Stock & Option Solutions

A Stock Plan Professional's Guide to Implementing a Provider

Julie Mrozek, CEP, Stock & Option Solutions, Inc.

Joseph Miceli, Fidelity Stock Plan Services

Stock & Option Solutions

Disclaimer

- The following discussion and examples do not necessarily represent the official views of Stock & Option Solutions, Inc., or Fidelity Stock Plan Services, with respect to any of the issues addressed. Moreover, this presentation and the views expressed by the individual presenters should not be relied on as legal, accounting, auditing, or tax advice. The outcome of any individual situation depends on the specific facts and circumstances in which the issue arises and on the interpretation of the relevant literature in effect at the time.

- Anyone viewing this presentation should not act upon this information without seeking professional counsel and/or input from their advisors.
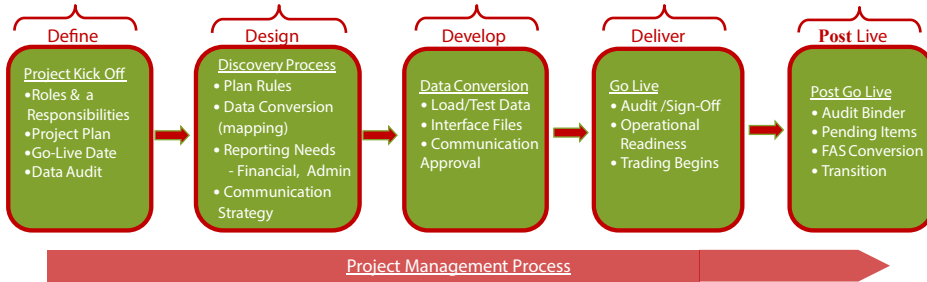
Stock & Option Solutions

Materials Slides

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

Agenda

- Implementation Process
  - Define
  - Design
  - Develop
  - Deliver
  - Post-Live
- Project Management Tools
  - Weekly Meetings
  - Issues Log
  - Project Status Notes/Updates
- Implementation Considerations

Implementation Process and Methodology

Define

Project Kick Off
- Roles & a Responsibilities
- Project Plan
- Go-Live Date
- Data Audit

Design

Discovery Process
- Plan Rules
- Data Conversion (mapping)
- Reporting Needs
  - Financial, Admin
- Communication Strategy

Develop

Data Conversion
- Load/Test Data
- Interface Files
- Communication Approval

Deliver

Go Live
- Audit /Sign-Off
- Operational Readiness
- Trading Begins

Post Live

Post Go Live
- Audit Binder
- Pending Items
- FAS Conversion
- Transition

Project Management Process

Stock & Option Solutions

Project Kick Off
- Roles & Responsibilities
- Project Plan
- Go-Live Date
- Data Audit

DEFINE

Stock & Option Solutions

Roles and Responsibilities

Vendor

Implementation Manager

Data Conversion Manager

Communications Consultant

Financial Reporting Consultant

Operations Consultant

Account Manager

Client

Project Lead (internal/external)

Stock Plan Services

Finance/Accounting

IT/HRIS

Communications

Payroll (internal/external)

Human Resources

Legal

Internal Audit

Treasury

Stock & Option **Solutions**

Sample Project Plan

Client:			Stock & Option **Solutions**			SOS SIGN-OFF:			
PROJ DESC: Database Implementation/Conversion									
EST START:						CLIENT SIGN-OFF:			
EST END:									

CONTACT	Client					TYPE:	PM	Project management and facilitation
							DG	Data gathering
							DP	Data preparation
	SOS	SOS, Project Manager					DA	Data audit
		SOS, Project Management Coordinator					TT	Testing and transmittal
		SOS, Project Lead					PP	Policies and procedures
		SOS, Data Operations					ER	Education, training and rollout
		SOS, Tech Team						
		SOS, Sales						

Task #	Type	Action Item	Owner	Target Due Date	Start Date	Completi on Date	Est Time (Hours/ days)	Actual Time	% Comple	Notes
1		Project Management/Initial Set-up								
1.1		Signed agreement received	Sales							
1.2	PM	Kick-off call	PM#							
1.3	PM	Establish project plan	PM#							
1.4	PM	Create contact list	PM#							
1.5	PM	Obtain client sign-off as necessary	PM#							
1.6	PM	Set up semi-weekly call	PM							
1.7	PM	On-going follow-up and project management	PM#							
1.8	PM	Provide client with project questionnaire and circulate to project team once returned.	PM#							Questionnaire name/location
1.9	PM	Determine data systems used by client (old and new)	PM#							
1.10	PM	Arrange delivery of database(s) or VPN access as necessary	PM#							
2		Discovery, Data Collection and Data Preparation								
2.1	DG	HDA-Signed and returned	Sales							
2.2	DG	Send software (CDs), license keys and passwords: Equity Edge, Express Options or other data system.	Client							
2.3	DG	FTP old data files to SOS unless files being provided to SOS manually or other form of medium.	Client/IT							
2.4	DG	Send all plan documents, award agreements, process documents, etc. necessary for SOS understanding of data.	Client/SOS Data							Softcopy preferred
2.5	DG	Review Client's stock administration functions, general processes, data, plans, procedures, intranet site (if applicable), TA...etc, as currently established.	SOS Data							
2.6	DG	Review questionnaire, old and new data sources to identify any other	SOS Data							

Stock & Option **Solutions**

8

Project Plan Columns

- Task #
- Type
- Action Item
- Owner
- Target Due Date
- Start Date
- Complete Date
- % Complete
- Status
- Additional Notes

Stock & Option **Solutions**

9

Project Plan/Go-Live Considerations

- Holidays (domestic and international)
- BOD Meetings/Shareholder Meeting
- Earnings Releases
- Blackouts
- Company Events (all-hands, off-site sales meetings)
- HR Events (annual review cycle, benefits open enrollment)
- Payroll Dates
- New Award Dates
- Release Dates/Large Vest Dates
- ESPP - purchase dates/enrollment dates
- Stock Plan Services - other key dates (proxy)
- 10b5-1 Plans - trading days
- Accounting Periods
- Vacations
- Pending Acquisitions

Stock & Option **Solutions**

10

Data Audit

20	N	**Cancellations with Unvested Cancel Date different from termination date** Typically the data populated in the Unvested Cancel Date is created due to employee terminations. Therefore, if these two dates are different, it may indicate records that have data errors or option modifications that could result in accounting charges.
21	Y	**Compare FMVs in database to outside source** This audit is to check that data has been entered and tracked correctly in _____. If the data is incorrect in the Fair Market Value table in _____, it could cause errors in option prices, grant and award APB25, FAS123, and FAS123R valuations, and exercise gain and tax calculations.
22	Y	**Accounting tab Measurement Date is different than Grant Date** If the Grant Date and Measurement Date are different, compensation may show on the Expense Allocation - Actual Summary and Detail reports. These records should be researched to identify if the data is accurate.
23	Y	**Grant Date prior to Hire Date** Typically, employee options can not be issued prior to a hire date. If options were granted prior to the hire date, the company may need to calculate a Non-Employee option expense.
24	Y	**Grant Date after Termination Date** Typically, options and awards are not granted to employees after their service has ended. These records may be indicative of incorrect data or a need to calculate Non-Employee option expense.
25	Y	**Grants that are cancelled, but account is not terminated**

Stock & Option **Solutions**

Discovery Process
• Plan Rules
• Data Conversion (mapping)
• Reporting Needs
  - Financial, Admin
• Communication Strategy

DESIGN

Stock & Option **Solutions**

Discovery Meeting

- Open Format
- Client Questionnaires
- Plans/Grant Types
  - Plan nuances
  - Current Data/System Issues
- Financial Reporting
- Communications
- Future Plans
- Wish List

Stock & Option **Solutions**

Data Mapping

Field Name	Initial Data Load
H	H for Header, A for Award
Participant ID	PUID in Data Files (Awards Granted and Vesting Details) from XXXX and confirmed record on Participant
Award ID	Grant_AwardNumber from Data Files from XXXX (Awards Granted and Vesting Details), Performance Awards (combined Award IDs with vesting tranches tied to same performance metric - confirmed with XXXX)
Award Date	Grant_AwardDate from Data Files (Awards Granted and Vesting Details) from XXXX
Equity Type	Grant_AwardType from Data Files (Awards Granted and Vesting Details) from XXXX, Changed RSS to RSA and PSS to RSA and PSU to RSU (with Performance = Y)
Plan ID	PlanID from Data Files (Awards Granted and Vesting Details) from XXXX
Award Amount	Options_Shares_UnitsGranted from Data Files (Awards Granted and Vesting Details) from XXXX
Award Amt at Issue	
Award Price	Option_AwardPrice from Data Files (Awards Granted and Vesting Details) from XXXX
SAR Type	None - Tandem - Stand Alone (did not load)
Grant Code	ACTIV, BOARD, CONSU, TERMI on Options, and ACTIV and TERMI on SARs. do not load per XXXX (loaded at vendor implementation) Update for Evergreen, NH, etc? Confirm with HR Comp - use from Award ID implementation of type (MM/DD/YYYY). Updated with PERF for performance awards that have not been measured. Will not show vesting on participant view. When measured, remove PERF and update User Defined 3 with Measured.
Vest Start Date	Vest Start Date from Data Files (Awards Granted and Vesting Details/Vesting Details) - **Not loaded for Options**
Vest From Hire Flag	
Vest Template Code	Implementation for all - confirmed on e-mail from XXXX on MM/DD/YYYY
Expiration Date	Plan default - confirmed on e-mail from XXXX/XXXX, Vendor to remove for RSA/RSU

Stock & Option **Solutions**

14

7

Reporting Requirements

- Map existing / frequently used report to reports in new system
  - Administrative
  - Financial
  - Proxy
    - ASC 718
    - Exec Comp Disclosure (Reg S-K)
  - Exports
    - Payroll / Taxable Income / Withholding
  - Section 16
  - Participant Communications
  - Grant Planning
  - Broker/Transfer Agent
  - Audit/Security
  - Error Checking
  - **Which spreadsheet functions can be automated in the new system?**

Communications Strategy

- Opportunity to re-educate your employees regarding the benefits of your company's equity compensation plans
- Consider varying your communications based on audience
- Provide some lead time to your employees prior to the conversion date to the new record keeper
- Test communication materials with a few employees outside the implementation team
- Determine best method to communicate with your employees (e.g. electronic or paper-based)
- Think about other events that may be communicated to employees around the same time as conversion
- Conversion may be a one-time event, but consistent communication post conversion is just as important to solidify the change

DEVELOP

Data Conversion
• Test/Load Grants
• Interface Files
• Communications Approval

Stock & Option **Solutions**

Interface Files
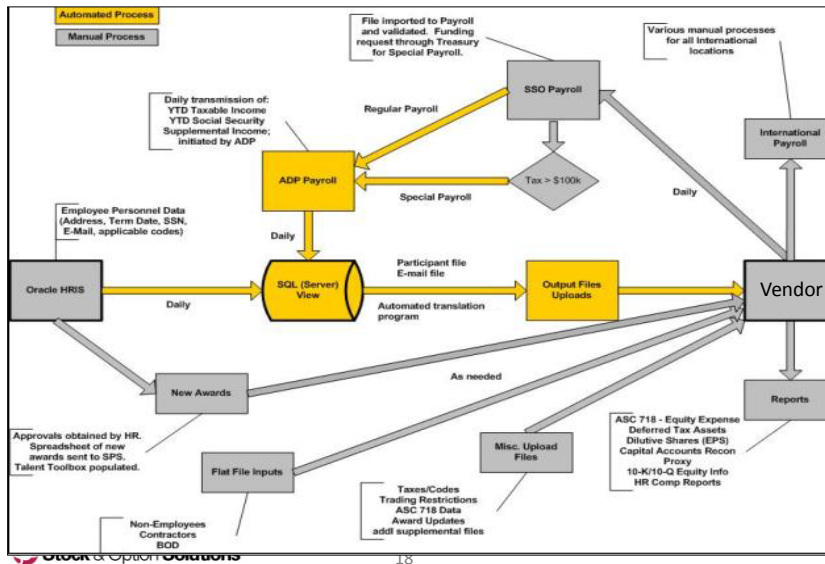
Communication Approval

- Stock Plan Services
- Communications
- HR
- Legal
- Vendor

Stock & Option Solutions

19

Go Live
- Audit / Sign-Off
- Operational Readiness
- Trading Begins

DELIVER

Stock & Option Solutions

Final Checklist

- Final data sign-off
- White list vendor email domain
- Establish trading blackout, if any
- Broadcast messages on new and outgoing vendor sites
- Employee notification
- Live-date announcement vendor & client

Stock & Option **Solutions**

POST-LIVE

Post Go Live
- Audit Binder
- Pending Items
- FAS Conversion
- Transition

Stock & Option **Solutions**

Post-live

- Lessons learned meeting / review
- Phase 2 – additional enhancements
- Audit binder completion / hand off
- Updated SOX controls
- Financial reporting completion
- Conversion team may stay involved until first major event after go-live
  - Release
  - Quarter end/year end

Stock & Option Solutions

PROJECT MANAGEMENT TOOLS

Stock & Option Solutions

Weekly Meetings

- Agenda
- Documentation/Notes
- Follow Up
- Smaller Group Meetings, as needed
  - Financial Reporting
  - Interface Files (Payroll vendor, HRIS)
  - Communications

Stock & Option **Solutions**

Issues Log

Issue #	Date Issue Opened	# of Days Open	Priority (H,M,L)	Status of Issue (G, Y, R)	Issue/Action Category	Open Issue/Action Item	Exception Process	Current Status / Next Step or Resolution	Current Owner	Vendor/Sponsor Point Person	Target Date	Close Date
SPS03 *Use next number — Make sure you check for the next highest number.*			1	G	Plan Administration	Employee IDs	No	1/27 - For acquisitions, employees are not immediately entered into HRIS system and thus are not always issued EEIDs in a timely manner. HRIS system auto-generates EEIDs. For international employees, this presents an issue for Fidelity, as EEID is the primary key for updating participant data. Any subsequent change to the EEID would require manual update by Fidelity Operations. XXXX to discuss process changes internally to provide			MM/DD/YY	
SPS04	2/6/12	22	2	G	Plan Administration	International Considerations	No	1/27 - XXXX will meet with Baker & McKenzie regarding the following international concerns: - is UK plan qualified? - country-specific rules - tax withholding requirements internationally (currently only withhold in UK and for Canada RSU) - translation requirements internationally, especially in Quebec.			MM/DD/YY	
SPS05	2/6/12	22	2	G	Plan Administration	Technical Grants	No	1/27 - These grants are issued quarterly to approximately 5 participants/quarter. They are immediate vest, 250 shares. Currently listed as "discounted SOP" in Equity Edge; currently certificated. XXXX will meet internally for			MM/DD/YY	

Stock & Option **Solutions**

26

CLIENT SPS Implementation

Project Status

Project: Stock Plan Implementation
Date: February 6, 2012
Implementation Manager: Name
Target Live Date: TBD

Recent Accomplishments

- Project charter and project plan provided to Client for review.
- Indicative data from 401k system provided to Client for review.
- Grant extracts received and converted, included account (indicative) data. Reports provided to Client for review and reconciliation.
- FAS Checklist received from Client.
- Onsite Integrated Discovery Meeting held.
- Bank Wire instructions received.

Overall Status of Implementation

Project Phase	Status	
Agreement	GREEN	Contract signed
Discovery/Requirements	GREEN	IDM held 1/26 &
Data Conversion	GREEN	System extracts
Communications	GREEN	
Development/Setup	GREEN	
Transition		
FAS		

Green: Tracking to plan
Yellow: Issue(s) need to be resolved or Live Date may
Red: Live Date in serious jeopardy – Recovery plan ne

Outstanding Critical Issues

Item	Impact to Implementation

Live date	• Vendor proposes split live dates:
	  o 5/1/12 for Equity Plans
	  o 7/1/12 for ESPP & File Feeds
	• Olivia has developed a calendar of events for analysis internally at Client to determine most appropriate live date.

Product Mapping & System Setup	• Work is underway to define population segmentation and system rules. • System setup will commence once complete.

Recent Decisions

Decision Made	Impact to Implementation
Communications	

Upcoming Project Plan Deliverables

Deliverable	Scheduled Completion Date	Owner	Comments
Ongoing file feed spec review	02/08/2012		• Meeting date determined by ProB and HRIS resource availability.
Vendor Internal Forms Submitted	02/09/2012		

Stock & Option Solutions

IMPLEMENTATION CONSIDERATIONS

Stock & Option Solutions

Implementation Considerations

- Engage internal partners early
- Internal wish list
- Data feeds/interface files
- Timing of notification to outgoing vendor
- Transfer of assets
- Requirements for account opening
- Load historical data
- Vest schedules – template or actual

Stock & Option Solutions

29

Contact Information

Stock & Option Solutions

Julie Mrozek, CEP
Equity Compensation Consultant
6399 San Ignacio Avenue, Suite 100
San Jose, CA 95119 USA
Bus: (408) 979-8700
E-mail: jmrozek@sos-team.com

Fidelity
INVESTMENTS®

Joseph Miceli
Vice President, Implementation
400 Puritan Way
Marlborough, MA 01752
Bus: (508) 787-7563
Email: Joseph.Miceli@FMR.COM

Stock & Option Solutions

30