

Transition Steps for Outsourcing Stock Plan Administration

It is important to review all aspects of the stock administration department as the Company considers changing from an in-house operation to an outsourced operation. The following considerations should be carefully charted to identify the cost-benefit of moving to outsourcing. Once the decision is made to outsource the department and its processes, the Company must ensure that all corporate parties that operate as cross-functional contributors and recipients of information for this department are now working with the outside vendor. It is important to lay the foundation early so that the move to the new operation is transparent, and the new operation offers all, or at least most, of the attributes that were in place when the department was an in-house operation.

CONSIDERATIONS BEFORE THE DECISION IS MADE:

1. Select several vendors to evaluate.
2. What are the corporate reasons to switch the operation to outsourcing?
3. What is the cost-benefit for moving to outsourcing? Include the time-savings and the indirect cost-savings.
4. Discuss the company's needs to the potential outsourcing vendors. Does the vendor "listen" and respond to how the needs will be met.
5. Define the company's expectations.
6. Will the Company data and personnel data be housed and maintained off-shore or in the US? What are the security measures in place for data security?
7. Is the outsourced vendor SAS70-certified?
8. What exactly is included in the list of outsourced services? Compare this to the current department functions.
 - Transaction Processing
 - Database maintenance
 - Management, dept, and external reporting
 - Employee Communication
9. What tasks will the vendor take over?
10. What is the vendor turn-around time for transaction processing, report requests, and all functional task and reporting requirements required by the company.
11. What tasks will the vendor provide that may be an additional cost?
12. What part of our operation will move to the vendor and what part will stay in-house?
13. Do I need a part-time or full-time person in-house to supplement the outsource service?
14. What IT services are required to set-up with an outsourced vendor?
15. Responsibility for software, application support, tech support.
16. What is the level of expertise of the vendor's staff? What are the staff's credentials?
17. Will my vendor stock plan administrator be a CEP?
18. Obtain quotes from several vendors.
19. Are there sets-up fees?
20. Check several references for each candidate vendor.
21. Review the disaster preparedness program for each vendor.
22. Review the vendors' performance guarantees.
23. Talk with other departments about the move.

Outsourcing Checklist

Does the vendor take on or will the Company continue to communicate with employees?

The Employees

Who will take care of the employees? Employees always have questions and these must be answered timely and accurately. Employees must be notified of their rights regarding their benefits when there are changes to employment status such as: terminations, leaves of absence, divorce, death, disability, reductions in staff, changes to employment status, and changes in officer/executive status.

The functional work relating directly to employees:

1. Communications, answer Stock Admin email box, phone calls.
2. Written notifications to employees.
3. Interpreting the terms of the Equity Plans, the ESPP, and the agreements.
4. Handling the unusual situations that arise.
5. Communicate effectively and timely to employees re personnel situations.

Liability Issues

Limit any liability issues that may arise due to non-compliance. Ensure the Company maintains compliance with the Company's Stock Plans, compliance with the Internal Revenue Code and SEC regulations, and compliance with employment law.

TASKS AFTER THE DECISION IS MADE:

1. Identify one person(s) in the Company who will be the main contact for the relationship.
2. Line up a conference call with all internal parties that will interact with new vendor. Outline needs, reports, and expectations.
3. Establish a calendar for vendor of tasks, processes, and report requirements.
4. Update SOX documentation to accommodate the new vendor set-up.
5. Give the vendor the list of authorized person in the Company who must approve certain transactions or reports.
6. Ensure security of Company and personnel data utilized by new vendor.
7. Monitor the vendor performance in the first 3 months.

FRS History and Services

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We provide the following services to both private and publicly-owned companies. We work with a wide range of organizations from start-up to Fortune 1000 companies. Our professional staff is comprised of individuals with advanced degrees and certifications in accounting, tax, law and business. We are SAS70 certified, ensuring that our processes meet the highest standards of security and confidentiality. For further details on all our services, please visit our website: www.frsequitystrategies.com, email us: clientservices@equity-strategies.com, or call (408) 727-0227.

Out-Sourcing

- We provide a full-service management and administration service customized to the needs of your organization and your current processes.
- Our services cover all aspects of employee equity plan management, addressing up to 50% more corporate responsibilities than those handled by brokers, law firms, or other third-party vendors.
- Our team is highly experienced with a variety of equity plan management software suites including those from EASi, EMS, eProsper, E*Trade, Equity Edge, Transcitive and more.

Consulting

- We offer services on a project-basis to provide you with a variety of assistance with the management of your employee equity plans.
- FAS 123(R) valuation and expense allocation reporting.
- Database integration related to mergers and acquisitions.
- Software implementation for new applications and transitions between applications.
- Audits of historical data and ongoing processes for compliance.
- Other special projects as needed.

Training

- Remote or onsite training services to maintain the technical expertise of your staff.
- Seminars and “boot-camps” on regulations, accounting, tax and compliance issues.
- Courses in the use of equity plan management software applications.
- CEP exam preparation sessions for levels 1, 2 & 3 of certification.