

## Statutory and Nonstatutory Stock Option Comparison Examples

Assume the following:

|  |          |
|--|----------|
| Exercise price (FMV at date of grant)      | \$ 20.00 |
| Amount paid for option                     | \$ .00   |
| Fair market value at date of exercise      | \$ 35.00 |
| Fair market value at date of sale of stock | \$ 50.00 |

| Event                | Statutory Stock Options (ISO)   | Nonstatutory Stock Options<br>(Assumes no readily ascertainable FMV)  | Nonstatutory Stock Options<br>(Assumes readily ascertainable FMV)   |
|----------------------|---|---|---|
| At time of grant     | No taxable event.   | No taxable event.   | \$20.00 of taxable compensation income to employee, with a corresponding compensation deduction for the employer. |
| Lapse of option      | No taxable event.   | No taxable event.   | Deemed sale of options resulting in \$20.00 capital loss.   |
| At time of exercise  | No regular tax impact. For AMT a \$15.00 adjustment would be required.  | \$15.00 of taxable compensation income to employee, with a corresponding compensation deduction for the employer. | No taxable event.   |
| Disposition of stock | If held for the required holding period, \$30.00 capital gain. Employer gets no tax deduction.<br><br>If a disqualifying disposition, \$15.00 taxable compensation income to employee, and \$ 15.00 capital gain. Employer takes a \$ 15.00 compensation deduction. | \$15.00 capital gain.   | \$30.00 capital gain.   |

These examples are not intended to be all encompassing. Consult your tax advisor about specific transactions.