Glossary

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SEC Rule 144 is a means by which restricted and control securities may be sold in compliance with federal law and regulations. Rule 144 requirements depend on who owns the security, the length of time it has been owned, and how it was acquired.

Rule 144 applies to the resale of restricted securities as well as to restricted and nonrestricted securities sold by control persons. To sell the security, some or all of these requirements must be met:

- The issuer must be in compliance with SEC-reporting requirements.
- A holding period of one year must be met by the shareholder. However, a control person may sell unrestricted securities without regard to the holding period. Volume restrictions still apply.
- The amount of stock sold in any three-month period cannot exceed the volume limitations, which are the greater of 1% of the outstanding shares or the average weekly trading volume for the four calendar weeks preceding the filing of a Form 144 notice. A Form 144 notice must be filed in certain transactions.
- The stock must be sold in a broker's transaction or a transaction with a market maker. Solicitation of purchasers is prohibited.

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Securities have this restriction if the securities are restricted but the stock owner is not an affiliate of the company, and the securities were acquired from the company or an affiliate of the company more than two years ago. Customers can sell this type of stock without having to satisfy most of the requirements of Rule 144.

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Sets forth conditions for selling securities that are the result of an SEC-registered merger or consolidation. Non-affiliates are not subject to resale restrictions. Affiliates of the selling company who do not become affiliates of the acquiring company are subject to volume restrictions and public information requirements for the first year, but do not have to file Form 144. During the second year, the only requirement is for the company to be current in all SEC reporting. Affiliates of the acquiring company must abide by all 144 requirements except the minimum holding period.

701(g)(3)

Rule permitting the sale of unregistered securities in the open market, provided that the shares were issued under a company benefit plan or compensation agreement prior to a company going public. An owner of these securities who is not considered an affiliate of the issuer may sell shares under Rule 701(g)(3) without having to satisfy Rule 144 requirements. The shares cannot be sold until 90 days after the company goes public. However, certain Rule 701 paperwork needs to be completed by the stock owner in order to have the "restricted" legend removed and to release proceeds from the sale. Affiliates must satisfy all the requirements of Rule 144, other than the one-year holding period.

account certification (opening)
The process of verifying tax identification information. Fidelity Stock Plan Services uses Form W-9 for U.S. citizens and Form W-8 for nonresident aliens and foreign entities.

affiliates
See control persons, insiders, or affiliates.

alternate identification
You have the option to create an alternate identification to help protect your participant number. An alternate identification can be created so, when accessing the account, you will not be required to disclose your participant number if the proper alternate identification and password are provided. Your alternate identification defaults to your participant number until changed.

alternative minimum tax (AMT)
A separate tax system, complementary to the federal income tax system. The AMT system attempts to make sure that anyone who benefits from certain tax advantages will pay at least a minimum amount of tax.

average high and low for the day
This is a fair-market-value option that means your stock option plan takes the average of the highest and lowest trading price of your company stock for the day, and uses that average to calculate the:

- Taxable gain
- Withholding taxes for nonqualified stock options
- Alternative minimum tax (AMT) for incentive stock options

blackout period
A certain time frame when privileges to exercise or sell your shares may be restricted. Refer to your plan rules for more information.

capital gains tax
A tax on a positive return on an investment, resulting from the sale price of a security being higher than the purchase price.

capital loss
A negative return on an investment, resulting from the sale price of a security being lower than the purchase price.

control persons, insiders, or affiliates
Officers, directors, policy-making executives, major shareholders (generally owners of 10% or more of outstanding shares), and other people who are in a position to directly or indirectly control the management of the company. This includes spouses, family members who live with the control person, and other entities affiliated with control persons, as defined in Rule 144. Securities trading by a control person of the issuer is subject to restrictions, regardless of whether the security is restricted. A control person must complete Rule 144 documentation and comply with Rule 144 when selling control securities.

distribution method
The method by which the value of your restricted stock is to be distributed to you.

estimated proceeds
This is an estimate of the cash or share proceeds from an exercise-and-sell order. This estimate shows all proceeds after any estimates for costs or taxes are deducted. Actual cash proceeds at time of order execution may be different.

Fidelity Stock Plan Account
Most stock plans deposit shares or cash into this account and, from this point, assets can be distributed according to your needs.

grant
A *grant* is an amount of stock or options determined by your company and awarded to you.

grant agreement
Document issued by the company setting forth the number of shares, grant/exercise price, vesting schedule, and other terms of the stock awards.

grant ID
The identification number that is assigned to each grant in order to differentiate between awards.

insiders
See *control persons, insiders, or affiliates.*

participant
An eligible employee who is taking part in an employer-provided equity compensation plan.

plan document
A client-supplied document that provides a legal description of the plan rules and how the plan functions.

restricted stock unit (RSU)
A grant valued in terms of company stock that is restricted until the award vests. After the vesting requirement is satisfied, your company distributes shares or the cash equivalent.

share (stock)
A unit of equity ownership in a company.

transaction fee
The fee paid for executing a trade, based on the number of shares traded or the dollar amount traded.

vesting
This refers to when the participant has earned the right of ownership, and the options or restricted stock becomes available to sell. Vesting occurs after your company-designated time frame is met (also known as a *vesting schedule*).

vesting schedule
The schedule of when, and to what extent, awards become available based on periods of time.