



Offering Restricted Stock and RSUs in the Pacific Rim and Asia

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Agenda

- What is restricted stock?
- What is a restricted stock unit?
- Award trends
- Tax consequences
- Securities filings and disclosure requirements
- Currency exchange restrictions
- Employee acquired rights



What Is Restricted Stock?

- Award for shares of company stock
- Award is subject to forfeiture (time-based or performance vesting)
- Non-transferable until restrictions expire
- Typically includes shareholder rights (voting and dividends)
- Fixed accounting



What Is Restricted Stock?

- Benefits for employees
 - Shareholder rights for voting and dividends
 - Shares have value in downward market
 - No cash outlay
- Benefits for companies
 - Fixed accounting
 - Limited share dilution
 - Favored by ISS
- Easy to administer and explain
- Create employee-shareholder environment



What Is a Restricted Stock Unit?

- A promise to deliver shares or the cash equivalent of shares in the future
- Award is subject to forfeiture (time-based or performance vesting)
- No shareholder rights included with award
- Non-transferable
- May be fixed accounting (settled in shares) or variable accounting (settled in cash)



What Is a Restricted Stock Unit?

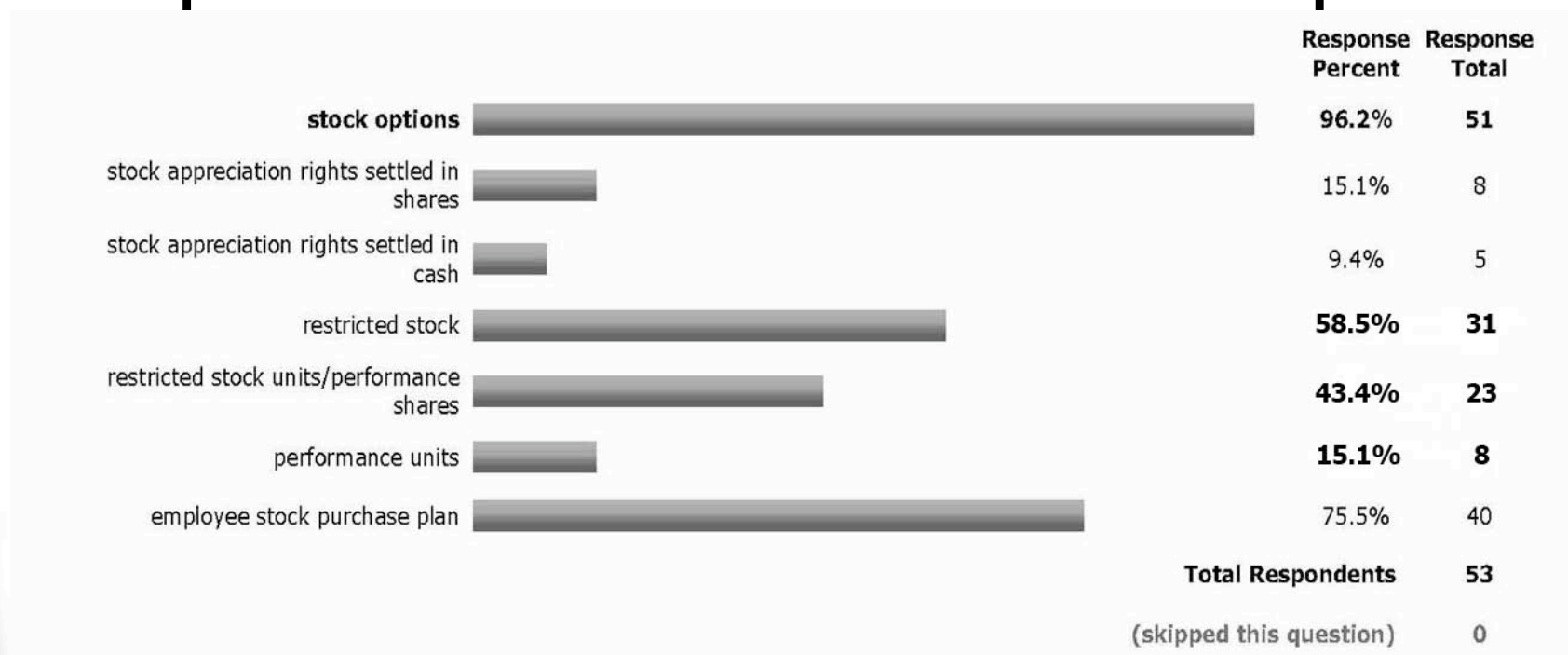
- Benefits for employees
 - Shares have value in downward market
 - Typically taxed at the time of vesting
 - No cash outlay
- Benefits for companies
 - Fixed accounting
 - Flexibility to settle in cash or stock
 - Easy to administer and explain



Award Trends

Manatt Compensation Survey – 2005




~~Which of the following compensation programs will be offered by your company once FAS 123r becomes effective?~~



Award Trends

Manatt Compensation Survey – 2005

Which of the following statements apply to your company's equity compensation programs

We will grant fewer stock options per participant in 2005 and later.		84.8%	39
We will limit employee participation in 2005 and later.		54.3%	25
We will replace some or all stock options with restricted stock awards or RSUs in 2005.		32.6%	15
We will incorporate performance vesting into some or all of its equity compensation programs in 2005.		34.8%	16
		Total Respondents	46
		(skipped this question)	7



Award Trends – India

- Coverage and objectives
 - More than 50% have implemented ESOPs post 2001
 - Over a third cover more than 50% of the employees
 - Top 3 objectives – Retention, Attraction and Employee ownership
 - Over 80% use direct route
- Grant practices
 - Options are more in vogue
 - Rare use of restricted stock and RSUs
 - Performance – the main criteria for entitlement
 - Only 20% grant options only to management levels
 - Half of companies grant sign-on options
 - Over a third of companies grant more than 50% of the total options to senior management



Tax Consequences – Restricted Stock

- Standard taxation
 - Tax at grant on the fair market value of the shares



Australia (qualifying right)



Indonesia



New Zealand



Russia



Singapore



Tax Consequences – Restricted Stock

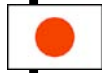
- Tax at vesting on the fair market value of shares



China



Hong Kong



Japan (uncertain)



Malaysia



Philippines



South Korea



Taiwan



Viet Nam

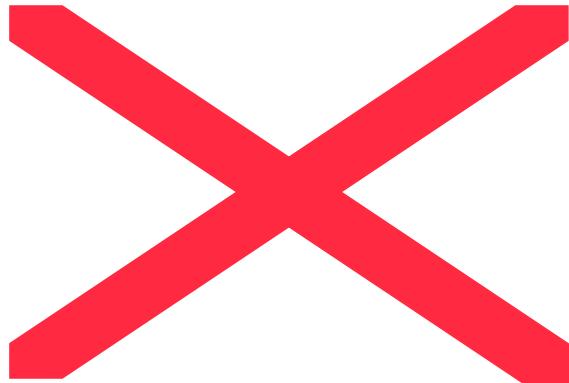


Tax Consequences – Restricted Stock

- Tax-favored awards



India



Tax Consequences - RSU

- Tax when the shares become non-forfeitable (typically at vesting) based on the fair market value of shares at the time of the taxable event



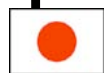
Hong Kong



India



Indonesia



Japan



South Korea



New Zealand



Philippines



Singapore



Taiwan



Thailand



ESOPirect

Tax Consequences - RSU

- Tax at grant based on fair market value of shares



Australia (qualifying right)

Malaysia (determined at grant, payable at vesting)

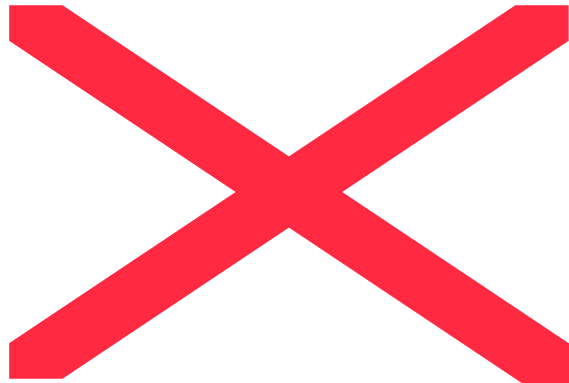


Tax Consequences - RSUs

- Tax-favored awards



India

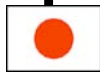


Securities Filing and Disclosure Requirements

- No filing requirements



Hong Kong



Japan



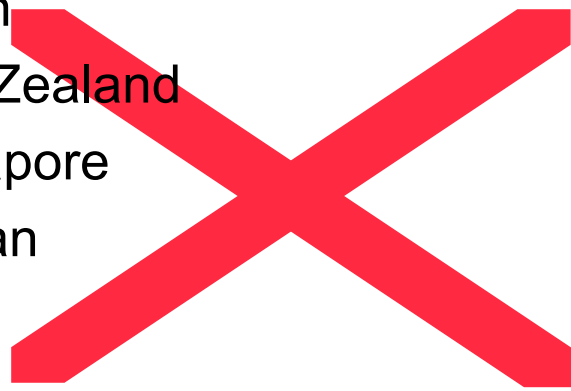
New Zealand



Singapore



Taiwan



Securities Filing and Disclosure Requirements

- Exemptions for employee plans



Australia



India



Philippines (exemption fee required)




South Korea



Viet Nam



Securities Filing and Disclosure Requirements – India

- IPO disclosures
 - Listing of shares
 - Cashless / same-day-sale
 - Shares in dematerialized form
- 



Securities Filing and Disclosure Requirements

- Filing or disclosure requirements



China

Indonesia

Malaysia

Thailand

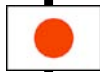


Currency Exchange Restrictions

- No currency exchange restrictions



Hong Kong



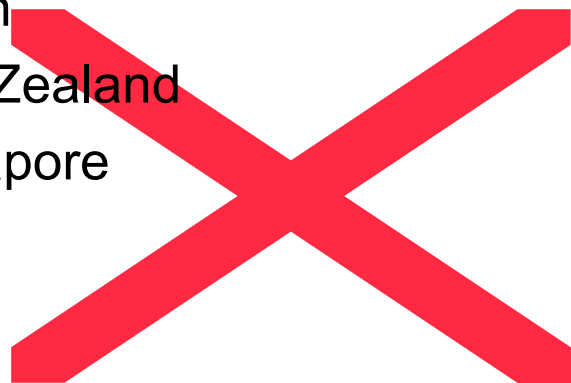
Japan



New Zealand



Singapore



Currency Exchange Restrictions –

- Minor reporting requirements



Australia



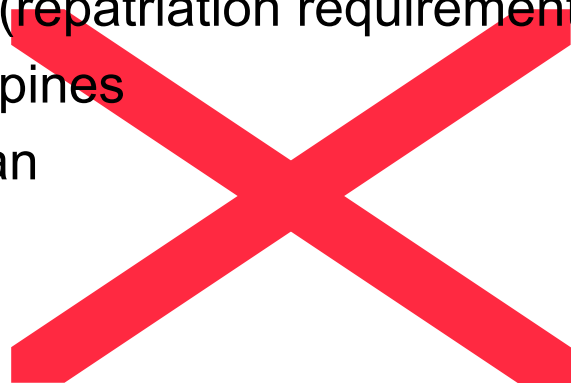
India (repatriation requirement)



Philippines



Taiwan



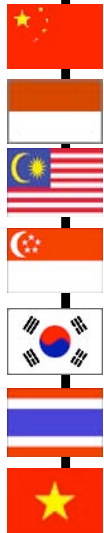
Currency Exchange Restrictions – India

- Outward remittance in foreign currency
 - Exercise of global options
 - Savings under ESPP
 - On sale of Indian options
- Inward remittance of foreign currency
 - Sale of global stock
 - Towards exercise of Indian options



Currency Exchange Restrictions

- Problem countries



China

Indonesia

Malaysia (repatriation requirement)

Russia

South Korea (if funds remitted to purchase shares)

Thailand

Viet Nam



Employee Acquired Rights

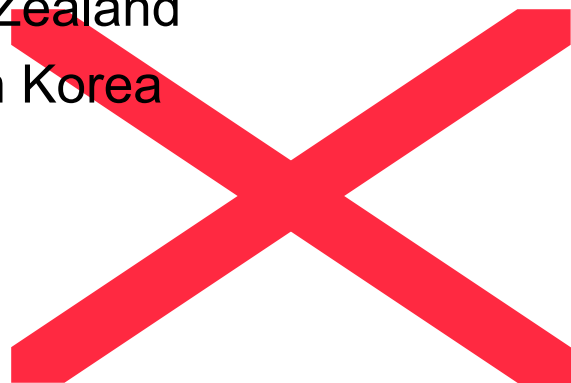
- Problem countries



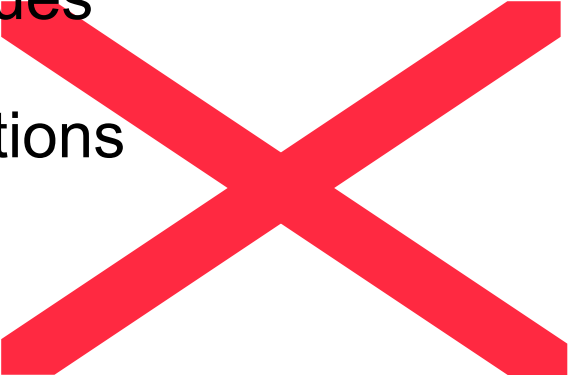
Australia

New Zealand

South Korea



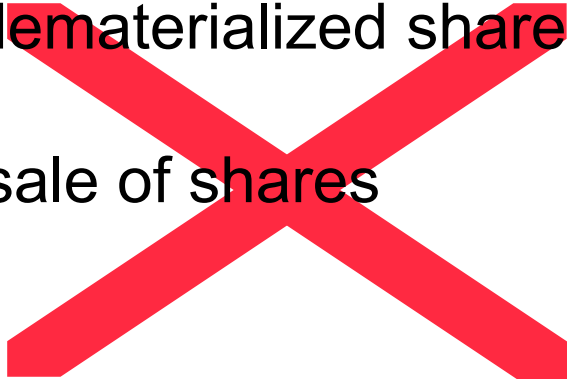
Roll Out of Global Plans to Indian Employees

- Tax filings
 - ESPP related issues
 - Issues in transactions
 - Exercise
 - Sale of shares – Patriot Act
 - Taxation
- 



Indian Options to Global Employees

- Understanding the share allotment process
- Requirement of dematerialized shares
- Time frames for sale of shares
- Taxation



Questions?

Thank you for your participation

