


3rd Annual CEP Symposium Santa Clara University

## Certified Equity Professional Institute

### Can't We All Get Along? Working with Your Vendors to Ensure a Successful Relationship

Ron Snitker, CEP, UBS Financial Services / Client Jule Torre, Applied Materials  
 Wendy Jennings, CEP, Charles Schwab / Client Shannon Tutko, Amazon.com  
 Scott Philpott, Fidelity / Client Kevin Osterman, CEP, Washington Mutual  
 Emily Cervino, CEPI / Moderator




---

---

---

---

---

---


---

---

### Outsourcing Stock Administration

- Definition: Co-Source vs. Outsource
- Co-Sourcing
  - Vendor processes exercises and Company uploads stock option exercises into stock database and completes the transactions. Company maintains database.
- Outsourcing
  - Vendor maintains the master database, new software releases and upgrades
  - Vendor uploads approved grants, terminations, employee status changes
  - Vendor processes all option exercise and restricted stock transactions and uploads into stock database and completes the transactions
  - Vendor provides standard reports for financial statements
  - Vendor provides customer service for client's employees

3rd Annual CEP Symposium, September 13, 2006  
 Certified Equity Professional Institute, <http://cepi.scu.edu> -2-




---

---

---

---

---

---


---

---

### Why Outsource

- Considerations
  - Internal Resources
  - Staff
  - Size of Participant Base
  - Information Technology (IT)
  - Human vs. Technology
  - Budget
  - Internal Business Partners Buy-In
  - Existing Relationships – "One Stop Shop"

3rd Annual CEP Symposium, September 13, 2006  
 Certified Equity Professional Institute, <http://cepi.scu.edu> -3-




---

---

---

---

---

---


---

---

**Functions that Cannot be Outsourced**

- Certain aspects of ESPP Administration
- Manage the outsource vendor (review & audits)
- Manage other service providers (i.e. Transfer Agent)
- Grant Process (annual, new hires, promotions, retention)
- Monitor Account Receivable Log
- Cross charges and wires transfers
- Data exchange – daily file transfers

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---


---

---

**Functions which Cannot be Outsourced**

- SEC Reporting (Forms 3, 4, 5, 8K, 10Q, 10K, S-8, Proxy)
- Manage broker relationships for Sec 16 Directors and Officers
- Legal and Tax compliance processes and issues
- Manage internal stock website
- Program Design
- Work with Auditors and Outside Council
- Work with internal HR, Legal, Payroll, Tax, Treasury, Accounting and Technology Departments

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---


---

---

**Pre-Implementation**

- Pre-implementation
  - Contractual Business Documents
    - Letter of Intent
    - Contract
    - Corporate Account Paperwork
  - Planning Tools
    - Resources
      - Contact List
    - Plan Documents, Procedures, Existing Communications
    - Data
      - Existing Database
      - File Layouts

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---


---

---

**Pre-implementation**

- Pre-implementation
  - Customizables
    - Forms
      - Account Forms
      - Exercise Forms
      - Settlement Forms (wire transfer, ACH, stock transfer, etc.)
      - Personal Identification Number (PIN) Change Form (if applicable)
    - Logo Requirements
    - Welcome Letter
    - Website (including "Frequently Asked Questions", legal agreements, etc.)
    - Interactive Voice Response (IVR) System
    - Brochures

3rd Annual CEP Symposium, September 13, 2006 -7-  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---


---

---

**Implementation**

- Implementation/Go-Live
  - Project Plan
    - Key Dates
    - Considerations (corporate actions & events)
  - Communication - Project Team
    - Regular meetings
    - Electronic distribution list
  - Communication - Participants
    - Welcome Letters
      - Personal Identification Numbers (PIN), (if applicable)
      - Versions (International)
      - Vendor website
    - Education
      - Flyers, Seminars, Webinars

3rd Annual CEP Symposium, September 13, 2006 -8-  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---

---

---

**Implementation**

- Business Requirements
  - Plans
  - Activity
    - Grants
    - Exercises
    - Lapses
      - Terminations, Cancellations, Expirations
        - Death
        - Disability
        - Retirement

3rd Annual CEP Symposium, September 13, 2006 -9-  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---

---

---

**Implementation**

- Business Requirements
  - Payroll
  - Accounting
  - Transfer Agent
  - International Requirements
  - Reporting
  - Participant Communications
  - Insiders / Executives
    - Pre-clearance
    - 10b5-1 Trading Plans
  - Unique Issues

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>

---

---

---

---

---

---

---

---

**Implementation**

- Systems Requirements
  - Data Integrity
  - Data Transfer
    - Security
    - Established and tested
  - System Interfaces
- Legal Considerations
- Administrative Procedures & Documentation
  - Stock Team Training
  - Client Services Manual
  - Periodic Reviews

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>

---

---

---

---

---

---

---

---

**Post-Implementation**

- Post-Implementation
  - Expansion / Extension of Team
  - Standing Weekly Meeting / Conference Calls / Face-to-Face Meetings
    - Reminders / Important Dates
    - Pending Items
    - Roadmap
    - New Items

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>

---

---

---

---

---

---


---

---

**Maintenance**

- Roadmap
  - Product Enhancements
  - Changes in Processes by Company & Outsourcing Provider
  - Updates to Regulatory Requirements
  - Technology Upgrades
    - Software
    - Hardware
  - Recurring Events / Ongoing Projects
    - Reporting
    - Auditing & Review of Controls
    - Staff Training
    - Participant Education

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---

---

---

**Maintenance**

- Stock Options & Other Equity Vehicles
  - Use your outsourcer as a partner in your resolution
  - Other Equity Vehicles – Non-Standard Administration
- Unexpected Corporate Events
  - Mergers & Acquisitions
  - Stock Splits
  - Dividends
  - Tender Offers

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---

---

---

**Maintenance**

- Data Maintenance & Security
  - Access
    - Establishing
    - Deleting
  - Privacy Policies & Regulations
- Reporting
  - Financial
  - Ad Hoc
  - Miscellaneous Activity
  - Barometer from Client
- Customer Service
  - Participant Feedback
  - Vendor Surveys

3rd Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---


---

---

**Lessons Learned**

- Employee communications – verify phone numbers & links
- Understand conversion strategy - don't assume anything
- Don't be overly optimistic on timing – “Murphy's Law”
- Data integrity – can't spend enough time on this
- Communicate and collaborate early and often
- Face to face meetings more productive – know your partners
- Document procedures outside of plan – how were decisions made if you come into the relationship post-implementation
- Archive implementation process for historical purposes
- Talk to your vendor before changing plan design or process

3rd Annual CEP Symposium, September 13, 2006 -16-  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---

---

---

**Working as Partners**

- Ongoing Issues
  - Identify Problem
  - Research
  - Discuss Solution
  - Resolution
  - Change Process and Advise All Business Partners if necessary
  - Closure
- Industry Updates
  - Your outsourcer can be a source
  - Regulatory Changes
  - Industry Trends

3rd Annual CEP Symposium, September 13, 2006 -17-  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---


---

---

**Questions?**

- Questions

3rd Annual CEP Symposium, September 13, 2006 -18-  
Certified Equity Professional Institute, <http://cepi.scu.edu>



---

---

---

---

---

---

---

---

**Contact Us**

Emily Cervino, CEP - ECervino@scu.edu

Wendy Jennings, CEP - wendy.jennings@schwab.com

Kevin Osterman, CEP - kevin.osterman@wamu.net

Scott Philpott - scott.philpott@fmr.com

Ron Snitker, CEP - ron.snitker@ubs.com

Jule Torre - jule\_torre@amat.com

Shannon Tutko - tutko@amazon.com

3<sup>rd</sup> Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>




---

---

---

---

---

---

---

---

---

---

**Vendor Information**

Charles Schwab / 800-720-7786 / <http://scrs.schwab.com>

- Comprehensive, customized full- and partial-plan solutions designed around you
- A responsive, dedicated service team with deep experience in navigating the intricacies unique to our industry
- FAS 123R-compliant reporting solutions for options expensing
- Support for all equity awards, including options, restricted stock, SARs and performance awards
- Education and advice to make your participants' lives easier
- Executive support including SEC Rule 10b5-1 Trading Plan assistance
- Worldwide access via the Web with day and night toll-free support


**Fidelity Stock Plan Services / 800.468.5521 / [www.fidelity.com/stockplans](http://www.fidelity.com/stockplans)**

- Fidelity Stock Plan Services provides the expertise and convenience of a single provider to administer your equity plan, across a range of equity compensation vehicles, including Employee Stock Options, Employee Stock Purchase, Restricted Stock Awards & Units and Stock Appreciation Rights.
- Our team of equity solutions experts take a collaborative and comprehensive approach to develop administration solutions that:
  - **Mitigate your compliance risk** by managing all aspects of plan administration on an integrated technology platform that provides a comprehensive suite of reports to address your FAS and dilution reporting needs.
  - **Maximize your plan value** by providing employees with the education and guidance they need to effectively integrate their equity benefits into their overall financial plans.
  - **Respond to your unique needs** by providing solutions that address the needs of your equity plan as well as respond to the needs of employees throughout the organization, both domestically and overseas.
- As a leading equity solutions provider, Fidelity Stock Plan Services administers equity plans for over 150 clients, representing over one million participants, located in 97 countries around the globe.

**UBS Financial Services Inc. - Corporate Employee Financial Services / 866-706-2727 / [www.ubs.com/stockbenefit](http://www.ubs.com/stockbenefit)**

- As a member of the UBS AG family, UBS Financial Services Inc. Corporate Employee Financial Services department has diversified experience servicing corporate stock plans with international plan participants in approximately 100 countries worldwide. UBS also offers an industry leading web-based administration platform for accessing, maintaining and reporting on plan and participant information with financial reporting capabilities.

3<sup>rd</sup> Annual CEP Symposium, September 13, 2006  
Certified Equity Professional Institute, <http://cepi.scu.edu>




---

---

---

---

---

---

---

---

---

---