Please pass a copy of this issue to any colleagues who might benefit from the NASPP in the critical days ahead.

The NASPP Advisor

Vol. 17, No. 3 | Practical Guidance for NASPP Members | May-June 2009

Naspp.com

A Word from the Director

I'm thrilled to be able to announce the program for the 17th Annual NASPP Conference; once you take a look at it, I'm sure you'll agree that you can't afford to miss this year's Conference.

You'll leave the Conference with the full picture of how current economic conditions are reshaping stock and executive compensation. With sessions on grant guidelines, strategic design considerations, option valuation, impacts on global stock plans, and option exchange programs—the Conference covers the full gamut of how the down market is changing stock compensation.

We also have numerous sessions planned on the coming regulatory reforms—including say-on-pay, elimination of broker non-votes, risk assessment and compensation, restrictions on executive compensation, and the new executive compensation disclosures. Look for more sessions to be announced—including the line-up of the 6th Annual Executive Compensation Conference—as we learn more about these anticipated regulatory changes.

Lastly, you won't want to miss all the valuable sessions in the Conference tracks on *Best Practices in Equity Compensation; Accounting, Auditing, & Controls;* and *Administration & Communication.*

With the aggressive early-bird pricing we've offered this year, registrations are already significantly exceeding expectations. Our service provider members won't want to miss this opportunity to reach current and prospective clients. We expect the exhibit hall to sell out; if you haven't already secured your space—and sponsorship—contact us today at naspp@naspp.com.

—*Barbara*

P.S. Don't wait any longer to register—our "last chance early-bird" pricing is only available for a few more days—just until this Friday, June 26. Register for the NASPP Conference today online at Naspp.com or by fax/mail using the enclosed form.

Top Ten List: Changing Service Providers

In April, we presented a webcast on "Best Practices—Changing Service Providers Like a Pro." Here are our top ten ways to ensure a problem-free transition between stock plan service providers.

1. **Complete a comprehensive needs assessment.** This assessment will identify strengths and weaknesses of the existing service provider and will be the centerpiece for your project planning team in defining expectations for the new service provider.

2. **Explore different service providers.** Diversify your new service provider candidate list so that you have participants with different strengths, *e.g.*, price, expertise, and any other factors you feel are important—but be sure to limit your candidates to a manageable number.

3. **Conduct a request for proposal (RFP).** Formalize the process of evaluating service providers by conducting a formal RFP. This can help ensure that candidates deliver what is asked of them, and, because an RFP is a competitive process, that you get the "best deal" available.

4. **Use a consultant to independently evaluate your candidates.** There are numerous benefits to using a consultant to evaluate your service provider candidates: the consultant can offer additional perspective on the candidates, offload much of the workload of overseeing the RFP, complete initial evaluations, and mitigate internal disputes.

5. **Document decisions.** The process of changing service providers from start to finish could be a long one. Taking the time to document the decisions made along the way will ensure you don't lose track of these decisions and will help later to justify how decisions were arrived at.

6. **Identify data related contractual obligations.** Locate a copy of your existing service provider agreement to understand what data you are entitled to upon termination of your existing relationship. Likewise, include a provision

Inside

ISSN 1539-0659

in your new service provider agreement governing what data you will receive in the event the new relationship is terminated.

7. Reconcile and audit your data. Allow for plenty of time during the conversion process to reconcile and audit data being transferred to the new service provider, particularly for historical non-routine transactions such as option exchanges, business combinations, and stock splits. These non-routine transactions can be the source of inconsistencies in your data; having ample time to identify and correct these discrepancies is critical, even if it means postponing your expected "go live" date with your new provider.

8. Use a project management tool. Managing a project of this magnitude can best be completed by utilizing a software application. A project management tool, like Microsoft Project, centralizes all project-related information electronically and helps you effectively manage all aspects of the project.

9. Be flexible. The success or failure of the conversion project can depend on the ability of the team to adapt to changing priorities throughout the project. Plan to "re-plan" for events beyond your control—*e.g.*, a stock split or similar corporate events.

10. Modify routine employee communications. It's without question that a number of non-routine transition related communications will be circulated to your employees during this time. However, updating your routine communications, such as new hire materials, termination packages, and benefit pamphlets, for your new service provider arrangement should not be forgotten and is an equally important task to include in your project plan.

11. Bonus Tip: Have an end of project post-mortem meeting. An important component of any major project is conducting a post-mortem. Here the project team can rate the success of the project, identify what was learned, and most importantly, identify what you would do differently next time.

There is no perfect method for changing service providers. However, the above tips together with the excellent reference materials provided by our webcast panelists should give you a jump start in ensuring a more seamless service provider transition. Please visit Naspp.com for copies of these reference materials.

Administrators' Corner

By Rachel Murillo (rmurillo@naspp.com), NASPP

Keeping Busy in a Down Market

The repercussions of this economic downturn have caused many companies to take a closer look at how equity compensation is delivered, not only to executives but throughout the company. That may mean taking a closer look at how lower stock prices impact share usage, re-evaluating the mix of equity compensation, and assessing the effectiveness (and fairness) of performance goals. We've recently received several fantastic articles on actions companies can take now to derive more value from their stock plans:

- "What's the Role of Equity in the New Environment?" by Semler Brossy Consulting Group
- "Compensation Planning During an Economic Crisis," *Workspan*
- "Executive Compensation: Restoring Confidence Without Sacrificing Effectiveness," by Pearl Meyer & Partners
- "Down Market Complicates Decisions About 2009 Long-Term Incentive Grants," by Towers Perrin
- "The Trouble with Options (and What To Do About It)," by Presidio Pay Advisors
- "Weathering the Storm: Equity Compensation Actions for 2009," by Mercer

But, lower stock prices may also mean that stock plan administrators are seeing a lull in stock plan activity, particularly option exercises, creating a unique opportunity to find time for special projects. Even if this period doesn't impact your company's daily transaction volume, there are a number of projects that you should find time to complete.

Review Plan Documents

Often, when assuming stock plan administrator responsibilities, it is necessary to immediately tackle daily transactions or large projects, leaving no time to complete a full review of the company's plan documents. Instead, most stock plan administrators work with policies and assumptions already in place. However, a review of all plan documents is something all administrators should undertake; never assume that plan parameters are being adhered to without verifying this for yourself.

Keep your company's policies in mind as you read over the entire plan, noting all of the provisions. Confirm the total shares available for grant, how terminations and other changes in status will impact grants, what payment methods are available, types of grants permitted, and share counting parameters.

Also review all of your grant templates, both current and historical, to ensure that they comply with the plan they are associated with. Create a quick-reference outline with the parameters of each plan to have on hand if any questions arise. If it is not already a part of your periodic review, confirm that your plan balances each match with the balances at your company's transfer agent.

Full Database Audit

Slow periods are a great time to complete a full audit of your stock plan database(s), looking for anomalies that

The NASPP Advisor is published as a service to NASPP members. Articles herein do not constitute legal opinion, advice, or judgment, and should not be relied upon as such. To contribute an article or other material to the newsletter, contact Barbara Baksa at 510-608-6098 or by email at bbaksa@naspp.com. Annual Subscription price for non-members: $495.

may not be identified during periodic reconciliations. Take a close look at participant demographics, share usage, and historic corporate transactions and take this opportunity to audit your database against other sources.

For example, verify that the names and addresses for your current employees are consistent with your HR and payroll databases. Audit the hire, rehire, and termination dates for all participants as well as any other changes in status, such as leave dates or changes to/from part-time employment. Check to make sure that terminated employees have been rehired under the original employee ID rather than entered as a new employee. This is typically more of an issue internationally, where the social security number (or other taxpayer ID) is not used as an identifier. If your stock plan software offers a data integrity check, then run it with no date limitations. Keep a running list of any issues that cannot (or should not) be corrected so that you will not have to research them the next time you run a full data check.

Update Procedure Documentation

Documenting procedures is an essential component of your company's compliance controls and an integral step in your disaster recovery plan. But too often, the task of updating this documentation is neglected as your procedures change over time. Review your daily and periodic procedure documentation, making any updates to accommodate changes in your routine, plan administration, or segregation of duties.

Pay special attention to any spreadsheet data that you use on a regular basis since spreadsheet use is typically the least documented process in a stock plan administration department. Document not only the process used to create spreadsheets that you work with, but also the standards by which exceptions are documented and archived. Include a standard for naming conventions, data validation, change requests for a spreadsheet, and access protection.

Meet with HR, Payroll, Finance, and Legal

Building solid working relationships with your partners in HR, payroll, finance, and legal helps to ensure efficient and accurate stock plan administration. Take time now to understand how information is entered into your company's HR database, how offer letters are created, and what additional contracts or agreements may be held by employees or contractors that could impact stock grants.

Meet with payroll to review the process for exchanging employee income and tax withholding information and to confirm that regular audits of year-to-date information are complete. Confirm with your finance and accounting teams that they are receiving all the information that they need from you. Check to see what manual processes may have been added to their standard procedures to see if there is a standard report that exists or a custom report that can be created to eliminate their manual processes. Conduct a thorough review of your company's insider trading policy, guidelines, and procedures (including Rule 10b5-1 trading plans).

This is also the perfect time for the stock plan administration team to become more closely involved with your company's equity compensation strategy. If there are any granting practices that you feel are ineffective or should be improved, meet with the decision makers to discuss actions your company can take to fully realize the benefits of your equity compensation program. Review the memos at the beginning of this article for ideas and keep an eye out for presentations on this topic through your local NASPP chapter and at the NASPP Annual Conference.

Revitalize Employee Education and Communications

Once you have reviewed your plan documents and are sure that grants are being handled correctly, do a thorough review of all your employee communications. Pay special attention to international communications to make sure that only applicable communications are available to employees from each country. Double-check your filing system to make sure that standard communications are clearly marked to avoid sending out the wrong communication to a group of people. Make sure that your communication program carries a consistent message that is in line with your company's equity compensation philosophy.

After that, get creative on how to rejuvenate interest in your equity compensation programs. Put together a "marketing campaign" to get your employees excited about their grants. This is especially effective for your ESPP program. Even in a down market, ESPP programs offer employees a unique opportunity to access the benefits of ownership in your company. Reassure your employees that the company is addressing how recent market conditions have impacted their compensation and create resources for financial planning that your employees can take advantage of to get through this period and plan for their futures!

Stock plan administration typically involves days of almost frenzied activity (like preparing for period-end, completing a purchase under the ESPP, or processing a large restricted stock vesting) interspersed with relatively calm periods. Taking full advantage of any (even momentary) reductions in trading volume by auditing data, reviewing policies, and preparing for upcoming events makes a tremendous difference in how smoothly your busy periods run.

This article offers you just a few ideas on projects you should make time to complete, but there are many more opportunities to make full use of any down-time you might have. Keep a list of these types of projects handy, and categorize them by their complexity and importance. You may even attach business objectives to more time-consuming or long term projects. These are great pieces to add to your personal and departmental reviews to demonstrate the ways you are improving your company's equity compensation program, or even to demonstrate the need for more headcount! As you complete these types of reviews and projects, be sure all the stakeholders know what you have accomplished.

In the Courts

By John Utz (jutz@utzmiller.com), Utz, Miller, Kuhn & Eickman, LLC

Getting Board Approval: A Lesson by PowerPoint

Many companies, when seeking a board of director's (or compensation committee's) approval for an agreement or document, summarize the proposal for the board in bullet-point form. That makes sense. What does not make sense is failing to also provide the board with a full copy of the particular agreement (or document), unless there is some other corporate body or individual that has been delegated (or inherently has) the power to approve the particular language of the agreement. If the board, or other party with power to enter into an agreement, approves only a PowerPoint version, questions may linger about whether the parties in fact reached an agreement and, if so, the terms of that agreement.

We see a good illustration of this danger in a recent case, *Cole v. Champion Enterprises, Inc.*, 2008 U.S. App. LEXIS 26646, 45 EBC 2371 (4th Cir. 2008). In *Cole*, which was decided by the federal appeals court for the Fourth Circuit, a company was successful in arguing that it had reached no agreement with an executive, where its board had approved only a PowerPoint summary. This worked to the company's favor. But it does not take much imagination to envision a scenario where a company may instead wish to argue that it *has* entered into an agreement, or has approved an executive compensation arrangement or in fact an entire plan, but is challenged in this conclusion by having adopted not the fully expressed agreement or plan, but instead only an outline summary.

In *Cole,* the executive had a previous employment agreement, but it had expired. The court held that the executive was not entitled to compensation under discussion when his employment was terminated, because his termination of employment occurred prior to the parties reaching final agreement on any new employment contract.

The company was publicly traded and, following enactment of the Sarbanes-Oxley Act of 2002, had implemented provisions clarifying that its board of directors was in charge of all aspects of executive compensation. The executive had entered into negotiations with the company's CEO for a new agreement prior to his termination. Both the executive and the CEO with whom he was negotiating understood that only the board could approve an agreement. The CEO presented a proposal to the board in the form of PowerPoint slides. Those slides read as follows:

Approval Request to Board

- Increase Mark Cole salary by $20,000.
- Salary will increase to $300,000 after two profitable quarters (versus $285,000 now).
- Give Mark an option to:
  - Retain current restricted stock (40,000 shares) and target bonus of 80%, or
  - Take restricted stock of 50,000 shares and reduce target bonus to 60%.

Give Mark a change of control agreement

[compensation consultant] concurs with these changes.

If Mark Cole is removed as President of Retail without cause, then:

- He may continue as a CHC retailer with an approx. 80% stocking requirement.
- He will remain an employee with a different assignment requiring about 10 days per year.
- His salary will be reduced to approx. $20,000 to $30,000 per year.

This will preserve Mark's existing restricted stock and option grants. Vesting would occur on targeted dates if he is still employed.

The PowerPoint slides did not address several issues, such as the executive's post-termination position and salary, any potential severance package, and how or when the executive would exercise his "option" to choose a reduction in his cash bonus in return for an increase in his number of performance shares. The board and the compensation committee did, however, approve the proposal and authorized the CEO to proceed with the executive. The CEO informed the executive that the board had approved the terms and that the company's general counsel would subsequently draft a contract for the executive's review.

The executive continued to work for the company, which he contended was in reliance on the CEO's representations. The company's legal department sent a draft agreement to the executive's attorney, who modified the draft in a number of ways, including a revision to at least one of the terms that had been included in the PowerPoint proposal approved by the board. Prior to the parties agreeing to a written contract, the executive's employment was terminated without cause. The company offered the executive a one-year severance, conditioned on his releasing all claims against the company. The executive did not sign the release. Instead, he sent the company a letter attempting to accept a *de minimis* employment role, pursuant to discussions he had with the CEO prior to the board meeting, and which seemed to be contemplated in the PowerPoint presentation made to the board. The company denied that any agreement had been reached.

The executive brought suit on a variety of theories, including breach of contract for the failure to pay compensation contemplated under the alleged agreement. The court concluded that no contract was formed. There could not have been a contract formed prior to board action, and there was no contract formed when the board approved the PowerPoint proposal. The latter was because the PowerPoint slides approved by the board did not contain all material terms of the potential agreement. For example, the slides were silent regarding "crucial

issues" such as the specific position that the executive would fill upon termination, the severance package to be received by the executive, and whether the executive's *de minimis* employment would be guaranteed until his equity compensation vested.

The court also concluded that some of the terms that did appear in the PowerPoint slides were indefinite. In particular, the court said there was merely a vague reference to the executive's post-termination salary, specifying only that it will be "approx[imately] $20,000 to $30,000 per year."

Because the PowerPoint slides were indefinite and uncertain, the board's approval of the proposal represented thereby could not have created a contract. The court said the actions of the parties following the board meeting confirmed that there had never been a meeting of the minds between the executive and the company, as the parties continued to negotiate the final terms of the contract over succeeding months. These negotiations prevented the executive and company from reasonably believing they were already obligated under an enforceable agreement.

Lesson

Although the result in *Cole* seems the right one, and although the employer got the result it wanted, companies should be mindful of the possibility that they will find themselves on the other side of the argument. The temptation is great to present to a busy board or compensation committee only an outline of an agreement (or plan). Even so, one should not assume that approval of an outline necessarily results in a valid agreement or that the terms of any such agreement will be precisely what the company may have intended. An outline description of an agreement or plan document should serve as a supplement to, and not a substitute for, the full agreement or document a party is being asked to approve. Where a board or compensation committee is presented only with an outline, it should be careful to formally delegate to an appropriate individual (or committee) approval of the particular terms of the arrangement.

Meet the Speakers

Interviews by Danyle Anderson (danderson@naspp.com), NASPP

This year, we're pleased to continue our popular "Meet the Speakers" interview series, which gives our readers a preview of the insights and practical advice that will be delivered at the 17th Annual NASPP Conference.

Option Valuations in Light of Economic Instability

The current period of economic instability is likely to have a lasting impact on equity compensation and it has already begun to impact how companies are approaching the process of valuing their employee stock options. The session "Option Valuations in Light of Economic Instability" will provide insight into the real impact the economic turmoil has had on the valuation process. This panel will address the challenges that underwater options, wildly fluctuating stock prices, reductions-in-force, and stagnate dividend yields present for option valuation and will suggest creative solutions to overcome these obstacles. As a preview of the session, we asked Terry Adamson of Aon/Radford to share with us his thoughts on some of these challenges.

NASPP: *The turmoil we experienced in the market during the past year has companies reassessing how they value their employee stock options under FAS 123(R). What are some of the key considerations for companies as they begin evaluating their processes?*

Terry Adamson: In a FAS 123(R) option valuation, the most significant assumptions that have been impacted by the market instability are the expected volatility and the dividend yield.

Regarding volatility, many companies over the last several years have over-emphasized the use of implied volatility. Although implied volatility is a forward looking expectation, it also tends to be an extremely volatile spot rate itself, and can fluctuate tremendously. Many companies are reconsidering their process for calculating expected volatility, and trying to reduce the emphasis placed on implied volatility. Paragraph A34 of FAS 123(R) discusses this and states that companies should develop a process and apply it consistently over reporting periods. Although theoretically I agree that companies should be trying to minimize emphasis on implied volatility, I think the burden of changing the process can be arduous.

Dividend yield is very interesting as well. Most companies have generally used a spot rate (current dividend amount divided by current stock price) to calculate a dividend yield, and applied that yield into an option pricing model. Interestingly enough, auditors are frequently pushing back on the dividend yield processes. Since stock prices have become very low, dividend yields are becoming very high. With high dividend yields, valuations are becoming lower (and sometimes offsetting the effect of the increased volatility). Companies should probably be looking at longer term dividend yields over several years, or be looking for an underlying fundamental policy that the company's board follows with respect to the yield.

NASPP*: The impact of the higher levels of market volatility we have seen in 2008 will no doubt have a significant effect on the valuation of employee stock options, especially for companies that have chosen to use a Black-Scholes model to value their employee stock options. Can you explain how the volatility assumptions differ between the Black-Scholes and binomial models and why some of the binomial models may be more equipped to handle the increased volatility we have seen during 2008 and into 2009?*

Adamson: Good question. One of the more interesting challenges is regarding the current marketplace volatility and the effectiveness of Black-Scholes. As many know, a binomial model or Monte Carlo simulation is more flexible in handling dynamic assumptions. Therefore, via Monte Carlo simulation, options can easily be valued reflecting

the term structure of volatility (decreasing volatility over time), rather than using current (higher) volatilities over the entire term of the option.

Further, companies who have received TARP money have additional challenges. For example, those companies are restricted from increasing dividend payouts until money is repaid to the government. The underlying assumption of a Black-Scholes model in using a dividend yield is that discrete dividend amounts are increased as the stock price increases. Therefore, these companies may be precluded against using a Black-Scholes model and obligated to use a more sophisticated valuation that can handle dynamic dividend payments over time.

➤ *Read the rest of our interview with Terry—including his thoughts on valuation under IFRS 2 and the hottest new stock plan designs—at Naspp.com. For more tips on option valuation in the current economic environment, don't miss Terry's session, "Option Valuations in Light of Economic Instability," at the 17th Annual NASPP Conference.*

Top Tips to Ensure Shareholder Approval of Your Stock Plans

The session "Top Tips to Ensure Shareholder Approval of Your Stock Plans" is a must for any company considering asking shareholders to approve an equity compensation plan proposal. Our panel of experts will show you how to lay out your project plan, establish your team, and put your best foot forward—while balancing the often conflicting interests of the company and its employees versus shareholders and proxy advisory firms. We asked Ed Hauder of Exequity to share with us a few tips in advance of November's presentation.

NASPP: *Going through the process of obtaining shareholder approval for your company's equity plans often feels like a daunting and insurmountable task. What is the most important thing a company can do to make this process go as smooth as possible?*

Edward Hauder: I think the most important point is to realize that things can and will go wrong. However, if you are prepared and keep your wits about you, you'll be able to roll with the setbacks and come back stronger. Doing so requires a well thought out plan and process, which includes a timeline with milestones and activities noted, responsibilities assigned, and contingencies addressed, as well as a multi-disciplinary team to work on the plan proposal. While it is true that only a small number of plan proposals actually fail to secure shareholder approval each year, even the companies that secured shareholder approval had to work hard in many cases to be successful. So, I'd boil all this down to one bit of advice: plan, adapt, and overcome.

NASPP*: Identifying the interests of your company's largest shareholders is a very important part of obtaining shareholder approval of equity plans. What advice can you give to companies as they undertake the process of identifying their largest shareholders and obtaining information on the relevant proxy voting policies and guidelines of these shareholders?*

Hauder: Start gathering your shareholders' requirements as soon as possible. Ask your investor relations officer for help in identifying your top shareholders. You can also look to some of the free online websites to find your top shareholders, *i.e.*, MSN MoneyCentral and Yahoo! Finance. If your company maintains a good relationship with your shareholders, you should be able to reach out to them and let them know that you are thinking about putting forward a plan proposal at the next annual shareholders' meeting. Ask them what types of things are most important to them to be addressed in equity compensation plans. Once you know what your shareholders are looking for, take a look at your existing plan(s) and see how things look, *i.e.*, conduct a plan review. Then, look at the numbers shareholders are likely to consider: burn rate, dilution (simple and full), as well as overhang. If you have a large number of options that are underwater, determine how your shareholders will view these outstanding options. See how your figures compare to any standards established by your shareholders (making sure you calculate these the same way your shareholders would), and how they compare to those of peer/comparator companies, your industry group, and broader indexes.

➤ *Read the rest of our interview with Ed—including his thoughts on the role of proxy advisory services and the number one mistake most companies make—at Naspp.com. For more secrets to successfully obtaining shareholder approval of your next equity plan proposal, don't miss Ed's panel, "Top Tips to Ensure Shareholder Approval," at the 17th Annual NASPP Conference.*

Across Our Desk…

Below are new materials that we have come across in the past few months.

Having trouble finding an article? *Read the full text of this column, with hyperlinks to many of the referenced articles, on Naspp.com.*

Grant Sizes in Down Markets

Whether grants are based on a target value or a target number of shares, managing grant sizes is perhaps the most significant challenge companies are grappling with today. The NASPP's 2007 Domestic Stock Plan Design and Administration Survey found that 63% of companies base grant guidelines on value. When prices fall, grant sizes must increase; otherwise grant values drop. The March–April 2009 issue of *The Corporate Executive* analyzes what companies can and are doing. Many companies either do not have the shares available to increase grant sizes or want to avoid dilution and "havoc" on burn rates ("Practices (and Share Usage Considerations) in Down Markets," pages 1–5).

One simple solution is to reduce the target value of grants (*e.g.*, 2009 grants are only 70% of 2008 values). *The Corporate Executive* finds this palatable given the unemployment rate, the need to reduce compensation expense, the perceived value employees have of options with a lower exercise price, and the need to find an alter-

native to salary freezes. The percentage reduction could occur across the board or be different for certain groups of executives and employees. According to the article, a Towers Perrin survey indicated that 40% of companies would lower grant values. Similarly, Exequity found 38% of its survey respondents would lower grant values, with a median decline of 20%.

Other approaches mentioned for managing grant sizes include setting an aggregate limit on shares granted, using the average stock price over a specified period (*e.g.*, past 12 months) for calculating the value of grants, and using a different valuation model or assumptions for compensation planning than for FAS 123(R) (such as a longer expected life). Whatever the approach, the article stresses that companies need to find a balance between managing burn rates and share usage and granting awards that are meaningful to employees. Ironically, employees may perceive stock options with lower exercise prices to have a higher value than the actual Black-Scholes value.

In an article that covers a range of topics, two consultants writing in the May issue of *workspan* mention additional approaches to setting the target value in volatile and down markets ("What's the Role of Equity in the New Environment" by Seymour Burchman and Blair Jones, Semler Brossy Consulting Group, pages 94–98). For example, companies could impose a dilution collar that causes awards to fluctuate in size within a predetermined dilution range. Another idea sets the aggregate fair value of the award pool equal to a specified percentage of a company's market cap. Awards are then allocated to plan participants.

Hewitt Associates compares grants reported in Form 4 filings from S&P 500 companies in December 2008 through February 2009 to last year's grants to measure how the downturn is affecting grants ("Trends in Long-Term Incentive Design Practices and Award Sizes 2009," March 2009). Among the highlights it found:

- The median decline in total median present value of stock options was 23%, (25% for restricted stock), compared to a median stock price decline of 44%.
- The mix of stock options and restricted stock (not performance plans) stayed approximately the same at 54% restricted stock and 46% stock options.
- Companies seem to lower the value of their LTI awards significantly after the stock price has declined by about 50%; the greater the fall in stock price, the greater the decline in LTI value. For example, companies with a fall in stock price of more than 50% had a 31% decrease in the economic value of their grants. However, those whose stock price declined less than 30% saw their grant values fall by only 4%.
- To offset the substantial stock price declines, share use increased significantly for new grants even though they had a lower value than in 2008.

➤ *Need more information on adjusting grant guidelines for a plummeting stock price? Don't miss the session "What to Do When the Well Runs Dry: Grant Guidelines in a Volatile Market" at the 17th Annual NASPP Conference.*

Underwater Stock Options

We continue to post a steady stream of memos and articles by consulting and law firms in the NASPP's Underwater Options Portal. The law firm Shearman & Sterling published a handy memo ("Underwater Stock Options and Stock Option Exchange Programs," April 2, 2009) comparing the advantages and disadvantages of different types of stock option exchange programs, along with a summary of technical and legal issues. For example, the memo explains that the SEC's exemption from the "all holders" and "best price" tender offer rules permit companies to exclude non-US employees when their participation makes it "administratively burdensome" because of regulations, taxes, or other constraints. Companies can also vary the terms for employees in certain countries to comply with the local laws. In the magazine *Directors & Boards*, attorney Doug Raymond of Drinker Biddle & Reath raises the many competing considerations that directors need to evaluate ("Repricing Challenges," Second Quarter 2009, page 12).

In the Towers Perrin newsletter *ECRonline*, Vicki Williams and Carl Schmitt bluntly discuss the philosophy and policy that companies should think about when evaluating whether to take action ("Key Questions for Addressing Underwater Stock Options," May 5, 2009). Their article presents answers to the questions that companies are (or should be) asking in private (and shareholders are asking publicly). For instance, the authors address the question of why repricing isn't a "giveaway" or comparable to backdating, especially considering that "shareholders aren't given the same opportunity." In the authors' view, exchanges are not comparable to backdating when the exchange is "no more favorable than a value-for-value exchange" and the other terms of the exchange help realign management and shareholder interests.

An article in *The New York Times* spotlights high-profile companies that have either undertaken stock option exchanges or put them up for shareholder vote, rehashing the justifications and associated criticisms ("Stock Options Are Adjusted After Many Share Prices Fall" by Jonathan Glater, March 27, 2009). As the article comments, and as we have noted, the number of companies making exchanges is not as high as it was when the tech bubble burst in 2000–2002.

For many companies, the first official step to an option exchange is a shareholder vote, which often receives media attention; for an example, see a recent report by the Associated Press: "Cardinal Health Proposes Stock-Option Exchange," May 18, 2009, available at the website of *Forbes* (Cardinal's proxy statement was filed with the SEC on May 18). Another example occurs in *The Wall Street Journal* ("Intel to Let Workers Exchange Options" by Don Clark and Jerry Dicolo, March 24, 2009).

The March issue of *Peter Romeo and Alan Dye's Section 16 Updates* explains the Form 4 reporting principles applicable to option exchanges, with a model form ("Model Form on Option Repricings," pages 13–23). While the right to tender underwater options is not a reportable event in itself, the actual cancellation of the options is

reportable on Table II with transaction code D. The value received (what the executive gets in exchange) should be described in a footnote in the Price Column (column 8). Whatever new grant is received should also appear in the appropriate table, whether it is a derivative security in Table II (*e.g.*, stock options) or a non-derivative security in Table I (*e.g.*, restricted stock units). The transaction date for the form is the date when the exchange election becomes irrevocable; the filing is due at the SEC two business days later.

➤ *Learn everything you need to know about option exchange programs at the 17th Annual NASPP Conference with the sessions "How to Implement Responsible Option Exchange Programs" and "Effectively Administering an Option Exchange Program."*

Communications Challenges

In addition to enduring the financial difficulties of hard economic times, companies are struggling to keep up morale and explain changes they need to make in their compensation and benefits programs. An article in *Employee Benefit News* identifies common pitfalls and provides tips that apply to all types of benefit and compensation plans ("Softening the Blow of Bad Benefits News" by Lydell Bridgeford, February 2009, pages 1, 55). A common mistake is "communicating too soon with too little information…or waiting too long and telling employees what they already heard." While speed is important when communicating bad news, the article recommends that companies should answer the question "what does this mean for me?" When a high level of detail is not yet known, the initial announcement should promise that all questions will be answered by the time employees need to make decisions.

A recent brief by the NCEO also includes suggested ways to improve communications during tough times (see the chapter "Plan Design and Communications Issues for Equity Compensation Plans in Difficult Times" by Corey Rosen in *Equity Compensation in a Down Market: Repricing, Accounting, ESPP, and Employee Communications Issues*, April 2009, available at a discount to NASPP members in the NASPP Bookstore). For example, Rosen recommends that if you are not changing your equity program to issue more shares/options or are not implementing an underwater option exchange, you should explain the reasons for not doing so. He suggests highlighting shareholder concerns and explaining why they matter in practical terms. The concept of telling employees that you want to "align their interest with shareholders" is not very motivational, he feels. It's better to talk about dilution concerns and what may or may not move the stock price to help the company grow. In addition, emphasize that "equity awards are not a kind of guaranteed bonus" and that gains are not an entitlement. It's the risk that they can expire worthless that also generates the reward.

➤ *Hear out-of-the-box ways to promote your stock plans during the sessions "Money Talks: How to Help Employees Listen" and "Leveraging Your ESPP in a Down Market" at the 17th Annual NASPP Conference.*

Stock Options

We see a range of articles—critical, quizzical, and technical—about stock options beyond just underwater options and down-market issues. Backdating settlements and jury verdicts occasionally appear to help put today's challenges in perspective. The former President and COO of Monster Worldwide was found guilty of securities fraud and conspiracy related to backdating (see "Ex-Monster Worldwide Chief Guilty of Options Fraud" by Reuters, May 12, 2009). The company itself also reached a settlement (see "Monster Settles Backdating Case for $2.5 Million" by John Zappe, ERE.net, May 18, 2009). With extensive publicly available data on grant dates, stock prices, and company disclosures, backdating creates a treasure trove for academic research. The *Journal of Accounting and Economics* (vol. 47, issues 1–2) has a collection of related articles, including "The Impact of the Options Backdating Scandal on Shareholders" by Gennaro Bernile and Gregg Jarrell and "Taxes and the Backdating of Stock Option Exercise Dates" by Dan Dhaliwal, Merle Erickson, and Shane Heitzman.

➤ *Avoid your own scandal with the session "25 Internal Controls You Should Have for Your Stock Plans (But Don't)" at the 17th Annual NASPP Conference.*

Fascinating reading for both fans and critics of stock options is the article "Steve Jobs on the Value of Stock Options" at the website TechCrunch. It excerpts and comments on parts of Steve Jobs's deposition in the SEC investigation into options backdating at Apple (we also commented about this in the NASPP blog). Jobs sees stock options, particularly so-called "mega grants," as a strong retention tool with a substantial upside:

> One of the things that I felt was that rather than giving them shares once a year, as is common in some companies, I would rather give them four years' worth of stock up front...the key thing is if the stock goes up, which we always hope it does, then the golden handcuffs are dramatically increased, which is what I was hoping would happen.

Whatever your thoughts about "mega grants" are (we're skeptical), Jobs's answers shine a light on how successful CEOs view compensation both for their top lieutenants and for themselves. Jobs's deposition also shows how little long-term value executives place on underwater stock options, and how, after years of hard work, worthless options can stifle motivation when the stock price decline is believed to have occurred in spite of the executive's own good performance.

In the section Financial Planning: Advanced Strategies on myStockOptions.com, a new article presents an alternative way for your executives and employees to decide when to exercise stock options ("Reframing Your Stock Option Exercise Strategy in Volatile Markets" by Tom Davison). Most stock option exercise strategies are based solely on the behavior of the company stock and the terms of the option grant: the current stock price, expected volatility, earnings expectations, time until option expiration, the

option spread, and the like. However, that's only part of the story. As the article explains, equally important is the price movement of what you will buy with the proceeds from an option exercise and stock sale, whether a new possession or an alternative investment. This article demonstrates that what counts in volatile markets are the relative changes in the price of the company stock and whatever you will buy, not the absolute changes in your company stock price. For example, if you plan to build a new deck for your house once you have $20,000 in net proceeds from an option exercise, you may be able to do this sooner should the cost of the deck construction drop more than your company's stock price. Alternatively, given the leverage in stock options, an increase in stock price (*e.g.*, 10%) may add a larger percentage to an employee's wealth than he or she previously realized.

At the business website Minyanville.com, columnist Steve Smith discusses potential changes in rules that would make it easier for employees to write call options on their vested employee stock options ("iOptions Goes Where Microsoft, Google May Have Feared to Tread," May 15, 2009). This will be a much simpler and universal way for employees (and companies) than what Google went through to set up its transferable stock option (TSR) program. Both a Google-type TSR program and the writing of call options have the somewhat similar goal of capturing the time value in employee options, by contrast with an immediate exercise/sale. Under a rule change to the margin requirements of the International Securities Exchange and the Chicago Board of Options Exchange, vested options can be used as collateral for writing call options on exchange-listed options on the same underlying stock. This could make employee stock options more attractive and eliminate the need for companies to create a Google-type TSR program, but at the same time it raises new issues for companies to consider in their stock plans (*e.g.*, should employees be allowed to do this?).

Performance Shares

In its newsletter, *Ayco Compensation & Benefits Digest*, Ayco looks at the structure and design of performance award plans at 300 companies to which it provides financial counseling ("Long-Term Performance Award Update," April 10, 2009, pages 1–4). Ayco found that within the past two years, 84% of the surveyed companies granted performance units, shares, or similar awards, up from 76% in its 2008 survey.

With performance award plans, performance is measured over a specified period. Payment is usually based on the total performance over the full period, not for interim periods, though there are some exceptions. Ayco's survey found that respondents use the following performance periods, with most using overlapping grants:

Performance Period	Percentage of Respondents
Two years	5%
Three years	86%
Four years	6%
Other period	3%

About half of the respondents use only one performance measure, 38% use two, 15% use three or more, and 26% measure performance relative to a peer group or an index (*e.g.*, S&P 500). The survey identified the most common measures as follows (the figures add up to more than 100% because some companies use multiple measures):

Performance Measure	Percentage of Respondents
Earnings per share (EPS)	30%
Total shareholder return (TSR)	30%
Return on equity/net assets/income	27%
Cash flow/revenue growth/sales growth	26%
Economic value added (EVA)	5%
Stock price growth	2%
EBITDA	4%
Other criteria	3%

For almost all respondents, entitlement to payment ends upon voluntary termination of employment. When termination is caused by retirement, death, or disability, a significant majority of plans allow for *pro rata* distribution at the end of the performance period according to the amount of service during the cycle. Slightly less than 20% of the companies had discretion to pay out the award in full. With a change-in-control, a large majority of companies provide for payment of the target amount without waiting until the end of the cycle.

Ayco also notes that some awards are modified when companies realize that poor performance relative to the targets will result in little or no payout. While this is what these plans are supposed to do, some companies decide that the design and metrics need tweaking. Ayco mentions that Motorola did this by canceling its 2006–2008 and 2007–2009 performance cycles without payment and starting a new cycle beginning with 2008.

➤ *Learn the secret to picking the right performance targets at the session "Bullseye! Ensuring Your Performance Plan is On Target" during the 17th Annual NASPP Conference.*

Companies are becoming more specific about performance goal disclosures in their proxy statements, according to Equilar ("Companies Open Up About Performance Goals" in Equilar's newsletter *Executive Compensation Trends*, April 2009). In its study of Fortune 100 companies that filed a 2008 proxy statement before April 1, 2009, Equilar found that 72.6% disclosed specific performance targets for their executive officers in a least one type of incentive plan, up from 66.4%. For long-term equity plans, 77.1% of the companies disclosed performance targets; 44.1% used absolute (*i.e.*, internal) goals; 26.5% used absolute plus relative (*e.g.*, against a peer group) goals; and 29.4% used just relative goals.

One administrative/accounting challenge that these plans face under IFRS is that they often use automatic share withholding for the tax payments. This method has become somewhat standard when the company has enough cash to cover the tax desposit with the IRS (*i.e.*, compared to a sell-to-cover). As explained by an article in the newsletter *SOS Xtra* by Stock & Options Solutions, under IFRS, the portion of the award that will be withheld

to cover the taxes is subject to liability accounting (*i.e.*, variable or marked-to-market adjustments each quarter) (see "IFRS Is Coming! IFRS Is Coming! (Part II)," April 8, 2009). The article warns that in practice this treatment "may be necessary for the entire award since the number of shares withheld for taxes will vary as the tax rate varies (common in international jurisdictions where a flat rate of withholding is generally not available)."

➤ *Need to know more about the administrative complexities of performance plans? Don't miss the session "Administrative and Legal Considerations for Performance-Based Stock Plans" at the 17th Annual NASPP Conference.*

Executive Compensation

Every economist is re-evaluating prior beliefs about the economy and the financial system and pontificating on how to fix it. Similarly, it seems that compensation consultants are doing the same with executive pay, and a big part of this concerns stock grants. In "Executive Compensation: Restoring Confidence Without Sacrificing Effectiveness" Pearl Meyer & Partners (with even more details in their longer memo, "Top 10 Executive Compensation Issues in the New Economy") offers the following suggestions:

- Select performance measures more rigorously and link long-term incentives to measures other than stock price, while discouraging "excessive risk-taking."
- Lengthen performance and vesting periods.
- Maintain substantial and meaningful stock ownership and holding requirements.

In its newsletter *MarkeTrends*, Hewitt Associates examined a substantial percentage of the Fortune 200 proxies filed so far this year ("Analysis of 2009 Proxy Season," May 8, 2009). Among the findings that concern equity compensation:

- 64% of the companies have clawbacks.
- 45% of the companies have anti-hedging policies, up from 30% in 2008.
- Stock ownership requirements are a "nearly universal practice" at 94% of the companies. Most express this as a multiple of base pay, and for CEOs the median is five times base pay.
- About a third of the companies disclosed additional share holding policies. At these companies, 40% require that shares net of taxes must be held until ownership guidelines are met; 36% require that shares must be held for a specific period after meeting the ownership requirements; and at 21%, shares must be held until retirement.

The new restrictions on executive pay at financial institutions may soon have an impact on all public companies, with "far-reaching consequences" for HR and compensation professionals, as discussed in the magazine *Workforce Management* ("A Nation Under TARP?" by Fay Hansen, April 20, 2009, cover, pages 15–19). If Aflac, the company featured in the article, becomes the standard, expect much more contact with your board members and senior executives.

➤ *Learn more about the new restrictions for TARP companies (and how they might impact non-TARP companies as well) during the session "Coming Regulatory Reform: Impact of Risk Assessment on Pay (and Other Repercussions)" at the 17th Annual NASPP Conference.*

What's New on Our Website

Economic Stimulus Legislation—Improved

We've revamped our portal on the bailout and economic stimulus legislation to make it easier to find the resources you are looking for. New articles posted to the portal include:

- An NASPP Alert on the interim final rule on TARP standards for compensation and corporate governance, which includes the text of the rule and memos from Covington & Burling; Frederic W. Cook & Co.; McDermott Will & Emery; McGuire Woods; Morgan Lewis; Sullivan & Cromwell; Wachtell, Lipton, Rosen & Katz, and WilmerHale.
- Memos on the restrictions that apply to TARP companies under the ARRA by Blank Rome; Chadbourne & Parke; Day Pitney; Faegre & Benson; Frederic W. Cook & Co.; Fried, Frank, Harris, Shriver & Jacobson; Gibson, Dunn & Crutcher; Hewitt Associates; Jones Day; Katten Muchin Rosenman; Orrick, Herrington & Sutcliffe; Pepper Hamilton; Pillsbury Winthrop; Reed Smith; Sullivan & Cromwell; White & Case; Willkie Farr & Gallagher; and WilmerHale.
- Memos on treasury's restrictions on executive compensation for companies receiving government assistance by Arnold & Porter; Davis Polk & Wardwell; Frederic W. Cook & Co.; Fried, Frank, Harris, Shriver & Jacobson; McGuireWoods; Morgan Lewis & Bockius; Morrison & Foerster; Orrick, Herrington & Sutcliffe; Pearl Meyer & Partners; Sidley Austin; and Sullivan & Cromwell.

In addition, the portal includes the text of any legislation, regulatory notices, and regulations.

Section 409A Portal—Improved

We've also revamped our Section 409A Portal (formerly the Deferred Compensation Legislation Portal). The new portal includes an extensive listing of all the related legislation, codes, notices, and regulations—with clear indication of which pronouncements are superseded and/or modified.

New memos posted to the portal include:

- A new subject area on Section 457A, with memos from Baker & McKenzie and McGuireWoods.
- Section 409A Update: Why Companies that Missed the March 15 Payment Deadline May Not Have Violated Section 409A: For companies that missed the short-term deferral payout deadline, this memo by Latham & Watkins offers some strategies for avoiding Section 409A penalties.

Executive Compensation Disclosures

The SEC recently issued updated Compliance & Disclosure Interpretations (CDIs) pertaining to the executive compensation disclosures. We've updated our Executive

Compensation Disclosures Portal with memos from Frederic W. Cook & Co., McDermott Will & Emery, and Pearl Meyer & Partners discussing the new interpretations.

Compliance-O-Meter

- **Identifying Mobile Employees:** This quiz focuses on the process of identifying employees whose income from stock transactions may be allocated to more than one tax jurisdiction.
- **Offer Letters:** This quiz focuses on the equity portion of offer letters.
- **Evaluating Your Service Provider:** This quiz focuses on procedures for evaluating service providers.

Global Stock Plans Portal

There has been significant regulatory activity in Australia; we've posted nine alerts covering it all.

We've also posted alerts for Belgium, the Czech Republic, the European Union, Ireland, Mexico, South Korea, the United Kingdom, and Vietnam.

In addition, Baker & McKenzie has contributed the presentation "From 2008-2009: Latest Developments and New Trends for Global Equity Plans."

Keeping Current

Upcoming Webcasts

Bankruptcy 101 for Compensation Professionals

An unprecedented number of businesses in the past year have been forced to liquidate or restructure through bankruptcy. This panel of experts will describe the fundamentals of bankruptcy for compensation professionals. Panelists will discuss the types of equity plans designed to compensate employees during the bankruptcy process and considerations for compensation plans upon emergence from bankruptcy. (June 23, free to NASPP members.)

How to Succeed in Equity Compensation Without Really Trying

In a difficult market, where plan activity is down and staff reductions are prevalent, it is critical to manage your own professional growth. This webcast will highlight how you can provide additional value to your employer in this economy and earn "a seat at the table," while ensuring you are recognized for your talents and contributions. (July 21, free to NASPP members.)

New Treasury Regulations and the American Recovery Act: Executive Compensation Restrictions

Now that the American Recovery Act has been signed into law, this critical webcast will cover the recently released Treasury restrictions on executive compensation and related developments. Learn what is now required for companies participating in the Financial Stability Plan (formerly "TARP")—as well as all the latest guidance on complying with the new restrictions. (July 21, free to CompensationStandards.com members.)

Ask the Experts: Modifications of Equity Awards

Award modifications—such as extending option terms, accelerating vesting, adjusting performance targets, and reducing exercise prices—are rampant in this current economic environment and can have significant accounting, tax, and legal implications. In the inaugural program in our new "Ask the Experts" series, our panel of experts will cover everything you want to know about award modifications, from the routine to the complex. Email your questions on this topic to experts@naspp.com. (August 27, free to NASPP members.)

Upcoming Conferences

Register by June 26 for our "last chance early-bird savings."

17th Annual NASPP Conference

Your stock plans are under siege from Congress, the SEC, investors, the media, and the economy. With the volatile market destroying stock values while inflating stock plan expenses and major reforms on the horizon, all companies need to be considering new plan designs. You cannot afford to fall behind in this rapidly changing environment; it is critical that you—and your staff—have the best possible guidance. The 17th Annual NASPP Conference brings together top industry luminaries to provide the latest essential—and practical—implementation guidance that you need. The 17th Annual NASPP Conference will be held on November 9-12, 2009, in San Francisco.

6th Annual Executive Compensation Conference

Executive compensation is in the cross-hairs like never before. The "6th Annual Executive Compensation Conference," will be held on November 10, the first day of the NASPP Conference. Led by the nation's top authorities—and included in the NASPP Conference at no extra charge—this Conference will provide the latest up-to-the-moment guidance that you need to keep your executives out of the news.

Tackling Your 2010 Compensation Disclosures: The 4th Annual Proxy Disclosure Conference

The coming reforms—particularly say-on-pay, the elimination of broker non-votes and the looming new disclosures—mark a sea change for executive compensation and will make the 2010 proxy season the most challenging ever. You do not want to head into it unprepared. "Tackling Your 2010 Compensation Disclosures: The 4th Annual Proxy Disclosure Conference," scheduled for November 9, in advance of the NASPP Conference, will be a "must" for anyone who has any role in setting/approving compensation or the preparation or review of proxy statements.

Don't forget the June 26 deadline for the "last chance early-bird savings."

Don't Miss Out on Important NASPP Resources!

This year, more than ever before, NASPP membership will be critical to prepare for the changes that are coming from Congress, the SEC and Treasury—and to avoid major pitfalls. Enter or renew your no-risk trial ASAP!

- All memberships are on a calendar-year basis—if you haven't already, renew your membership today!
- We now offer group discounts to service providers; contact us today to find out how much you can save!
- If you aren't a member, become one today with our no-risk trial membership!

MEMBERSHIP INFORMATION AND APPLICATION

(For more information, go to Naspp.com)

TOP FIVE REASONS YOU NEED TO JOIN THE NASPP

1. **Up-to-the-Minute News and Guidance:** With the critical changes that are coming from Congress, the SEC and Treasury, this year more than ever, the NASPP is your source for the latest stock plan developments. Our free webcasts; regulatory, practice, and international alerts; and bi-monthly newsletter keep you current and we publish the industry's most comprehensive survey on stock plan design and practices.
2. **Unbeatable Networking and Peer-to-Peer Guidance:** The NASPP provides unparalleled networking opportunities through our 30 local chapters, popular Q&A discussion forum, and national member directory. Our extensive Document Library makes it easy for our members to share plan documents, communication materials, forms and procedures, checklists, and other administrative tools.
3. **Industry-Leading Conference:** The NASPP hosts the industry's premier Conference on stock compensation; with over 2,000 attendees, this is a don't-miss event for stock plan professionals.
4. **The Answers to Your Questions:** The NASPP provides the resources you need to research any stock plan related question; our online portals are a one-stop-shop for resources addressing the issues you are grappling with today.
5. **Practical Advice from the Experts:** We report what the experts are saying to you. Even more, we insist on practical content that our members can really use. Practice pointers, action items, and insider tips are part of everything we do.

WHO SHOULD BE A MEMBER

The NASPP is the only organization that brings together the full spectrum of roles involved in stock compensation: lawyers and the consultants who design plans and advise on legal compliance and disclosure; in-house personnel who oversee stock plans; brokers and transfer agents; and third-party plan administrators. Anyone with responsibility in any of these areas, including stock plan administrators, in-house and outside counsel, human resource professionals, CFOs, tax specialists, corporate secretaries, independent accountants, financial consultants and planners, compensation consultants, investment bankers, and brokerage firms should be a member of the NASPP.

Bonus: Free Copies of *The Corporate Counsel* and *The Corporate Executive*

As an extra benefit of NASPP membership and because of the strong commitment of our Chair, Jesse Brill, to increasing the knowledge base of all stock plan professionals, NASPP corporate members receive, at no charge, their own copy of *The Corporate Counsel* and *The Corporate Executive* newsletters as long as someone at their company subscribes. This benefit alone is worth the cost of membership.

NASPP TRIAL MEMBERSHIP FORM

Please fill out for Online Member Directory.

Please check any that apply to your company or employees:

__Issuer __Service Provider

For Issuer members only:

__High-Tech __Non High-Tech
__Up to 1,500 employees
__1,501–10,000 employees
__10,001–30,000 employees
__Over 30,000 employees

__US based or __Non US-based

Are employees __US only
__Overseas only
__both US and overseas

For Service Provider members only:

__Law firm
__Compensation/Consulting firm
__Accounting firm
__Software provider
__Other (specify) _____

I/We would like to become a member of the NASPP on a trial basis.
We understand that we may cancel our membership at any time and receive a full refund of the entire amount paid.

☐ Corporate Annual Membership (**Issuers only**) ($595 up to 3 members; each add'l member $120)
☐ Individual Annual Membership ($495) (Service Providers)
☐ Enclosed is our payment of $ _____ (Check payable to NASPP, Ltd.)
Cardholder's Name _____
☐ Please bill my credit card: _____ Expir. Date: _____
☐VISA ☐MasterCard ☐American Express

Corporate Members: Please indicate which members should receive the extra copies of *The Corporate Counsel* and *The Corporate Executive* by checking the appropriate boxes below.

Name: _____ ☐ The Corporate Counsel
Title: _____ ☐ The Corporate Executive
Tel: _____ Fax: _____ Email: _____

Name: _____ ☐ The Corporate Counsel
Title: _____ ☐ The Corporate Executive
Tel: _____ Fax: _____ Email: _____

Name: _____ ☐ The Corporate Counsel
Title: _____ ☐ The Corporate Executive
Tel: _____ Fax: _____ Email: _____

Firm/Company _____ Address _____
City/State/Zip _____ Referred by: _____

*For those outside the U.S., please add $50 for Shipping and Handling for each member.

DON'T FORGET TO CHECK OUT THE NASPP WEBSITE AT NASPP.COM

NASPP Ltd. ❖ PO Box 21639 ❖ Concord, CA 94521-0639
Phone (925) 685-9271 ❖ Fax (925) 930-9284 ❖ Email: naspp@naspp.com