

Equity Compensation Policy

Document ID: HR-CMP-015 **Effective Date:** January 1, 2024 **Last Updated:** February 2024 **Owner:** People Operations & Finance **Applies To:** Eligible Employees

Overview

NovaTech offers equity compensation to align employee interests with company success. This document explains how equity works at NovaTech.

Eligibility

Who Receives Equity

Standard equity grants: - Full-time employees - Level 2 and above (see Career Framework) - Upon hire (new hire grant) - Annual refresh grants (performance-based)

Not eligible: - Part-time employees (<30 hours) - Contractors - Interns (unless converted) - Level 1 employees (first 6 months)

Equity Types

Stock Options

What they are: Right to purchase shares at a fixed price (exercise price)

At NovaTech: - Incentive Stock Options (ISOs) for US employees - Non-Qualified Stock Options (NQSOs) where ISOs aren't available

Key terms: - Exercise price: Fair market value at grant date - Expiration: 10 years from grant - Exercisable: After vesting

Restricted Stock Units (RSUs)

What they are: Promise to deliver shares after vesting

At NovaTech: - Used for certain levels and grants - No exercise price (shares delivered automatically) - Taxable at vesting

Grant Sizes

New Hire Grants

Grant sizes based on level and role. Ranges reviewed annually.

Level	Typical Grant Range
L2	\$15,000 - \$30,000
L3	\$30,000 - \$60,000
L4	\$60,000 - \$120,000
L5	\$120,000 - \$250,000
L6	\$250,000+

Values based on fair market value at grant date

Refresh Grants

Annual grants for continued service and performance: - Granted during annual compensation cycle - Based on performance rating - Considers current equity position - Market benchmarking

Performance	Typical Refresh
Exceptional	100-150% of target
Exceeds	75-100% of target
Meets	50-75% of target
Needs Improvement	0%

Promotion Grants

Additional grant upon promotion: - Bridges gap between current and new level
- Granted at time of promotion - Standard vesting schedule

Vesting

Standard Schedule

4-year vesting with 1-year cliff:

Period	Vested	Cumulative
Year 1 (cliff)	25%	25%
Year 2	25%	50%
Year 3	25%	75%
Year 4	25%	100%

Vesting Details

- **Cliff:** First 25% vests on 1-year anniversary
- **Monthly vesting:** After cliff, vesting is monthly (1/48 per month)
- **Vesting date:** Grant anniversary date
- **Termination:** Unvested shares forfeited

Acceleration

Change of Control (Single Trigger): - If NovaTech is acquired, 25% acceleration - Board may approve additional acceleration

Termination After Change of Control (Double Trigger): - If terminated without cause within 12 months of acquisition - 100% acceleration of unvested shares

Exercise and Tax

Stock Options

When to exercise: - After vesting (can exercise vested portion) - Before expiration (10 years) - Special rules after termination (see below)

Types of exercise: - Cash exercise: Pay exercise price in cash - Cashless exercise: Sell shares to cover cost (if liquid) - Net exercise: Surrender shares to cover cost (if approved)

Tax Implications

Incentive Stock Options (ISOs): - No tax at exercise (if qualifying disposition) - Capital gains at sale (if held 1+ year after exercise, 2+ years after grant) - AMT may apply - Disqualifying disposition: Ordinary income treatment

Non-Qualified Stock Options (NQSOs): - Ordinary income tax at exercise (spread \times shares) - Employer withholding required - Capital gains on subsequent appreciation

RSUs: - Ordinary income at vesting - Employer withholds taxes - Shares net of withholding delivered

Consult a tax advisor for your specific situation

Termination

Voluntary Resignation / Termination Without Cause

Vested options: - 90 days to exercise after termination - ISOs convert to NQSOs after 90 days - Unvested options forfeited

Vested RSUs: - Shares already delivered - Unvested RSUs forfeited

Termination for Cause

- All unvested equity forfeited immediately
- Vested options: 30 days to exercise
- May be subject to clawback

Death or Disability

- Accelerated vesting may apply
 - Extended exercise period
 - Contact HR for specific situation
-

Liquidity Events

IPO

If NovaTech goes public: - Shares become tradeable (after lockup period) - Typical lockup: 180 days - May have trading windows/blackout periods

Acquisition

If NovaTech is acquired: - Equity converted or cashed out - Terms depend on acquisition agreement - Acceleration provisions may apply

Secondary Sales

- Occasionally offered for liquidity
 - Board approval required
 - ROFR (Right of First Refusal) applies
 - Not guaranteed or regular
-

Company Policies

Trading Windows

Post-IPO, trading restricted to: - Open trading windows (quarterly) - Pre-clearance required - Blackout periods around earnings/events

Insider Trading

- Never trade on material non-public information
- Includes NovaTech and other companies
- Violations are serious (legal consequences)
- Complete insider trading training

10b5-1 Plans

Post-IPO, executives may use: - Pre-arranged trading plans - Provides safe harbor - Must be established during open window - Subject to compliance review

Understanding Your Equity

Carta Account

All equity is managed in Carta: - View your grants - See vesting schedule - Exercise options - Access tax documents

Access: app.carta.com (use NovaTech email)

Key Documents

Document	Purpose
Equity Plan	Master plan governing all grants
Grant Agreement	Your specific grant terms
Exercise Agreement	For exercising options
83(b) Election	Optional tax election

Valuation

409A Valuation: - Independent valuation of company - Updated quarterly (or after major events) - Sets exercise price for new grants - Current 409A available in Carta

Planning Resources

Company Resources

- Carta portal: app.carta.com
- HR: hr@novatech.com
- Finance (equity questions): equity@novatech.com

External Resources

- Tax advisor (personal)
- Financial planner (personal)
- NovaTech offers 2 free financial advisor sessions annually

Common Questions

Q: What's my equity worth? A: Current valuation \times vested shares = approximate value. But this is paper value until a liquidity event.

Q: Should I exercise early? A: Depends on tax situation, belief in company, cash position. Consult a tax advisor.

Q: What happens if I leave? A: Unvested shares forfeited. 90 days to exercise vested options.

Q: Can I sell my shares? A: Only during approved liquidity events (secondary sales, IPO, acquisition).

Important Notices

No Guarantee of Value

- Equity is not guaranteed to have value
- Startup equity is risky
- Value depends on company performance and exit
- Don't rely on equity for essential finances

Information is Confidential

- Valuations are confidential
- Don't share grant details externally
- Internal discussions should be limited

This Document is Summary Only

- Full terms in Equity Plan and Grant Agreements
- This summary doesn't modify legal documents
- Consult legal documents for complete terms

Contact

- **General questions:** hr@novatech.com
- **Equity-specific:** equity@novatech.com
- **Carta support:** Through Carta portal
- **Tax/financial:** Seek personal advisor

Related Documents: Compensation Philosophy (HR-CMP-001), Career Framework (HR-DEV-020), Insider Trading Policy (COM-ETH-010)