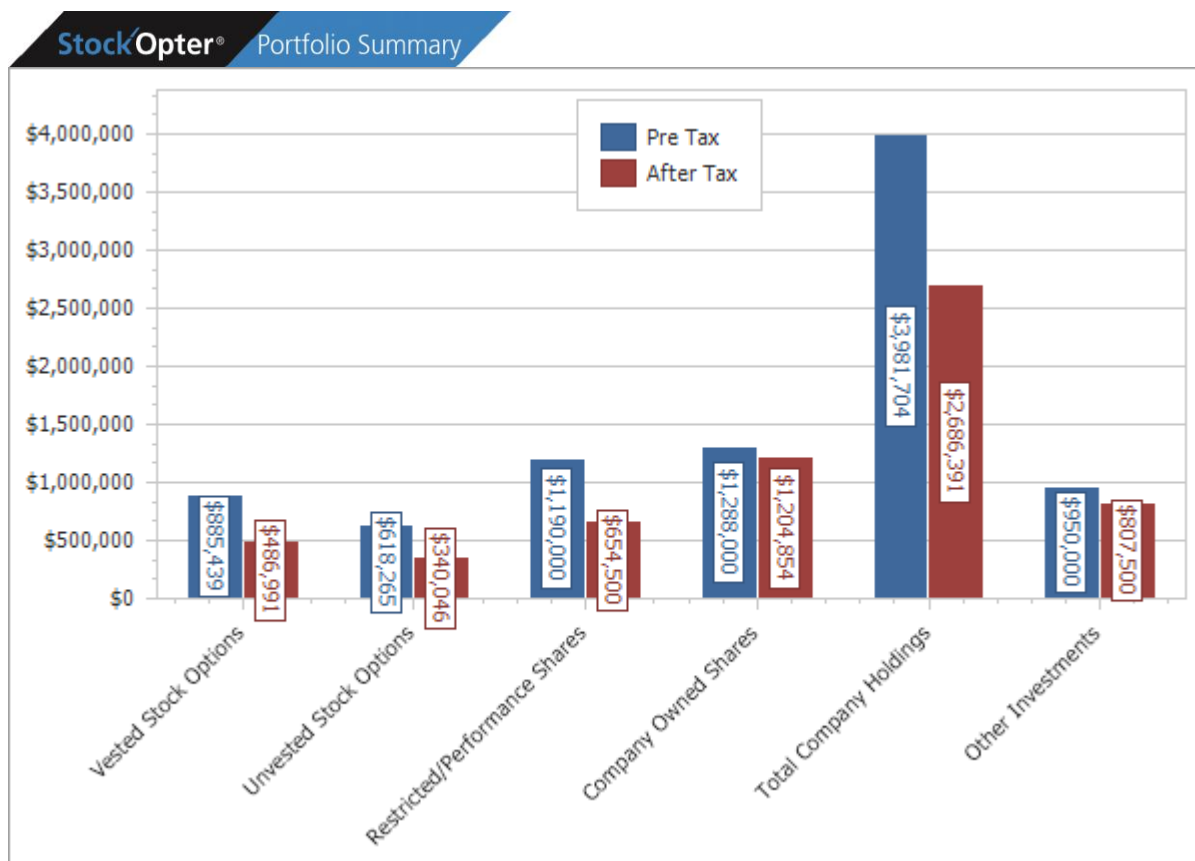


Dear **Sally A Sample**,

This is your **StockOpter® Personal Equity Compensation Profile** report. It is designed to provide you with unique and insightful perspectives on your equity compensation holdings. This information will enable you to make timely and informed diversification decisions regarding your employee stock options and company stock holdings.

This report was created on **2/3/2021** using the assumptions provided in *Appendix A* and the grant data shown in *Appendix B*.

The following chart is a summary of your equity compensation portfolio at a current stock price of **\$140.00** for **NDAQ** using a combined (Federal + State) Income Tax Rate of **45.00 %** and a combined Capital Gains Rate of **15.00 %** (a table of this information is shown in *Appendix C*).



Your report is divided into 5 sections:

- **Stock Option Valuation:** Includes your In-The-Money Values, Cash-Out Values, Full Option Values and Option Forfeit Value®.
- **Company Stock Holdings:** Values your Restricted/Performance Stock Grants, Owned Shares and Total Forfeit Value.
- **Investment Risk/Reward:** Illustrates the upside and downside leverage in your holdings.
- **Personal Risk/Reward:** Contains financial goal, concentration and Value at Risk (VaR) analyses.
- **Decision Framework:** Identifies considerations for making informed diversification decisions regarding your vested options and owned shares.

**Here are the key findings in this report:**

- Your *Total Forfeit Value*® (includes all stock-based awards) is: **\$3,351,494**
- If the price of **NDAQ** stock increases by **20.00 %**, the value of your stock options increases by **63.31 %**
- **80.74 %** of your investment assets are comprised of company stock and options.

Please let me know if you have any questions.

Sincerely,

Bill Dillhoefer  
Net Worth Strategies, Inc.  
Tel: 541-383-3899 - Email: [bdillhoefer@networthstrategies.com](mailto:bdillhoefer@networthstrategies.com)

## I. Employee Stock Option Values for Sally A Sample

This section summarizes your current stock option holdings in **NDAQ** and is divided into 4 sections. Each section looks at the current value of your option portfolio in a different way. The four valuation methods are: 1) In-The-Money Value, 2) Cash-Out Value, 3) Full Option Value & Time Value, and 4) Forfeit Value®.

### In-The-Money / Intrinsic Value of All Options at a Stock Price of \$140.00

The table below shows the gross value (before tax) you would realize from exercising and selling your options, or the difference between the current “fair market value” (FMV) per share (the current stock price) and your exercise price times the number of options. This amount is called the “in-the-money” (ITM) value or “intrinsic” value. The table shows this value for both vested and unvested options. You cannot realize the value from your unvested options until they vest.

StockOpter®		In-the-Money Values							
Grant ID	Grant Type	Expire Date	Exercise Price	Vested Options	Vested ITMV \$	Unvested Options	Unvested ITMV \$	Total Options	Total ITMV \$
ISO2015	ISO	7/1/2025	\$48.8100	4,000	364,760	0	0	4,000	364,760
NQ2017	NQSO	7/1/2027	\$71.4900	6,000	411,060	2,000	137,020	8,000	548,080
NQ2019	NQSO	7/1/2029	\$96.1700	2,501	109,619	7,500	328,725	10,001	438,344
NQ2020	NQSO	12/15/2030	\$127.2900	0	0	12,000	152,520	12,000	152,520
				<b>12,501</b>	<b>885,439</b>	<b>21,500</b>	<b>618,265</b>	<b>34,001</b>	<b>1,503,704</b>

### Cash-Out Value of Vested Options at a Stock Price of \$140.00

The table below estimates the values generated by exercising and selling your vested stock options at the given FMV. The “Potential Tax” column is computed by applying your estimated marginal income tax rate of 45.00 % shown in Appendix A. The “Projected After-Tax Value” for each vested grant is determined by subtracting your potential tax burden from your estimated ITM value. The After-Tax Value for any vested Incentive Stock Options (ISOs) is computed as if they are sold at the time of exercise.

StockOpter®		Cash-Out Values					
Grant ID	Grant Type	Expire Date	Exercise Price	Vested Options	Vested ITMV \$	Potential Tax \$	After Tax Value \$
ISO2015	ISO	7/1/2025	\$48.8100	4,000	364,760	164,142	200,618
NQ2017	NQSO	7/1/2027	\$71.4900	6,000	411,060	184,977	226,083
NQ2019	NQSO	7/1/2029	\$96.1700	2,501	109,619	49,328	60,290
NQ2020	NQSO	12/15/2030	\$127.2900	0	0	0	0
				<b>12,501</b>	<b>885,439</b>	<b>398,447</b>	<b>486,991</b>

### Full Option Value / Time Value of All Options at a Stock Price of \$140.00

This section of the report explores two unique values of your Employee Stock Options: “Full Option Value” and “Time Value”. These values can be used to help you make better decisions regarding your options. In this analysis, Full Option Value is calculated using the **Black-Scholes Merton** methodology. It represents the total value of a stock option and the Time Value represents the theoretical value using the following formula:

$$\text{Full Option Value (FOV)} = \text{In-The-Money Value (ITMV)} + \text{Time Value (TV)}$$

There are five key assumptions for calculating the Time Value of your options:

- **Expiration Date:** The greater the time until expiration, the greater the Time Value of the option.

- **Exercise Price:** Time Value decreases as the option’s in-the-money value increases.
- **Stock Price Volatility:** An option whose price is highly volatile (fluctuates) will have greater Time Value than an option with low volatility because this reflects an increased potential upside.
- **Risk-Free Rate:** An employee stock option provides the holder with the right to own company stock at a certain price without having to purchase it. Therefore, an option’s value is enhanced by the theoretical ability to earn the risk-free rate of return without investing any capital. Thus, the higher the risk-free rate of return, the higher the Time Value of the option.
- **Dividend:** The annual dividend of one’s company stock can have a pronounced effect on Time Value depending on the calculation methodology used. StockOpter uses either Black-Sholes-Merton or Baroni-Adesi-Whaley. These formulas produce the exact same results when NO/O dividend is applied. A dividend will reduce the Time Value for either methodology because the option holder is forgoing the dividend until the time of exercise. However, using Black-Sholes the dividend may produce negative Time Value based on how deep the option is In-the-Money. Using Baroni-Adesi, a dividend will reduce the Time Value, but it won’t go below zero. More information on this can be found at [stockopter.com](http://stockopter.com).

Time Value is an important metric in determining when to exercise options because, as the Time Value decreases, so does the value of holding the option. The table below calculates your Full Option and Time Values using the **Black-Scholes Merton** methodology.

**Dividend:** \$0.00  
**Risk Free Rate:** 1.00 %

**Volatility:** 50.00 %  
**FOV Date:** 2/3/2021

StockOpter®		Time & Full Option Values							
Grant ID	Grant Type	Expire Date	Exercise Price	Vested TV \$	Vested FOV \$	Unvested TV \$	Unvested FOV \$	Total TV \$	Total FOV \$
ISO2015	ISO	7/1/2025	\$48.8100	32,142	396,902	0	0	32,142	396,902
NQ2017	NQSO	7/1/2027	\$71.4900	141,686	552,746	47,229	184,249	188,915	736,995
NQ2019	NQSO	7/1/2029	\$96.1700	112,918	222,537	338,618	667,343	451,536	889,880
NQ2020	NQSO	12/15/2030	\$127.2900	0	0	870,636	1,023,156	870,636	1,023,156
				<b>286,746</b>	<b>1,172,185</b>	<b>1,256,482</b>	<b>1,874,747</b>	<b>1,543,229</b>	<b>3,046,932</b>

**Option Forfeit Value® at a Stock Price of \$140.00**

The “Forfeit Value” of your stock options could be viewed as the opportunity cost associated with leaving your company. This Forfeit Value® includes not only the ITM value of your unvested options, but also their Time Value (TV). As a result, your Forfeit Value® is the sum of the remaining Time Value of your vested options and the Full Option Value (FOV) of your unvested options.

- Full Option Value of your Unvested Options \$1,874,747
- Time Value of the Vested Options \$286,746
- **Your Option Forfeit Value®** **\$2,161,494**

## II. Company Stock Holdings for Sally A Sample

### Restricted/Performance Stock Award Value at a Stock Price of \$140.00

Your **NDAQ** holdings include Restricted and/or Performance Stock Awards (RSA/Us). These grants of company stock are subject to a variety of restrictions to ownership that may include period of employment, performance of the company/division or personal performance. Because you do not own this stock when it is first granted, you are not taxed on the value. However, when the stock vests you will recognize compensation income equal to the fair market value (FMV) of the stock at the time of vest less the amount you paid for the stock (if any).

StockOpter®		Restricted Stock Values			
Grant ID	Grant Type	Shares	Gross Value \$	Potential Tax \$	After Tax Value \$
RSU2018	RSU	2,000	280,000	126,000	154,000
PERF2019	PSG	2,500	350,000	157,500	192,500
RSU2020	RSU	4,000	560,000	252,000	308,000
		<b>8,500</b>	<b>1,190,000</b>	<b>535,500</b>	<b>654,500</b>

The “Gross Value” column represents the current value of each grant. It is calculated by multiplying the FMV by the number of shares. RSA/Us are taxable upon vesting so the tax is based on the FMV of **NDAQ** at that time. The “Potential Tax” column is determined using your estimated marginal income tax rate of **45.00 %** (unless an 83(b) was elected when granted in which case your tax rate will be the capital gains rate). Your projected “After-tax Value” for each grant is determined by subtracting your “Potential Tax” burden from the “Gross Value”.

StockOpter®		RSA Tax Liabilities							
Year	Shares Vesting	Tax Liability at: 89.60	Tax Liability at: 112.00	Tax Liability at: 140.00	Tax Liability at: 168.00	Tax Liability at: 201.60	Shares Required for Taxes	Shares Withheld for Taxes	Shares Remaining
2021	2,500	100,800	126,000	157,500	189,000	226,800	1,125	750	1,750
2022	500	20,160	25,200	31,500	37,800	45,360	225	150	350
2023	2,500	100,800	126,000	157,500	189,000	226,800	1,125	750	1,750
2024	2,500	100,800	126,000	157,500	189,000	226,800	1,125	750	1,750
2025	500	20,160	25,200	31,500	37,800	45,360	225	150	350

A tax liability will be owed in the year that these grants vests. This liability is based on the amount you have paid for the stock (typically zero) and your estimated marginal income tax rate. The following table shows the tax liability you will owe in each upcoming year based on your current vesting schedule at various potential stock prices. The stock prices used in this table represent two increments of **20.00 %** up and down from the current stock price of **\$140.00**. The number of shares required to sell to cover your **45.00 %** tax rate is shown in the “Shares Required for Taxes” column. The “Shares Withheld for Taxes” column applies your company’s withholding rate of **30.00 %** to calculate the number of “Shares Remaining.” This analysis is designed to help you plan for these vesting events.

**Total Equity Compensation Forfeit Value at a Stock Price of \$140.00**

The Forfeit Value of your stock options is an estimate of the value you would leave behind if you were to leave the employ of your company. This amount does not include in-the-money value of your vested options because you would be able to exercise these prior to leaving. However, by exercising your vested options early, you will lose the remaining Time Value of those options. In addition, you will forfeit the Full Option Value (FOV) of your unvested options and the intrinsic value of your restricted/performance stock. Therefore, your Total Forfeit Value is the sum of the Time Value (TV) of your vested options, the Full Option Value of your unvested options and the Gross Value of your restricted and performance stock awards.

- Pre-Tax Vested and Unvested Stock Options (Includes Time Value): \$2,161,494
- Unvested Restricted/Performance Stock Awards (Pre-Tax): \$1,190,000
- **The Total Pre-Tax Forfeit Value of Your Equity Compensation:** **\$3,351,494**

**Owned Shares Value at a Stock Price of \$140.00**

The following table values the company shares you own outright. These shares can be acquired in different ways and are separated into one or more individual lots. The **Gross Value** of each share lot is calculated by multiplying the **Number of Shares** times the above **Stock Price**. The **Cost Basis** of each lot is the **Acquisition Price** (i.e., what was paid for the shares or the value when restricted shares vest) or the **ISO Exercise Price** times the number of shares. Gross Value minus Cost Basis equals the **Taxable Gain** which is taxed at either your **Capital Gains Rate** of 15.00 % if acquired more than 1 year ago OR your **Income Tax Rate** of 45.00 % if acquired less than a year ago. The resulting **Potential Tax** is subtracted from the Gross Value to determine the **After-Tax Value** of each share lot.

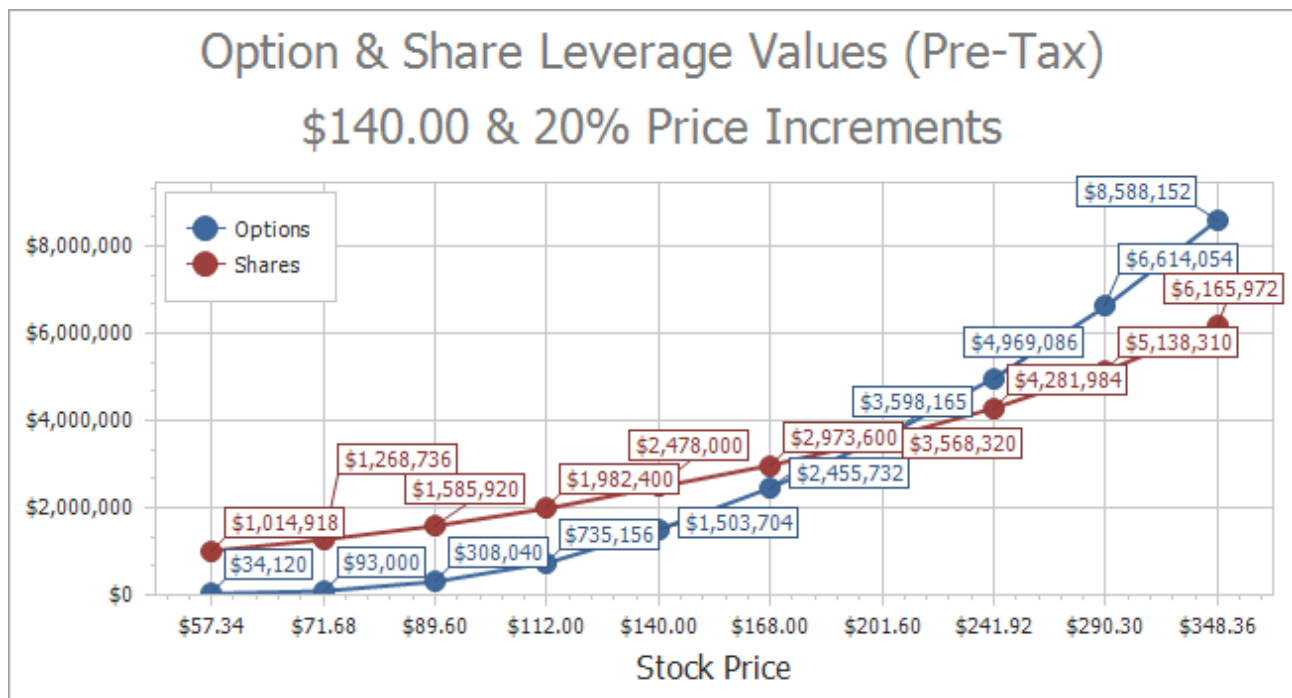
StockOpter®		Owned Shares Value						
Lot ID	Acquisition Date	Acquisition /ISO Exercise Price	Shares	Acquisition		Taxable Gain	Potential Tax	After Tax Value
				Gross Value	Cost Basis			
IN1	7/1/2018	\$91.50	5,000	700,000	457,500	242,500	36,375	663,625
RV1	7/1/2019	\$96.17	700	98,000	67,319	30,681	4,602	93,398
IX1	1/15/2020	\$48.81	2,000	280,000	97,620	182,380	27,357	252,643
RV2	7/1/2020	\$120.06	1,400	196,000	168,084	27,916	12,562	183,438
ES1	12/1/2020	\$90.00	100	14,000	9,000	5,000	2,250	11,750
			9,200	1,288,000	799,523	488,477	83,146	1,204,854

### III. Investment Risk/Reward for Sally A Sample

#### Stock Option Leverage Analysis at a Stock Price of \$140.00

An important dynamic to understand about your equity compensation is that Employee Stock Options have leverage and Owned/Long Shares and Restricted/Performance grants do not. The following tables and charts illustrate the leverage in your company stock and option holdings at different stock prices.

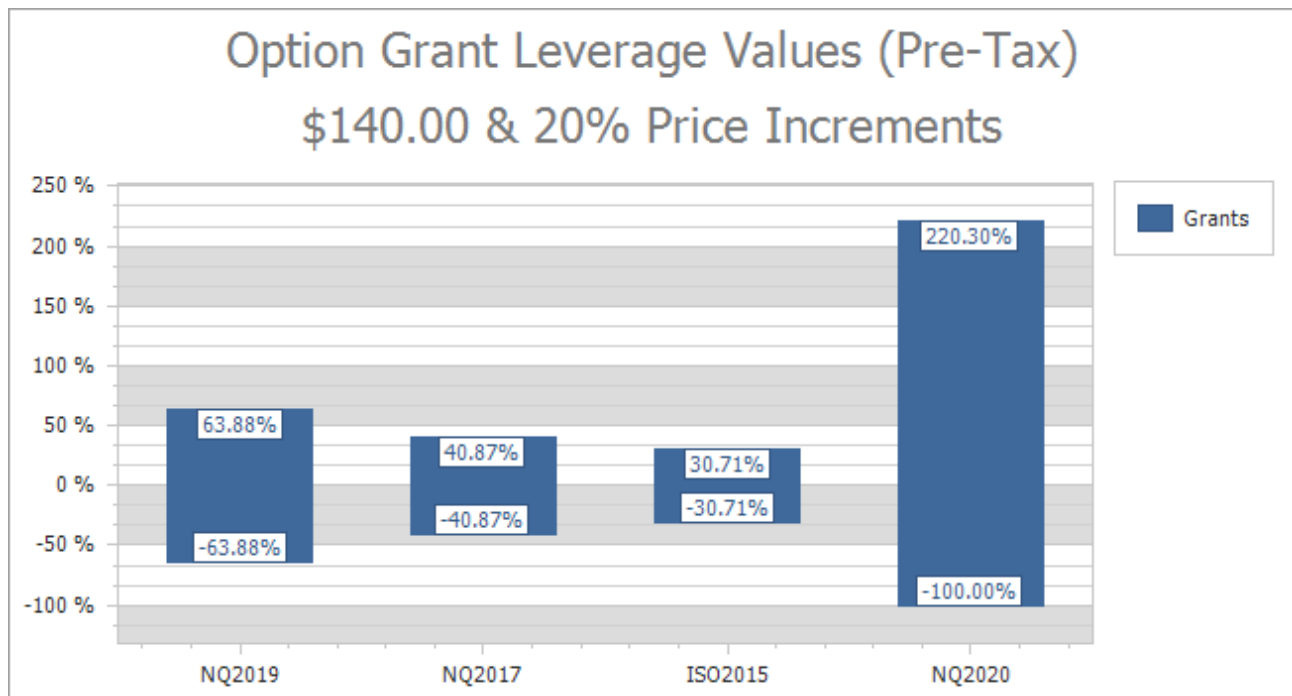
StockOpter®		Leverage Analysis					
Potential Stock Price	Increment Change	Option Value \$	Option Value Change	RSA/U & Owned Shares \$	RSA/U & Owned Change	Option, RSA/U & Owned \$	Option, RSA/U & Owned
\$57.34	-20.00 %	34,120	-63.31 %	1,014,918	-20.00 %	1,049,038	-22.96 %
\$71.68	-20.00 %	93,000	-69.81 %	1,268,736	-20.00 %	1,361,736	-28.10 %
\$89.60	-20.00 %	308,040	-58.10 %	1,585,920	-20.00 %	1,893,960	-30.31 %
\$112.00	-20.00 %	735,156	-51.11 %	1,982,400	-20.00 %	2,717,556	-31.75 %
<b>\$140.00</b>	<b>0.00 %</b>	<b>1,503,704</b>	<b>0.00 %</b>	<b>2,478,000</b>	<b>0.00 %</b>	<b>3,981,704</b>	<b>0.00 %</b>
\$168.00	20.00 %	2,455,732	63.31 %	2,973,600	-20.00 %	5,429,332	36.36 %
\$201.60	20.00 %	3,598,165	46.52 %	3,568,320	-20.00 %	7,166,485	32.00 %
\$241.92	20.00 %	4,969,086	38.10 %	4,281,984	-20.00 %	9,251,070	29.09 %
\$290.30	20.00 %	6,614,054	33.10 %	5,138,310	-20.00 %	11,752,364	27.04 %
\$348.36	20.00 %	8,588,152	29.85 %	6,165,972	-20.00 %	14,754,124	25.54 %



Depending on the details of your options, a **20.00 %** change in your company's stock price can result in a significantly higher percentage gain or loss in your option portfolio. This is the leverage effect. As the FMV of the stock rises further above the strike prices of your options, the relative percentage change of the option portfolio becomes increasingly closer to the percentage change in the stock price. However, the incremental change in the value of your owned shares and restricted stock always remains the same as the incremental change in the price of the company stock. The value of your combined options and shares will also show the impact of the incremental leverage but less than if your equity portfolio had only options. A blended portfolio has less upside leverage but also less downside risk.

The following table and graph calculate and illustrate the leverage of your individual option grants. Note that the leverage values (both negative and positive) are higher for the grants with higher exercise prices. These values can exceed 250% but to keep the chart proportional it is limited to this amount.

StockOpter®		Leverage Analysis									
Grant ID	Grant Type	Exercise Price	Current Value	Price +20%	Value +20%	+ % Change	Price -20%	Value -20%	- % Change		
ISO2015	ISO	\$48.81	364,760	\$168.00	476,760	30.71 %	\$112.00	252,760	-30.71 %		
NQ2017	NQSO	\$71.49	548,080	\$168.00	772,080	40.87 %	\$112.00	324,080	-40.87 %		
NQ2019	NQSO	\$96.17	438,344	\$168.00	718,372	63.88 %	\$112.00	158,316	-63.88 %		
NQ2020	NQSO	\$127.29	152,520	\$168.00	488,520	220.30 %	\$112.00	0	-100.00 %		



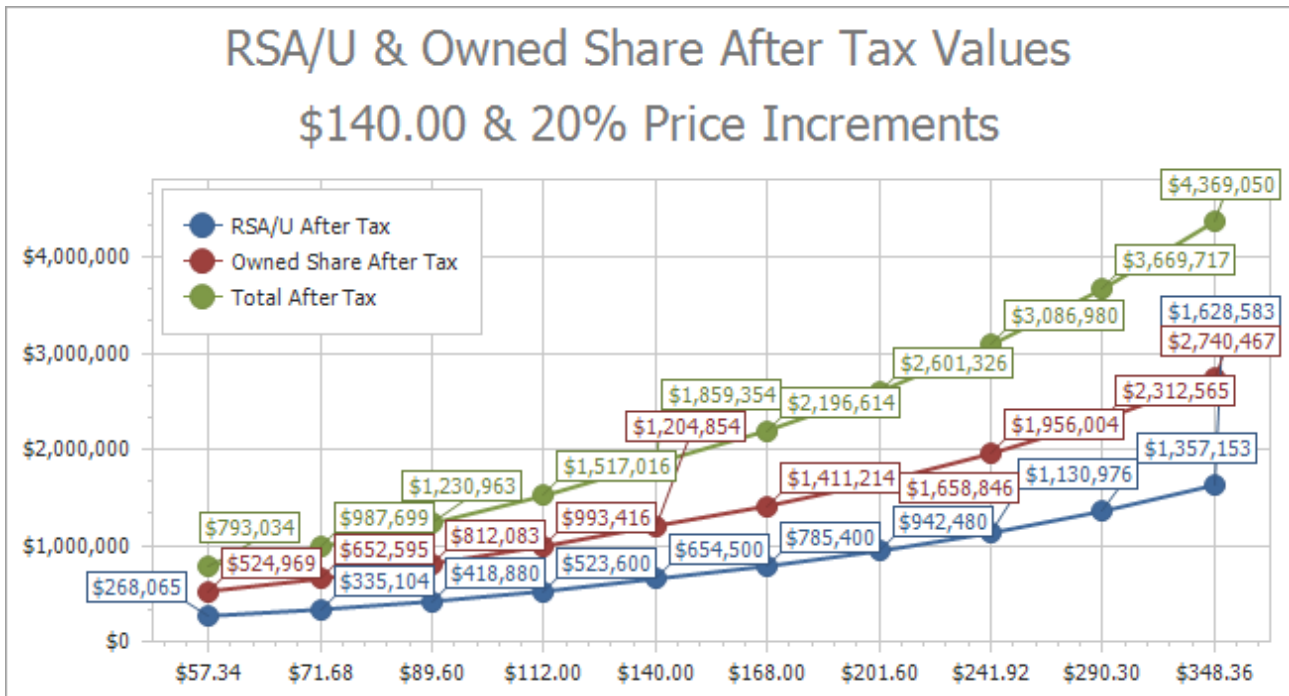
**Share Valuation Analysis at a Stock Price of \$140.00**

The following table and chart show the value of your restricted and/or performance stock awards (RSA/Us) and owned shares of NDAQ at hypothetical stock prices that are illustrated in **20.00 %** increments above and below the current stock price. This table calculates both the gross value and the after-tax values of your RSA/Us and the shares you own outright. The accompanying chart plots the after-tax values of your share grants and owned shares and totals these values at the different stock prices. The after-tax values are calculated by applying your estimated marginal income tax rate of **45.00 %** to your RSAs and your estimated marginal capital gains rate of **15.00 %** to your owned shares less their cost basis. Although these shares do NOT have leverage, this analysis can still be used to quantify the risk and reward that is inherent in your restricted/performance and company stock holdings.



StockOpter® Share Valuation Analysis

Potential Stock Price	Increment Change	RSA/U		Owned		Owned	
		Gross Value \$	RSA/U After Tax Value \$	Share Gross Value \$	Share After Tax Value \$	Total Gross Value \$	Total After Tax Value \$
\$57.34	-20.00 %	487,390	268,065	527,528	524,969	1,014,918	793,034
\$71.68	-20.00 %	609,280	335,104	659,456	652,595	1,268,736	987,699
\$89.60	-20.00 %	761,600	418,880	824,320	812,083	1,585,920	1,230,963
\$112.00	-20.00 %	952,000	523,600	1,030,400	993,416	1,982,400	1,517,016
<b>\$140.00</b>	<b>0.00 %</b>	<b>1,190,000</b>	<b>654,500</b>	<b>1,288,000</b>	<b>1,204,854</b>	<b>2,478,000</b>	<b>1,859,354</b>
\$168.00	20.00 %	1,428,000	785,400	1,545,600	1,411,214	2,973,600	2,196,614
\$201.60	20.00 %	1,713,600	942,480	1,854,720	1,658,846	3,568,320	2,601,326
\$241.92	20.00 %	2,056,320	1,130,976	2,225,664	1,956,004	4,281,984	3,086,980
\$290.30	20.00 %	2,467,550	1,357,153	2,670,760	2,312,565	5,138,310	3,669,717
\$348.36	20.00 %	2,961,060	1,628,583	3,204,912	2,740,467	6,165,972	4,369,050

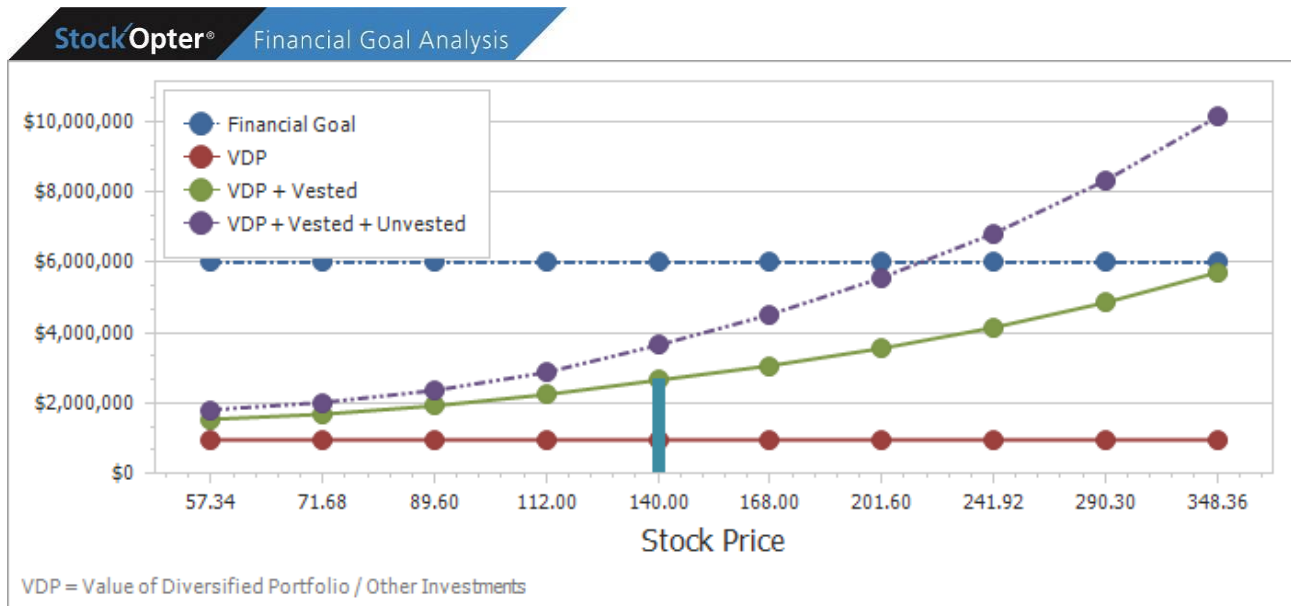


### IV. Personal Risk/Reward for Sally A Sample

#### Financial Attainment Analysis at a Stock Price of \$140.00

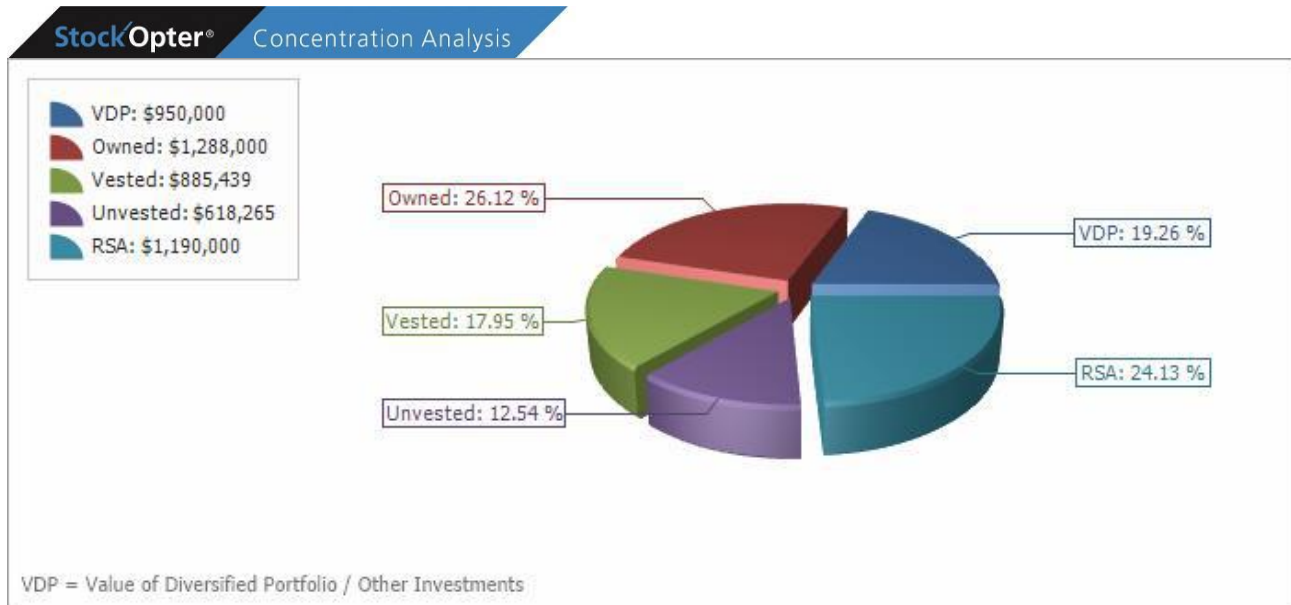
This section is designed to provide you with a personal context about the role your company stock and options play in achieving your financial goals. Your financial goal is achieved when you have secured, in a low risk investment portfolio, the amount of money required to meet the needs of you and your family. If your Financial Goal is already secured, then you can afford to take more risk with your options (like holding them until expiration). On the other hand, if your Goal is not secured, and particularly if you are approaching retirement, you may want to secure the in-the-money value (ITMV) of your options.

Based on input you provided; the following chart shows the current status of your Financial Goal in relation to your company stock and option holdings. The two horizontal lines are respectively your Goal and the *Value of your Diversified Portfolio (VDP/Other Investments)*. For this analysis, your VDP value does not change as a function of your company stock price because they are unrelated. This chart is a snap-shot of your current status, as indicated by the vertical blue line on the chart, which also includes hypothetical values assuming incremental prices for your company’s stock. This analysis is in no way intended to represent potential future appreciation or depreciation in the value of your company’s stock. It is solely designed to provide you with perspectives related to various stock prices. The line titled “VDP + Vested Holdings” adds the “cash out” value of your held company shares and vested options to the *Value of your Diversified Portfolio* at these alternative stock prices. The line titled “VDP + Vested + Unvested Holdings” adds the theoretical “cash out” value of unvested options and restricted/performance stock to the former giving a perspective on the total estimated after-tax value that would be realized at a given price for your company’s stock.



**Concentrated Position Analysis at a Stock Price of \$140.00**

Even if your Financial Goal has been reached, you may still be at risk if your assets are highly concentrated in company stock and options. The chart below shows the asset allocation of the value of your diversified portfolio and the gross (pre-tax) values of any **NDAQ** owned shares, vested and unvested stock options and restricted/performance stock awards. The relationship between the gross values of your company stock and options and the value of your diversified portfolio represents the degree to which your wealth is concentrated. If you are in a highly concentrated position, declines in your company’s stock price can have a devastating impact on your total wealth.



**Total Value at Risk (VaR) Analysis at a Stock Price of \$140.00**

To further quantify and convey the risk in your company stock and option holdings, we have adopted the Value at Risk (VaR) methodology used by many financial institutions to determine their exposure to negative economic events. VaR is computed using the same volatility of **50.00 %** as in the Full Option Value calculations. The higher the volatility the greater the Value at Risk. Using the VaR methodology, the table below shows the estimated loss in value of your vested options and owned shares under normal market conditions **using a 5% probability over the next 30 days**. It then compares these VaR values to your In-the-Money values (ITMV) to quantify the risk in your holdings.

Description	VaR	Vested ITMV \$	VaR %
Vested Options	\$381,744	\$885,439	43.11 %
Owned Shares	\$280,941	\$1,288,000	21.81 %
Total	\$662,685	\$2,173,439	30.49 %

## V. Decision Framework for Sally A Sample

Your company stock and option portfolio have several moving parts that can change rapidly and dramatically affect the value of your holdings. In this section, a few of the most common issues that lead to action are discussed. These “key decision criteria” include events such as; future vesting events, expiration, and values such as; financial goal attainment, company stock price, share diversification rates, and Insight or VaR Ratios. After reviewing these events and values for your equity compensation portfolio, you may consider taking action or just monitor these events and values until the event draws closer or the value is more appropriate.

### Future Vesting Events and Option Expiration at a Stock Price of \$140.00

For planning purposes, it is useful to know when your options or restricted/performance stock will vest giving you the opportunity to exercise and/or sell. The table below shows vesting by month through the end of next year and annually thereafter.

StockOpter®		Option Vestings		
Vesting Period	Number of Shares	Unvested ITMV \$	Potential Tax \$	After Tax Value \$
07/2021	4,500	246,595	110,968	135,627
07/2022	2,500	109,575	49,309	60,266
2023	5,500	147,705	66,467	81,238
12/2021	3,000	38,130	17,159	20,972
12/2022	3,000	38,130	17,159	20,972
2024	3,000	38,130	17,159	20,972

StockOpter®		RSA Vestings		
Vesting Period	Number of Shares	Gross Value \$	Potential Tax \$	After Tax Value \$
07/2021	2,000	280,000	126,000	154,000
2023	2,500	350,000	157,500	192,500
12/2021	500	70,000	31,500	38,500
12/2022	500	70,000	31,500	38,500
2024	2,500	350,000	157,500	192,500
2025	500	70,000	31,500	38,500

The expiration dates of your employee stock options are one of the most critical events to monitor. As expiration approaches, the Time Value of your stock options declines and your planning alternatives diminish substantially. If you wait until the last minute and your stock declines before you act, you may lose the opportunity for substantial wealth accumulation. It may be wise to consider a phased diversification strategy several years prior to expiration. The expiration dates for your grants are listed in the first section of this report and in Appendix B.

### Financial Goal Percentage at a Stock Price of \$140.00

Your “Financial Goal Percentage” may be an important value to monitor because it indicates where you currently stand in achieving your overall financial goal. This percentage is calculated by adding the *Value of Your Vested Options & Owned Shares* to the *Value of your Diversified Portfolio (\$2,641,845)* and dividing by your *Financial Goal (\$6,000,000.00)*. Your Financial Goal Percentage is: **44.03 %**.

**Stock Price**

The price of your stock is the single most important determinant of the value of your company stock and options. However, stock price alone is not a good indicator of when to exercise your options and sell your company stock. You need to consider other factors such as the Time Value of your options and the concentration level of your company stock over time. These considerations are explained in the next two segments.

**Share Diversification Analysis at a Stock Price of \$140.00**

As your restricted stock or performance grants vest over time, you will have a higher concentration in your company stock. Concentrated company stock positions are inherently risky. Even the best of companies can suffer depressed stock prices due to external factors often beyond the control of management. Consequently, it is prudent to periodically diversify and reinvest some of these holdings in a balanced portfolio. Determining when and how much to diversify can be facilitated by simulating the future consequence of different levels of annual diversification.

The following tables and charts show the value of your company owned/long shares and vested stock options compared to the value of your diversified portfolio over time. This analysis will help you develop an owned share diversification strategy based on projected concentration. It uses the following assumptions:

- Diversification%: **10.00 %**
- Tax Withholding Rate: **30.00 %**
- Diversified Portfolio (VDP) Growth Rate: **5.00 %**
- Stock Price Growth Rate: **5.00 %**
- Income Tax Rate: **45.00 %**
- Capital Gains Tax Rate: **15.00 %**

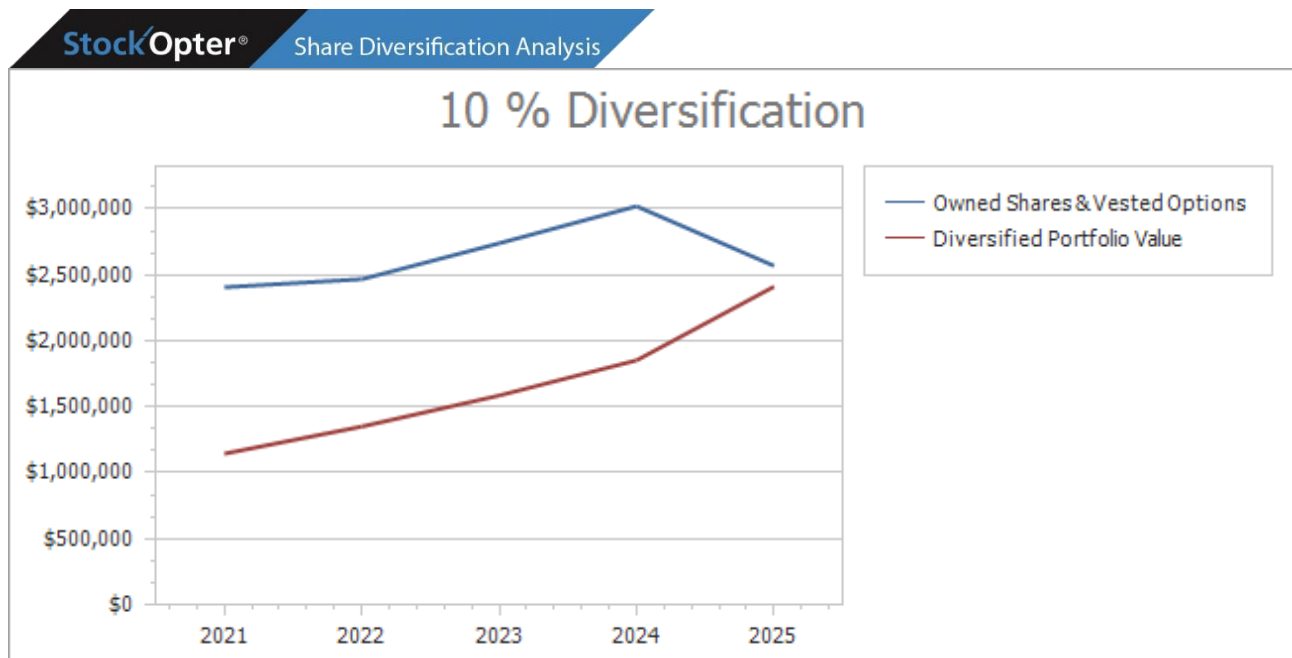
StockOpter® Share Diversification Analysis		2021	2022	2023	2024	2025
Share Price (Yr End)		\$146.35	\$153.67	\$161.35	\$169.42	\$177.89
Beg Yr Owned Shares + Net Restricted Shares Vesting		10,950	10,205	10,935	11,591	10,782
Avg. Cost Basis per Share Before Sale		\$96.41	\$98.37	\$108.45	\$117.65	\$119.61
Owned Shares to Sell		1,095	1,020	1,094	1,159	1,078
After Tax Proceeds from Shares Sold & Expiring Options		\$152,050	\$148,282	\$167,836	\$187,358	\$466,317
Pre-Tax Value of Owned Shares & Vested Options		\$2,407,099	\$2,467,786	\$2,740,181	\$3,020,608	\$2,569,026
Pre-Tax Value of Diversified Portfolio		\$1,145,125	\$1,350,664	\$1,586,033	\$1,852,692	\$2,411,644
% Company Stock Holdings		67.76 %	64.63 %	63.34 %	61.98 %	51.58 %

This analysis models company share diversification strategies over a 5-year planning horizon. It calculates the year by year “Pre-Tax Value of the Diversified Portfolio” and the “Pre-Tax Value of Owned Shares and Vested Options” that result from the “Beginning Year Owned Shares + Net Restricted/Performance Shares Vesting” less the “Shares to Sell” (diversify). The various rows are calculated as follows:

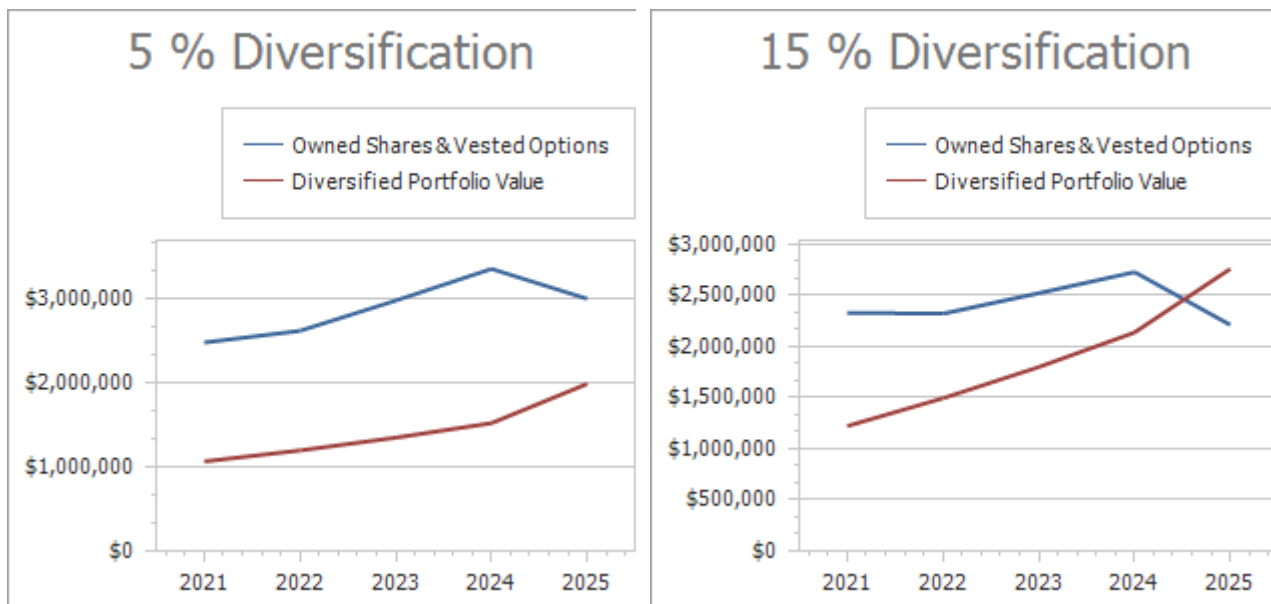
- The **Share Price** row projects the year end company stock price using the current stock price and the estimated growth rate. The first year in this example is prorated based on the date of this analysis: 2/3/2021.
- The **Beginning Year Owned Shares + Net Restricted Shares Vesting** row shows how many shares are available to sell each year. This is the number of shares owned outright at the present time plus the number of restricted/performance shares that are scheduled to vest each year less shares that are withheld for taxes (applying the “Tax Withholding Rate”) and any shares that are sold that year.

- The **Average Cost Basis per Share Before Sale** row is derived from the original cost basis of the owned shares plus the estimated stock price of the shares vesting each year. Please note that [StockOpter Pro](#) can be used to calculate capital gains based on the cost basis for each tax lot.
- The **Owned Shares to Sell** values are calculated using the “Diversification Percentage” assumption.
- The **After-Tax Proceeds from Shares Sold & Expiring Options** is calculated using the share price, the cost basis and the “Capital Gains Rate” (this assumes the shares sold are held for at least 1 year). This row also includes the after-tax value of any vested options that expire each year at the assumed annual share price.
- The **Pre-Tax Value of Owned Shares & Vested Options** row calculates the value of the remaining company shares and the intrinsic value of any vested options using the current "Share Price."
- The proceeds from the shares sold are added to the **Pre-Tax Value of the Diversified Portfolio (VDP)** row and the “VDP Growth Rate” is applied to calculate the year-end totals.
- The **% Company Stock Holdings** row shows the percentage of the "Pre-Tax Value of the Owned Shares and Vested Options" to the "Pre-Tax Value of the Diversified Portfolio."

The table data is converted into a graph to illustrate the relationship between the value of the "Owned Shares & Vested Options" to the "Diversified Portfolio Value" over the 5-year period.



The following 2 graphs change the “Diversification %” in + and - increments of 5% to compare alternative diversification scenarios. This is to help you determine how much to diversify and reinvest each year.



**Key Ratios at a Stock Price of \$140.00**

This final segment is designed to help you determine when to exercise your employee stock options and sell the shares. The table below shows two ratios that are highly correlated so you may consider selecting just one as your primary focus for establishing a decision-making framework. This table was calculated using the **Black-Scholes Merton** methodology and the assumptions below.

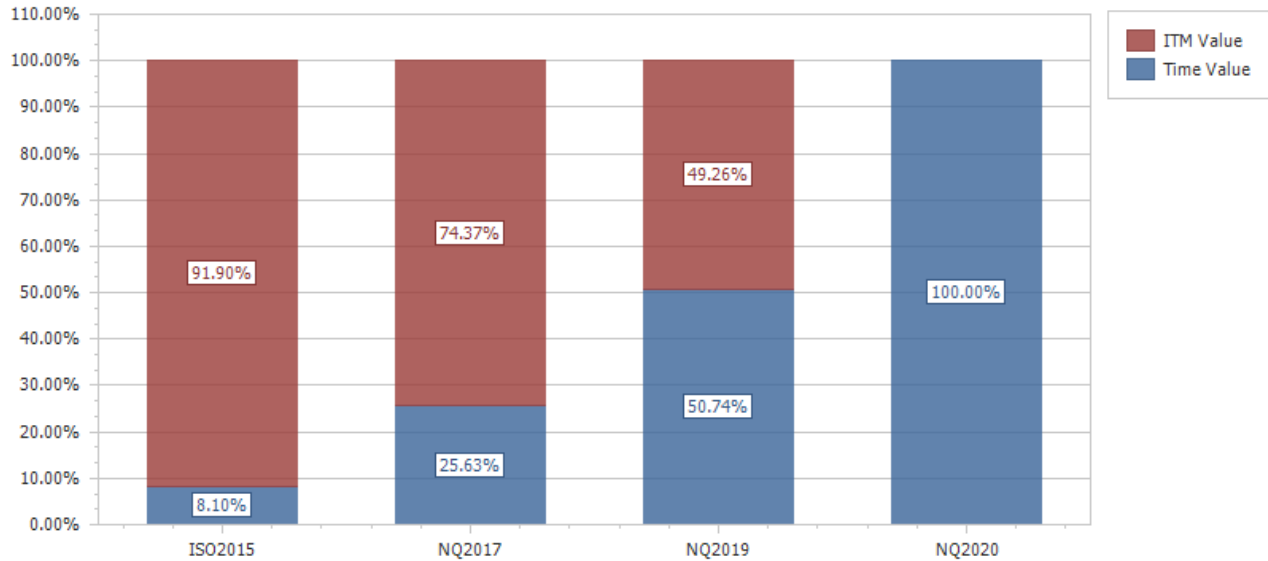
- Insight Ratio®:** This ratio is the Time Value divided by the Full Option Value for each vested option. Consequently, your Insight Ratios represent the percentage of Time Value compared to the intrinsic (In-the-Money) value in each grant. As an option approaches expiration or increases in in-the-money value, the Time Value of the option will decrease thereby lowering the Insight Ratio®. An option with a low Insight Ratio® means that most of its value is in-the-money value. A ratio of 5% says that 95% of the option’s full value is In-the-Money value which is at risk by continuing to hold the option.
- VaR Ratio:** This ratio is the Time Value divided by the VaR (value at risk) for each vested option. It is a comparison of the theoretic value (Time Value) to the theoretic risk of the option at the current time. The lower the TV/VaR percentage, the more compelling is the argument for diversifying the option. For example, a ratio of 25% means that the theoretic risk is 4 times as large at the theoretic potential. Please note, while the value of this ratio could be infinitely large, a 1,000% ceiling has been asserted.

**Dividend:** \$0.00  
**Risk Free Rate:** 1.00 %

**Volatility:** 50.00 %  
**FOV Date:** 2/3/2021

StockOpter®		Insight Ratios							
Grant ID	Grant Type	Expire Date	Exercise Price	Vested ITMV \$	Vested TV \$	VaR Value	VaR Ratio	Vested FOV \$	Insight Ratio
ISO2015	ISO	7/1/2025	\$48.8100	364,760	32,142	122,148	26.31 %	396,902	8.10 %
NQ2017	NQSO	7/1/2027	\$71.4900	411,060	141,686	183,222	77.33 %	552,746	25.63 %
NQ2019	NQSO	7/1/2029	\$96.1700	109,619	112,918	76,373	147.85 %	222,537	50.74 %
NQ2020	NQSO	12/15/2030	\$127.2900	0	0	0	1,000.00 %	0	100.00 %
				<b>885,439</b>	<b>286,746</b>	<b>381,744</b>		<b>1,172,185</b>	

### Insight Ratio Values



If you are like many option holders, you are asking yourself, “At what ratio level should I exercise my options?” Unfortunately, there is no single rule to follow. You need to take into consideration your planning horizon and risk profile, and your upcoming cash flow needs are a good indicator of these. The more time you have before you need to fund major expenses such as retirement or college, the longer you can wait prior to taking action on your stock options. The following table is only a guide for establishing your decision framework.

Planning Horizon & Risk Profile	VaR Ratio	Insight Ratio
Short / Conservative	Less than 150%	Less than 50%
Medium / Moderate	Less than 100%	Less than 30%
Long / Aggressive	Less than 50%	Less than 10%



## Additional Resources

This **StockOpter® Personal Equity Compensation Profile** and the accompanying review session were designed to give you a better understanding of the concepts, value and dynamics of your equity compensation portfolio, but they are only part of the process required to help you get the most out of your grants. You will need to make a series of decisions over time regarding exercising your vested options and diversifying any held shares and you will also need to consider taxes, cash-flow and reinvestment. Consequently, it is prudent to get assistance from a financial advisor who specializes in equity compensation planning. Here are a few of the many reasons you may want to enlist the assistance of an equity compensation planning specialist:

- You are planning to exercise your options or selling some company shares in the next year to fund a major purchase.
- You are considering retiring in 5 years and your equity compensation will be a major source of funding.
- You have one or more Insight Ratios that is less than 10%.
- You are considering exercising and holding an ISO grant for the 1-year period to get capital gain treatment.
- You would like assistance monitoring your Insight Ratios®.
- You are highly concentrated in company stock and options right now.
- You would like to establish an annual diversification plan or a 10b5-1 plan to reduce your company stock holdings as restricted / performance grants vest over time.
- You want to discuss your equity compensation situation on a regular basis (i.e. quarterly).
- You would like an independent perspective regarding your equity compensation.

## Disclosures

Your **StockOpter® Personal Equity Compensation Profile** is based on the data and assumptions shown in Appendices A & B. This report is for illustration purposes only and you should not base your decisions solely on it. Nothing contained in your report should be construed as investment recommendations or advice. The financial calculations provided herein are to help you understand the value, risk, and potential of your equity compensation portfolio. The values and risks illustrated in your report in no way represent a guarantee that the portfolio will produce a particular result. Additionally, past performance of your company stock is no guarantee of future results.

The Full Option Values (FOV) and the Time Values were calculated using the **Black-Scholes Merton** model with an estimated volatility of **50.00 %** for **NDAQ** to illustrate option value. Any estimate of the future volatility of a stock price is uncertain. Therefore, there is no guarantee that the volatility used accurately illustrates the Time Value of your employee stock options. In addition, the Black-Scholes Merton model was originally designed to value market traded options. Consequently, there are some inherent limitations to the Black-Scholes Merton methodology for valuing employee stock options. Because of these limitations, this model may overstate or understate the actual value of employee stock options. However, since there isn't a generally recognized methodology for adjusting its results for such issues, the estimated Full Option Value (FOV) and Time Value (TV) amounts contained in this report are the full, unadjusted Black-Scholes Merton model values.

## Appendix A: Summary of Assumptions for Sally A Sample

### Issuing Corporation Information and Black-Scholes Merton Model Assumptions:

Ticker Symbol of Corporate Stock: \_\_\_\_\_ NDAQ  
 Current Share Price of Corporate Stock: \_\_\_\_\_ \$140.00  
 Annual Stock Dividend: \_\_\_\_\_ \$0.00  
 Risk-Free Rate of Return: \_\_\_\_\_ 1.00 %  
 Est. Volatility of Corporate Stock: \_\_\_\_\_ 50.00 %  
 FOV Date: \_\_\_\_\_ 2/3/2021

### Tax Rate Assumptions:

Est. Fed/State Income Tax: \_\_\_\_\_ 45.00 %  
 Est. Fed/State Cap Gains Rate: \_\_\_\_\_ 15.00 %  
 Tax Withholding Rate: \_\_\_\_\_ 30.00 %

### Portfolio Status Assumptions:

Financial Goal: \_\_\_\_\_ \$6,000,000.00  
 Value of Diversified Portfolio (VDP): \_\_\_\_\_ \$950,000.00  
 Number of Owned Shares: \_\_\_\_\_ 9,200  
 Cost basis of Owned Shares: \_\_\_\_\_ \$799,523  
 Stock Price Growth Rate: \_\_\_\_\_ 5.00 %  
 VDP Growth Rate: \_\_\_\_\_ 5.00 %  
 Diversification Percentage: \_\_\_\_\_ 10.00 %

**Appendix B: Grant Summary for Sally A Sample**

StockOpter®		Grant Summary					
Grant ID	Grant Type	Grant Date	Exercise Price	Expire Date	Vested Options	Vesting Date	Shares Vesting
ISO2015	ISO	7/1/2015	\$48.8100	7/1/2025	4,000	1/1/0001	0
NQ2017	NQSO	7/1/2017	\$71.4900	7/1/2027	6,000	7/1/2021	2,000
RSU2018	RSU	7/1/2018	N/A	1/1/1900	0	7/1/2021	2,000
NQ2019	NQSO	7/1/2019	\$96.1700	7/1/2029	2,501	7/1/2021	2,500
NQ2019	NQSO	7/1/2019	\$96.1700	7/1/2029	2,501	7/1/2022	2,500
NQ2019	NQSO	7/1/2019	\$96.1700	7/1/2029	2,501	7/1/2023	2,500
PERF2019	PSG	7/1/2019	N/A	1/1/1900	0	12/31/2021	500
PERF2019	PSG	7/1/2019	N/A	1/1/1900	0	12/31/2022	500
PERF2019	PSG	7/1/2019	N/A	1/1/1900	0	12/31/2023	500
PERF2019	PSG	7/1/2019	N/A	1/1/1900	0	12/31/2024	500
PERF2019	PSG	7/1/2019	N/A	1/1/1900	0	12/31/2025	500
RSU2020	RSU	7/1/2020	N/A	1/1/1900	0	7/1/2023	2,000
RSU2020	RSU	7/1/2020	N/A	1/1/1900	0	7/1/2024	2,000
NQ2020	NQSO	12/15/2020	\$127.2900	12/15/2030	0	12/15/2021	3,000
NQ2020	NQSO	12/15/2020	\$127.2900	12/15/2030	0	12/15/2022	3,000
NQ2020	NQSO	12/15/2020	\$127.2900	12/15/2030	0	12/15/2023	3,000
NQ2020	NQSO	12/15/2020	\$127.2900	12/15/2030	0	12/15/2024	3,000

## Appendix C: Equity Compensation Portfolio Table

<b>StockOpter</b> <sup>®</sup> Portfolio Summary		<b>Pre Tax Value</b>	<b>Pre Tax Percent</b>	<b>After Tax Value</b>	<b>After Tax Percent</b>
Vested Stock Options		885,439	17.95 %	486,991	13.94 %
Unvested Stock Options		618,265	12.54 %	340,046	9.73 %
Restricted/Performance Shares		1,190,000	24.13 %	654,500	18.73 %
Company Owned Shares		1,288,000	26.12 %	1,204,854	34.48 %
Other Investments		950,000	19.26 %	807,500	23.11 %
		<b>4,931,704</b>	<b>100 %</b>	<b>3,493,891</b>	<b>100 %</b>