



Equity Compensation - TIPS for January 2010

10 Important Items to Complete this Month!

1. TAX: Reset your database Payroll YTD Amounts to Zero; check that the FICA maximum is correct.
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 unusual experiences and may increase the expectations for forfeitures in 2010 and this may lower the expense that will be recognized at your fiscal reporting period. (Software Notes: If you are using Equity Edge, be sure that you are at least on version 7.2 to get an accurate report for the Forfeiture Rate. If you are using EASi, the database has already been upgraded in August 2009 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 2009 and any employee that has a 2009 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 14th 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 2010 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.

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