

Equity and Stock Options Guide

Policy Number: HR-COMP-005 **Effective Date:** January 1, 2019 **Last Updated:** February 1, 2024 **Owner:** Total Rewards Team **Applies To:** Equity-eligible employees globally

Overview

Equity compensation is a key component of total rewards at NovaTech Solutions. This guide explains how our equity programs work, including stock options and Restricted Stock Units (RSUs).

Equity Compensation Philosophy

NovaTech provides equity to:

- Align employee and shareholder interests
- Attract and retain top talent
- Reward long-term contribution
- Share in company success

Types of Equity Awards

Stock Options (ISO/NSO)

Incentive Stock Options (ISOs) - US employees - Tax-advantaged treatment if held 2+ years - Subject to \$100K annual exercise limit - Must be exercised within 90 days of termination

Non-Qualified Stock Options (NSOs) - All employees, excess over ISO limit - Taxed as ordinary income upon exercise - More flexible exercise timeline - No \$100K limit

Restricted Stock Units (RSUs)

RSUs are promises to deliver shares upon vesting:

- No purchase required
- Taxed as ordinary income when shares vest
- Simpler than options (no exercise decision)
- Standard for refresher grants

New Hire Equity Grants

Determining Your Grant

New hire equity is based on:

- Job level
- Market data for role
- Negotiation at offer stage

Target Equity by Level (Annual Value)

Level	Target Equity (% of Base)	Typical Grant Range
L1-L2	5-10%	\$5,000 - \$15,000
L3	10-20%	\$15,000 - \$40,000
L4	20-30%	\$40,000 - \$75,000
L5	30-50%	\$75,000 - \$150,000
L6	40-60%	\$120,000 - \$200,000
L7+	50%+	\$200,000+

Values shown are approximate annualized value. Actual grants are typically 4x annual value (4-year vesting).

Grant Timing

- Grant approved at next monthly Board meeting after start date
- Grant effective on Board approval date
- Vesting begins from start date (retroactive)

Vesting Schedule

Standard Schedule

New hire grants vest over 4 years: - **1-year cliff:** No vesting for first 12 months
- **At cliff:** 25% vests on 1-year anniversary - **Monthly vesting:** Remaining 75% vests monthly over next 36 months

Vesting Calendar

Year 1: 0% → 25% (at cliff)
Year 2: 25% → 50% (monthly increments)
Year 3: 50% → 75% (monthly increments)
Year 4: 75% → 100% (monthly increments)

Vesting Date

Standard vesting date is the 15th of each month. Shares vest on this date if:
- You are employed through that date - Vesting conditions are met

Equity Refresh Grants

Purpose

Refresh grants are additional equity awarded to:

- Retain high performers
- Recognize continued contribution
- Maintain competitive total compensation

Eligibility

- Typically requires 1+ year of tenure
- Strong performance (Meets Expectations or higher)
- Not guaranteed annually

Refresh Vesting

Refresh grants vest over 4 years with:

- 1-year cliff OR
- Monthly vesting from grant date (varies by grant)

Exercising Stock Options

What is Exercising?

Exercising means purchasing shares at your option's strike price (the price set at grant).

Exercise Decisions

Consider:

- Current fair market value vs. strike price
- Tax implications
- Cash requirements
- Time until expiration

How to Exercise

1. Log into Carta (our equity management platform): carta.com
2. Navigate to your options
3. Select “Exercise” and choose quantity
4. Select exercise type (cash or cashless)
5. Complete transaction

Exercise Types

Type	Description	Cash Required
Cash exercise	Pay strike price in cash	Yes, full amount
Cashless (sell-to-cover)	Sell enough shares to cover cost	No
Cashless (same-day sale)	Exercise and immediately sell all	No

Cashless exercises only available if shares are publicly traded or in liquidity events.

RSU Settlement

- Shares delivered automatically on vesting date
- Taxes withheld automatically via “sell-to-cover” - Net shares deposited to your brokerage account

Tax Considerations

Options

Event	ISO Tax Treatment	NSO Tax Treatment
Grant	No tax	No tax
Exercise	No regular tax*	Ordinary income on spread
Sale (qualifying)	Long-term capital gains	Capital gains on gain since exercise
Sale (dis- qualifying)	Ordinary income + capital gains	Capital gains on gain since exercise

*ISO exercise may trigger Alternative Minimum Tax (AMT). Consult a tax advisor.

RSUs

Event	Tax Treatment
Grant	No tax
Vest	Ordinary income on full value
Sale	Capital gains on appreciation since vesting

Tax Withholding

NovaTech withholds taxes on: - RSU vesting (via sell-to-cover) - NSO exercise (if applicable)

Consult a tax professional for your specific situation.

Equity Upon Termination

Voluntary Resignation or Involuntary Termination

Equity Type	What Happens
Unvested options	Forfeited immediately
Vested ISOs	90 days to exercise
Vested NSOs	90 days to exercise (or per grant terms)
Unvested RSUs	Forfeited immediately
Vested RSUs	Already yours (shares delivered)

Termination for Cause

All unvested and unexercised equity is forfeited immediately.

Death or Disability

- Accelerated vesting may apply per grant terms
- Extended exercise period for options
- Contact HR for specific provisions

Change of Control

What Happens in an Acquisition

Grant agreements specify treatment, typically: - **Single trigger:** Accelerated vesting upon acquisition - **Double trigger:** Accelerated vesting only if terminated within period after acquisition

Most NovaTech grants have **double trigger** provisions: - 100% acceleration if terminated without cause within 12 months of change of control - Or if position materially changed

Liquidity Events

In an IPO or acquisition: - Options may become exercisable for public shares - RSUs settle per normal schedule or may accelerate - Communication provided with specific details

Viewing Your Equity

Carta Platform

Access your equity information at carta.com: - View grants and vesting schedules - See current value (if shares are valued) - Exercise options (when permitted) - Tax documents and history

Carta Support

For Carta technical issues: support@carta.com For equity questions: equity@novatech.com

Frequently Asked Questions

Q: What's my equity worth? A: Private company shares are valued at the most recent 409A valuation. Contact equity@novatech.com for current FMV.

Q: Can I sell my shares? A: Private company shares generally cannot be sold except in company-sponsored liquidity events or secondary transactions (if permitted).

Q: What happens to my equity if I'm on leave? A: Vesting continues during paid leave. Unpaid leave may pause vesting per grant terms.

Q: How do I know when options expire? A: Check your grant agreement on Carta. Typically 10 years from grant date, or 90 days after termination.

Q: Can I early exercise my options? A: Some grants permit early exercise. Check your grant agreement or contact equity@novatech.com.

Q: Who should I consult about tax implications? A: NovaTech cannot provide tax advice. Consult a tax professional or financial advisor.

Resources

- **Carta platform:** carta.com
- **NovaTech equity team:** equity@novatech.com
- **409A valuation requests:** equity@novatech.com
- **Tax resources:** Consult a CPA or tax attorney

Contact

For equity questions, contact the Total Rewards team at equity@novatech.com.

Related Documents: Salary Bands and Levels (HR-COMP-001), Total Rewards Overview (HR-COMP-006), Termination Procedures (HR-OFF-001)