

## Monthly Newsletter From the Experts at FRS Equity Strategies, Inc.

Greetings and Happy New Year. This is going to be a momentous year in equity compensation and plan administration. We have a new U.S. president, a new administration and a challenging economy (to say the least).

With the changing of the guard, we will see changes at all government levels. This may affect our day-to-day responsibilities in ways that are not presently known.

Through this newsletter we hope to alert you to the most important changes in equity compensation, present "TIPS" with attention to compliance under equity regulations and provide you with "Efficiency Tools" to help you with best practices.

## Industry News

**SEC:** President-Elect Barack Obama has chosen Mary Schapiro to head the Securities and Exchange Commission. Schapiro said there must be "consistent and robust enforcement" of regulations to protect investors, saying it will be her top priority as SEC chief. (Read more about her at [www.onwallstreet.com](http://www.onwallstreet.com))

## Contents

Monthly Newsletter From the Experts at FRS Equity Strategies, Inc.....	1
Industry News.....	1
The CEO Speaks.....	1
Equity Compensation - TIPS for January 2009.....	1
Looking Ahead:.....	2
Efficiency Tool / Tip:.....	2
The Challenge!.....	2

## The CEO Speaks

**Marianne Brannock-Hill, CTP, CEP**



Welcome to the new FRS Equity Strategies monthly newsletter. I am excited to be able to bring you news, information and tools in an interesting format - a newsletter.

Let me begin this new communication by saying I have been in the industry for over 25 years and have been the CEO of FRS Equity Strategies for the last 8 years. Our company is dedicated to providing you, the Equity Professional, and your company with a full range of services and training to meet your needs in this very complex industry.

This is going to be a challenging and exciting year for equity compensation. We expect there will be major changes resulting from reforms on Wall Street and these will affect equity compensation at all levels. We also expect changes in employment practices as firms adjust to the recession and worsening economy.

We, of course, can not predict exactly what those changes are going to be, but we can be proactive about keeping ourselves knowledgeable about what is going on. For example, be aware of the changes at your company. Be diligent about reading the industry and regulatory information about equity compensation so that you and your team can properly plan and strategize for your company and the year ahead.

## Equity Compensation - TIPS for January 2009

### 10 Important Items to Complete this Month!

1. **TAX:** Reset your database Payroll YTD Amounts to Zero; check that the FICA maximum is now at \$106,800.
2. **TAX:** The Federal supplemental rate remains at 25%.
3. **TAX:** Verify the supplemental withholding rates for the US states that are listed in your database. Verify the State Disability rate (SDI) and the Voluntary Disability rate (VDI) for your state(s).
4. **ACCOUNTING:** Do a new analysis for the Estimated Forfeiture Rate (EFR). Your Stock-based Compensation Expense Report uses an EFR and will reduce your overall expense. Our current economic situation may "increase" the expectations of forfeitures in 2009 and this may lower the expense that will be recognized at 12-31-08. (Software Notes: If you are using Equity Edge, be sure that you are on version 7.2 to get an accurate report for the Annualized Forfeiture Rate (AFR). If you are using EASi, the database has already been upgraded in November and no action is needed.)
5. **LEGAL:** Identify the terms of the Equity Plans that need to be overhauled / revised / improved. Identify the expectations for new grants, the ESPP shares to be issued. Typically in January the Board of Directors will meet to review the compensation for the Company. There are certain efficiencies and plan terms that will create a greater incentive for the executives and all employees.

Send this list to your immediate manager or the CFO. Define the revisions and why you recommend them.

6. ADMIN: Send participant Exercise and ESPP Transaction Statements. Under Sec 6039 of the IRC, all employees that have transacted an ISO exercise in 2008 and any employee that has a 2008 ESPP transfer/disposition must receive a statement from the Company with the pertinent information. All equity software provides a statement with the pertinent information that is required.
7. TAX: Complete Form 1099 for any non-employee transactions that incurred ordinary income. RSU release, NQ exercises, RSA releases if an 83(b) election was not filed. Form 1099s are due by January 31.
8. LEGAL: Begin your data collection for filing the Form 5s within 45 days of the company's fiscal year-end. (Remember that they are due on Feb 14<sup>th</sup> if your FYE is Dec 31.)
9. LEGAL: If your fiscal year-end is Dec 31, then plan out the 10-K and Proxy Statement responsibilities, clarify who does what and the due dates.
10. ADMIN: Publish and distribute a 2009 Calendar for the important dates that relate to the Equity Plans – make it relative for HR, Payroll, Accounting, Finance and Legal. Include: Black-out periods, grant dates, RSU/RSA release dates, ESPP Purchase dates, Annual Meeting date (even if it's a tentative date at this time), Board Meeting dates, earnings release dates (tentative), corporate shutdown days, and the accounting fiscal quarter-end dates.

## Looking Ahead:

1. Are your International Taxation Procedures in place? Don't get caught doing nothing about collecting and reporting the appropriate withholding taxes due in each country. FRS has an International Tax Starter Chart that

can get you started on compliance.

2. Did your internal procedures change during 2008? If so, the Company must amend the SOX compliance documentation to reflect such procedural changes.

## Efficiency Tool / Tip:

1. Spend the last 10 minutes of every day and clean out your email inbox. Get in the habit of setting aside 10 minutes at the end of every day to do email, phone call, and shared drive maintenance.

## The Challenge!

Each month we are going to present you with a challenging puzzle in the equity compensation field. The answer will be in next months newsletter.

Mary, the COO and a 7% shareholder of ABC Co, enrolled in the Company's ESPP on January 1. It is a 6-month fixed plan with offering dates on January 1 and July 1, and purchase dates on June 30 and December 31. The plan has no share limits. The purchase price is based on 85% of the last day of the purchase period. Fair market values are as follows: January 1 = \$25; July 1 = \$32; June 30 = \$31.50; December 31 = \$22. Mary contributed \$2,500 during the period.

*What is Mary's purchase price, and how many shares did she purchase?*

[L2A013]

---

**FRS Equity Strategies is the only full-service stock options and equity compensation consulting firm in the US that can deliver a complete solution to your company -- from [consulting services](#) to [outsourcing](#), to [training and education](#) courses that keep your staff up-to-date in this fast-changing arena.**

**We deliver unsurpassed knowledge of all aspects of equity compensation, unrivaled attention to detail and a high level of personal attention. We understand and meet the strictest standards of confidentiality to protect your information and minimize risk. Our services are organized and priced to deliver the best value without sacrificing quality.**

---

## Trust the [Experts](#) at **FRS Equity Strategies.**

### FRS Equity Strategies, Inc.

3940 Freedom Circle,  
Suite 503,  
Santa Clara, CA 95054  
Phone: (408) 727 0227  
Fax: (408) 727 1760  
[www.FRSEquityStrategies.com](http://www.FRSEquityStrategies.com)