

# EquiLink™

## EQUITY COMPENSATION

### The EquiLink Advantage

After the schedules arrive from the stock administrator, the accountants and tax professionals roll up their sleeves and get to work. This is when the data is reconciled, analyzed, consolidated, recorded in the general ledger and disclosed in the financial statements, a significant undertaking where many thousands of individual transactions are transformed into high level journal entries and disclosures, usually on spreadsheets.

**Introducing EquiLink™** — the only equity compensation tool specifically designed to meet corporate accounting and tax needs.

Equity compensation has many moving parts. Changes in performance, vesting, share values, modifications and forfeitures all impact the amortization calculation. And when two or more of these changes occur at the same time, they impact each other, further complicating the amortization.

Likewise, the allocation of the expense (and the true-up upon final disposition) impacts many departments:

- **Controllers** – Journal entries and budgets
- **Tax** – Legal entity
- **Human Resources** – Pay grades
- **Financial Reporting** – Footnote disclosure

EquiLink provides a single source of equity compensation data that can be securely accessed by all groups.

The data contained in EquiLink lives in a controlled environment that is always in sync with the general ledger. We lock down accounting periods to ensure that it stays that way. As a result, your data is well structured, and transparent. Multiple reconciliations and off-line workarounds are eliminated, improving the process and reducing costs.

Analytics provide insight into the drivers of your equity compensation – and the effectiveness of your program.

With EquiLink, you can get all the information you need from a single source, delivered in an SaaS environment that reduces costs and improves performance.

---

# How EquiLink Improves the Equity Compensation Process

---

**EquiLink™** is the only equity compensation tool specifically designed to meet corporate accounting and tax needs. EquiLink provides structure and transparency to the equity compensation process with the following features:

- **Period lock-down** – Late changes cannot be booked into prior periods
- **Flexible amortization engine** – All changes handled within the system –no more workarounds
- **Allocation tool** – View data by account, department, business unit, pay grade
- **Employee mobility** – Track the impact of employee movement for tax purposes
- **Tax** – Substantiate the deferred tax asset
- **IFRS** – Configurable settings support amortization under IFRS 2
- **Analytics** – See the drivers of compensation expense – and true-ups
- **Forecasting** – Plan for capital transactions and re-structurings
- **Reporting** – Sort and filter the data as you need it

These features improve the process by providing controlled access to all constituents and by eliminating expensive workarounds. Your data is secure, reliable, transparent – and audited.

EquiLink can be implemented with no disruption to your employees or corporate managers.

## First, Lock It Down

If your data is not cut-off and locked down, you have already lost control of the accounting process. Stock administration systems are very good at managing large volumes of employee transactions. But until this data is cleansed and locked against subsequent entries, it cannot be put into a general ledger or a tax return. Accounting data must be cut-off, locked into periods, rolled forward and preserved for many years. If this is done off-line on spreadsheets, maintenance can become a very onerous task because late entries must be accounted for manually. It becomes more difficult still if corrections are made to prior employee transactions, which must be recorded in the current period, creating differences between the source and accounting records. From an audit perspective, you do not want to re-create support from voluminous employee transactions to support queries. Better to retrieve data from a system that was properly cut-off and is designed to support audit queries that may arise many months and years down the road.

EquiLink allows you to take ownership of your data within an accounting system that preserves and manages periods. This assures that all data in the system will remain in sync with the general ledger and tax returns – now and later.

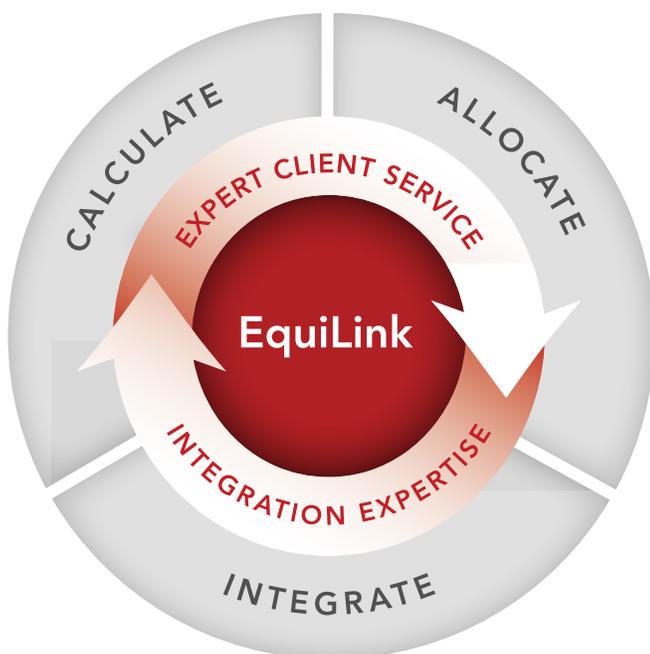
## Get the Amortization Right With a Flexible Engine

Amortization is easy as long as there are no changes to the original award. However, shares, prices and vesting periods can (and do) change regularly. This requires a recalculation that considers the dependency of all changes as well as prior history. Forfeitures present another moving part that must be managed.

EquiLink can handle the impact of any combination of changes to the amortization schedules. The system supports both the dynamic and static methods to better predict forfeiture rates. This ensures that all calculations take place within the system and there are no workarounds. EquiLink supports all types of awards including NQs, RSUs, ISOs and ESPPs.

## Allocate, Allocate, Allocate

EquiLink tracks the various location assignments (department, business unit, location, pay grade, etc.) as of a point in time and “remembers” where people have been assigned to in the past. This enables the application to allocate expense across any assignment level and show the history of expense allocation across time at a granular level of detail. For tax purposes, EquiLink tracks the location of participants so that the deferred tax asset builds in the proper locations. When shares are exercised/released, EquiLink will generate the correct recharge and tax deductions in the proper jurisdictions.



## The EquiLink solution and services model covers all the key components for corporate reporting:

### Employee Mobility

When employees move around the world, they leave a trail of compliance headaches in their wake. These issues start with the setup of the DTA (valued at the corporate tax rates applied for time spent in-country) and end with the application of the charge-out of management fees.

EquiLink tracks employee movements through various taxing jurisdictions and stores the time spent in each one. When the shares are released to the employees, EquiLink will automatically compute the correct corporate deduction and accurately relieve the tax accounts.

### Tax

When asked to substantiate the deferred tax asset for share-based compensation, many tax departments must resort to a combination of spreadsheets and data dumps from their stock administrators. Rollforwards are frequently maintained off-line.

EquiLink maintains consistency between the amounts owed to employees (which are recorded above the line) and the tax refund due from the government (the deferred tax asset recorded below the line). The reconciling item is the sum of all permanent differences, which are stored in the system. The deferred tax asset can be verified at any time by reference to the amounts recorded in the company's own general ledger rather than an external database maintained by a third party.

### IFRS

EquiLink has configurable settings for those items that are different under GAAP and IFRS. These items include measurement dates, equity-liability classifications, modifications due to service, performance or market conditions, service inception date, grant date and requisite service, graded vesting and alternative vesting, and derived service periods.

### Analyze this

With its robust engine, EquiLink provides a window into the inner workings of all calculations and allocations. These components can be used to analyze the dynamics that are behind the numbers.

### Forecasting and Planning

We can snapshot the data within EquiLink at any time to support the forecasting and planning efforts of the company. This is an extremely useful "sandbox" that can be used in planning for restructurings, mergers, spin-offs, future EPS, or annual budgeting.

### Functions and Reports

EquiLink gives clients the ability to generate realtime reports on demand. You will be able to sort and filter reports in multiple ways and view detailed reports to provide a full audit trail. The reporting functionality will allow you to run reports based on departments, branches, subsidiaries, multiple tax entities, countries, equity compensation plans, award types and user specified data ranges.

### Valuation & Expensing

- Black-Scholes option calculator
- Support of all expense attribution methods
- Static or dynamic forfeiture rate
- Acceleration for retirement eligibility
- Automatic adjustments for changes to shares expected to vest
- Rollforward of expense at award and tranche level
- Balance drawn down through exercises or releases
- Equity accounts adjusted for differences between expense accrued and value of distributions
- Proper expensing after modification
- Supports equity and liability treatment
- Allocates expense across multiple location codes determined by client
- Supports employee mobility
- Journal entries for any period

### Corporate Tax

- Deferred tax rollforwards
- User defined allocations for permanent & temporary codes
- Roll-ups from individual awards to legal entity
- Track employee mobility and movement of deferred tax asset
- Calculation of permanent differences for countries that do not allow a tax deduction for share-based compensation
- Calculate and document allowable intercompany management fees
- Planning
- Parity above & below the line so tax accounts can be supported by the general ledger

### Weighted Average Shares Outstanding & Disclosures

- Weights capital stock activity for basic weighted average shares outstanding
- Calculates dilutive shares for all award types for dilutive weighted shares outstanding
- Supports adjustments for performance, independent of expense
- Incorporates all sources of proceeds for buybacks
- Unweighted rollforward of shares outstanding
- A240 footnote disclosure reporting

### Implementation – Lets Get Started

A typical EquiLink implementation takes 4 weeks and requires very little time from our clients. We don't need tons of employee data, just the standard reports you normally get from your stock administrator. We do the rest, with little or no disruption to your employees or corporate managers.

### Partnership Approach

EquiLink can plug and play with any stock administration system. We have worked with all of the major stock administrators and are familiar with their formats. We take the onus off our clients and work directly with the stock administrators. This has the advantage of leaving your employees undisturbed while you improve your corporate reporting processes.

### Global Headquarters

377 5th Ave, 5th Floor  
New York City, NY 10016  
+1 201.238.2900  
sales@ARMtechnology.com  
www.ARMtechnology.com



# EquiLink™

## The Right Combination of Technology and Service

The equity compensation issues of every company are unique. We offer flexible technology and the highest level of client service to meet these challenges.

- Web-based technology
- Secure access encourages collaboration
- Hosted solution reduces cost
- SSAE 16 Type 2 certification ensures safety
- Full redundancy at every level to ensure access
- EquiLink averages better than 99.9% uptime each year
- Data base application provides opportunities for integration with other systems

Our client services are unparalleled in the marketplace and we take pride in setting a NEW Standard in implementation and servicing.

- Deep tax and accounting expertise in equity compensation
- Experienced in system integration to create lasting process improvements
- Proven track record of client service (Fortune 500) for over 15 years