

The Rabbit Report: Quarterly News on Equity Compensation

June 16, 2010

The CEO Speaks

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Today, we see global employers trying to control costs, maintain a competitive edge with their employee compensation package, all the while ensuring that the employees are healthy, happy, motivated and productive. Becoming a global employer can be a daunting task. A company must understand the complexities of hiring and retaining employees outside the U.S. The risks and liabilities must be identified and managed. Equity compensation - options, awards, units, and phantom stock - can be a part of the company's total rewards program. There are several reasons for offering equity. Equity encourages employee ownership in the company. Ownership builds accountability, pride and loyalty. Equity offers an additional cash value through stock appreciation. Equity can also be used as a supplement to the salary to build a compensation that is commensurate with the competition. "Why" and "how" are the two important questions that should be addressed when including equity compensation in the total rewards package.

From the unrest at the China plants to India's move to a National Employment Policy, it is clear that a global corporation has a lot of ground to cover to ensure that the compensation package offered to non-U.S. employees is compliant under local laws and regulations. A global corporation should seek the assistance of outside consultants - legal, tax, employment, payroll, and administrative - to ensure the appropriate framework is in place before hiring a non-U.S. workforce

These are some and may not be all of the considerations that must be addressed when offering equity benefits to non-U.S. employees and consultants:

- Corporate taxation
- Employee income and social taxation
- Employment taxation
- Mobile employees
- Accounting expense
- Security controls
- Currency controls
- Foreign exchange issues
- Data privacy and protection
- Labor laws
- Employment regulations
- Communication to employees
- Filing requirements
- Implementation administration
- Administration of equity plans

To gain insight into the considerations for the various changes we may encounter, we invite you to visit our **RESOURCES** Page:

www.frsequitystrategies.com/resources.htm

and download our white paper on International Considerations for Offering Stock Options.

CEU – Get your credits!

There is no better time than now to refresh your knowledge base and at the same time get up to 8 Continuing Education Units (CEUs) that are required to maintain your CEP designation. Our Web Classes make it easier for you to continue your education and stay fresh with today's regulations.

Visit:

www.frsequitystrategies.com/training.htm

and select the CEP-CUE Program option from our list of training and education options.

Industry News

EASI Software – June 8, 2010

Equity Administration Solutions, Inc. (www.easiadmin.com), announced the launching of a robust exercise wizard premiering a design that anticipates the different needs that a participant, a financial advisor and an administrator have when they interact with real-time transaction information.

Every step of the exercise's payment method and share elections, plus subsequent processing and settlement is driven by plan-level and system rules that allow for overrides and updates only by the appropriate user role. The intelligent wizard prompts for information needed or populates it automatically from the EASi system.

Two-Step Software – March 8, 2010

Two Step Software, Inc. (www.twostep.com) announced that it has met Massachusetts' rigorous new standards for the protection of personal information. Many IT professionals consider these new regulations, 201 CMR 17 effective March 1, 2010, to be the toughest in the country and the standard after which other state and Federal data security laws will be modeled.

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Transcentive (Computershare)–
May 5, 2010

Transcentive (www.transcentive.com) announced the release of version 12.0 of the Express Equity™ suite of products, with new features related to performance awards.

Companies will have the ability to track both variable and non-variable performance grant types, create and attach probability payout schedules to one or more grants, and create customized amortization schedules on a grant-by-grant basis. In addition, there is updated proxy reporting.

“Transition Central”

- IPO Transition
- Move to Outsourcing
- Merger or Acquisition
- Switching software
- Changing vendors

FRS created a white paper for each of these transition process topics.

These white papers include checklists to assist the corporate executive or department manager with these difficult and complex corporate events.

To download and view any of our white papers, we invite you to visit our Transition-Central website:

www.frsequitystrategies.com/transition.htm

Keep Your Skills Sharp

Take the opportunity now to sign up for classes or certification training to advance your knowledge base. Accounting, stock plan management, software review, or SEC disclosure reporting are just a few to consider.

Visit www.frsequitystrategies.com/training.htm to explore the online educational resources provided by FRS Equity Strategies.

FRS is now offering special discount rates on training packages of advanced topics in equity compensation for senior management and your equity plan management group.

Email William, our Director of Business Development william@equity-strategies.com for more information.

TIPS for Summer 2010

It's Vacation Time!

With people on vacation, BE SURE TO HAVE A BACK-UP PERSON!

Also summer can be the time to concentrate on getting those “back-burner” items done!

1. Train a Back-Up Person in your desk processes. Have written procedures of each process. Have a list of Contact Persons. If you are the liaison for the Company's Transfer Agent, Authorized Broker, Legal Counsel, Investor Relations Consultant, then list out the contacts with names and phone numbers.

2. Audit Your Software - your options and award tracking database. Run the Audit Report. Run the Data Check and Valuation Check. Run the Security Check. Because your employees are regular people, they do a lot of complex things – change locations, changes tax jurisdictions, get married, get divorced, change employment status, leave the company, go on a leave of absence. The “people” part of the data can be the most challenging. You must have the people and related personnel data absolutely correct in order for your grants, transactions and reporting to be accurate.

3. Update SOX Documentation. Your auditors may set up a preliminary audit in the Fall to get this part of the audit out of the way before the big year-end audit hits.

Announcements

- “Team Edge” Outsourcing
- “Team EASi” Outsourcing
- “Team eProsper” Outsourcing

We are a “fully-loaded” stock plan administration service. In other words, we do everything.

“Full-service” has come to mean transaction-processing and some reporting. Yet this accounts for about

30-50% of the responsibilities of the department.

Outsourcing should mean that the responsibilities are managed by a vendor. ALL of the responsibilities!

Our location is 1580 Oakland Road, Suite C205, San Jose, CA 95131.

Main: 408-727-0227

Fax: 408-727-1760.

The FRS Challenge!

Challenge Question: A prize for the first correct answer!

Name 3 of the considerations for offering equity compensation to non-U.S. employees.

\$25 gift certificate for the first right answer emailed to:

training@equity-strategies.com

Prior Newsletter's FRS Challenge Question:

Name the 3 “conditions” for a stock option that will drive how the option is fair valued and will dictate the expense allocation method. upon a comparison to the stock price of a group of peer companies. What valuation model should be used to determine the expense of the options for reporting under FAS 123(R)?

ANSWER: Explicit condition is the most common. We also have an implicit and a derived condition. These are the 3 conditions that are just one of the considerations for the determination of the expense allocation.

Challenge Winner:

No one got this right! What? Doesn't anyone read the FAS123(R)(now ASC718) interpretive guidance from the Big Four audit firms?

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. Our suite of services includes:

outsourcing

www.frsequitystrategies.com/outsourcing.htm

consulting

www.frsequitystrategies.com/consulting.htm

training and education

www.frsequitystrategies.com/training.htm

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.

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