

# STOCK ADMINISTRATION



*Manage stock plans over the internet.*

*Use an integrated stock management solution.*

*Motivate and retain key employees.*

Recruiting and retaining skilled workers can be a challenge in today's tight labor market. As a result, many organizations are offering stock options, or employee stock purchase plan (ESPP) programs, to attract prospects and reward employees for quality performance. Oracle's PeopleSoft Enterprise Stock Administration provides you with powerful tools for managing and administering stock options and ESPP programs for your workforce.

## **Integrate Your Stock Administration with HR, Payroll, and Benefits Administration**

Stock Administration enables you to leverage additional data and functionality by integrating with PeopleSoft Enterprise solutions.

- **Human Resources integration**—Stock Administration leverages the employee data from Oracle's PeopleSoft Enterprise Human Resources system. For example, Stock Administration identifies changes to personal or job data (such as terminations and leaves of absence) that impact an individual's eligibility to participate in your stock plans. Stock Administration integrates with the Variable Compensation module, enabling you to automatically generate grants based on stock options allocated as part of an employee's variable compensation. You can specify and modify grant parameters, and apply them at a group or individual level.
- **Payroll integration**—Stock Administration provides for two-way exchange of data with Oracle's PeopleSoft Enterprise Payroll system. The "calculate taxes" feature enables you to obtain tax information—such as State Disability Insurance (SDI) limits and tax rates—from Payroll before you calculate taxes due with Stock Administration. You can then use the "update payroll balance" feature to send the income and taxes back to Payroll. Integrating with Payroll also enables you to gather employees' ESPP contributions, and automatically return any residual amounts.
- **Benefits Administration integration**—Stock Administration works closely with your benefits system when enrolling employees in an ESPP program. You can leverage Oracle's PeopleSoft Enterprise Benefits Administration enrollment, deductions, and eligibility checking functionality as you set up and administer ESPPs.

## **Assign Termination and Leave of Absence Rules**

Stock Administration eases the process of entering terminations and leaves of absence for an individual. The termination/leave of absence rules page offers you the flexibility to define business rules for terminations and leaves of absence. You can use a single page to track all rules regarding termination grace periods, leave of absence vesting deferrals, and exercise suspensions for each option plan.

### **Establish Rules for Section 422 and Section 423 Plans**

Stock Administration enables users to define rules set forth by the Internal Revenue Code (IRC) that govern Section 422 plans for Incentive Stock Options (ISOs) and Section 423 plans for ESPPs. The governing body rules pages enable you to define:

- ISO rules pertaining to the \$100,000 exercisable value limit (by providing two interpretations of the rule).
- An option life limit.
- A 10 percent shareholder grant price and option life rules.
- Disqualifying disposition holding periods.
- Grace periods for post termination transactions.
- In addition, the governing body rules pages will provide functionality to store and govern ESPP rules such as:
  - The \$25,000 purchase value limit (by providing two interpretations of the rule).
  - The 15 percent discount limit.
  - The 27-month maximum offering period.

### **Define Fair Market Values**

Stock Administration enables you to set up business rules that define how to calculate fair market value (FMV) on the following:

#### **Stock Option Plan FMVs**

- Grant
- Exercise
- Release
- Repurchase
- Swap/Trade

#### **ESPP Plan FMVs**

- Offering Start
- Grant
- Purchase

Based on the definitions you provide for these fair market values, Stock Administration automatically calculates these values and defaults them on the appropriate pages. You can also define which fair market value to use on nontrading days such as weekends and holidays.

### **Administer a Variety of Stock Option Types**

Stock Administration enables you to administer a variety of stock option types, including ISOs, nonqualified stock options (NQs), restricted stock awards (RSAs), and tandem stock appreciation rights (ISARs and NSARs).

### **Create Customized Vesting Schedules**

Stock Administration gives you the flexibility to customize vesting schedules as you see fit. Each grant issued through Stock Administration can have its own vesting schedule built from a template, giving you a host of customizable options. For example, you can set up a vesting schedule for an incentive stock option plan during which stock options vest a certain percentage at the end of one year, and then vest monthly thereafter over the course of several years. You can set up weekly, monthly, quarterly, semiannual, and annual vesting periods. You can also modify the vesting schedule for a particular grant, and the system will retain the history of the changes made.

### **Support Multiple Exercise Methods**

Stock Administration supports many exercise methods that can be administered online and interfaced with Oracle's PeopleSoft Enterprise Payroll, including:

- Same-day-sale
- Sell-to-cover
- Cash
- Loan
- Swap
- Stock appreciation right (SAR) exercise

### **Administer Restricted Stock**

Stock Administration enables you to address restricted stock awards and to allow for exercise before vest. Stock Administration enables you to grant restricted stock awards to an individual, process the release of shares from escrow, and repurchase shares. As you grant an RSA, ISO, or NQ that allows exercise before vest, Stock Administration enables you to identify whether the individual has elected to file a Section 83(b) election and uses this information to accurately report tax and income information.

### **From Self-Service to Self-Sufficiency**

Collaborative applications extend enterprises beyond their walls, helping employees, customers, and suppliers to work together. Oracle's PeopleSoft Enterprise eEquity is a collaborative application that integrates with Stock Administration to provide self-service functionality to your workforce. Optionees can view the details of their active grants and transaction activity, including exercises, releases, dispositions, repurchases, cancellations, and expirations. ESPP participants can view the details of their stock purchases and dispositions.

### **Identify Individuals for Proxy and Section 16 Reporting**

You can keep track of your Section 16 insiders, 10 percent shareholders, and individuals to include in your proxy reporting with Stock Administration.

Identifying individuals as insiders enables Stock Administration to automatically include, or exclude, these people when identifying a blackout period or processing

repricings. Stock Administration will automatically adjust the employee's ISO grant price and grant life for 10 percent shareholders.

### **Track a Variety of Stock Balances**

Tracking share balances and allocations is easy with Stock Administration. The system tracks balances and allocations for treasury pools, stock plans, and common and preferred shares outstanding. The intricate balance tracking and share allocation functionality captures online transactions and batch processes for grants, purchases, exercises, repurchases, releases, and sales or dispositions. To augment the balance tracking capabilities, Stock Administration provides reports that you can use for financial disclosure, auditing, and regulatory reporting.

Stock Administration includes a "stock class balances" feature that enables you to keep an up-to-date tally of common and preferred shares issued—and outstanding—in the open market. The stock class, stock treasury, and stock plan balance data enables you to provide initial benchmark balances.

### **Administer Fixed and Rolling Offerings**

Stock Administration gives you the flexibility to administer fixed and concurrent rolling offerings. Rules set up for ESPPs control which offering and purchase period participants are enrolled. The system allows you to control offering periods that expire and move participants to a new offering period.

In addition, Stock Administration gives you the flexibility to define various limits on contributions and shares within an offering or purchase period and automatically enforces these limits in the purchase process.

### **Convert Non-USD Currencies**

Stock Administration simplifies the process of converting ESPP contributions for employees around the globe. Stock Administration can convert non-U.S. contributions from any currency into U.S. Dollars, and can convert leftover contributions back to the original currency. The system allows you to choose a currency in which to store the carry-forward amounts.

### **Prorate Purchases and Provide Anti-Dilution Adjustments**

Understanding the volatility of the market and the workload of stock administrators, Stock Administration accommodates your need to be flexible with its proration and anti-dilution features. Stock Administration automatically prorates purchases when plan shares available are exceeded, or when an offering or purchase share limit is met. If the market dictates that the fair market value of your purchase is lower than the grant fair market value, you can enter an anti-dilution price—with no effect on the purchase price. Stock Administration uses the anti-dilution price to calculate the maximum number of shares to be issued to each ESPP participant.

### **More Than 85 Delivered Reports**

Reporting activity is complex and Stock Administration meets this challenge. Not only does it deliver the tools that give you the flexibility to customize reports, but it provides the following delivered reports:

- All transactional reporting
- Payroll and tax reports
- Accounting including APB No. 25 and FAS 123 reports
- Financial disclosure reports
- Transfer agent and brokerage reports
- Individual statements, receipts, and transmittals

### **Determine Valuation for Financial Disclosures**

To meet the complex accounting and financial reporting requirements surrounding equity compensation, Stock Administration enables the user to calculate the “fair value” of stock options and awards granted within the system using an option pricing model. The Black-Scholes Option Pricing Model is the most commonly used for stock compensation, and is accepted by the Financial Accounting Standards Board (FASB) for determining the fair value of accounting for equity vehicles. Oracle’s PeopleSoft Enterprise Stock Administration provides a series of reports to assist the user in determining the appropriate inputs into the model, and provides reports formatted for disclosure compliance.

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