate financial statements, employee lawsuits, shareholder dissatisfaction, and other potentially dangerous liabilities. The company's stock plan administrator is responsible for the administration of these programs to ensure these concerns are addressed.

**Typical Role and Responsibilities of the Stock Plan Administrator**

The stock plan administrator brings all of the various aspects of equity compensation together:

- Knowledge base
- Database maintenance and recordkeeping
- Day-to-day operations, transaction processing, and reporting
- Plan compliance
- Management guidance
- Vendor relationship management

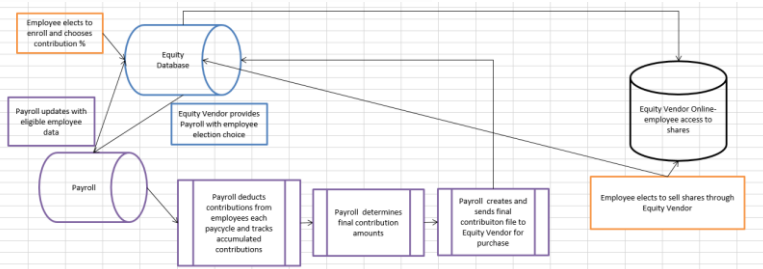
**Granting Procedures**

- Annual Grant (March) - Other than non-employee directors, the Compensation Committee should include a set timeline for days from Board approval)
  - o Compensation function design vesting rules, size of grants, etc other than the non-employee directors should include a set timeline for days from Board approval)
  - o Compensation function prepare the guidelines, grant history and other information for the Compensation Committee of the Board for approval. The grant is to be made on a date after the March 1<sup>st</sup> each year.
  - o HR team is provided with appropriate information for the grant.



# Samples of Detail Levels

## High Level ESPP Process Flow



## Potential Audience

- Someone with no stock admin experience (a monkey)
- Your back up within the company
- An outside stock admin consultant
- Your boss
- Auditors
- You!

11



## Storing Your Documentation

- Accessible to anyone who might have a need
  - On your desk (check list only)
  - Saved on the internal network
    - Set up a special folder and ONLY provide access to company approved personnel
- Be aware of confidential information in the documentation
  - Passwords/User Names
  - Employee specific data
  - Personal phone numbers
  - Screen shots containing confidential information
- Storage mechanism may be subject to audit and compliance reviews

12



## What else could/should I document?

- Historical stock splits (forward and reverse)
  - Board minutes, proxy details, SEC filings
  - Employee communications
  - Equity adjustment process
    - Who, how, tools used, etc.
- Previous merger and acquisition activity and special treatment
  - Same as above plus...
    - Acquired company equity plans and processes if available
- Fiscal year end (if differs from calendar)
- Full list of current Section 16 reporters (and previous reporters)
- Divorced employees and NEFS
- Company policies (or lack thereof)
  - Grant Guidelines (HR/Compensation Committee process)
  - Mobility
  - Charge Backs
  - Toll vesting for LOAs
  - Transfer Agent

13

## What's next?

- Should I Go or Should I Stay?
  - Take that long needed vacation – unlike the song lyrics...If you go there won't be trouble...your documentation will save you
- Job security – documenting your processes won't get you fired, rather they prove how much work you do and your value to the team
- Start small and grow!
- Ask for help if you are struggling on where to start

14




# Questions?


15



## Contact Information



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16

