

Employee Stock Purchase Plan (ESPP)

Frequently Asked Questions (FAQs)

Please refer to the underlying plan document to determine the specifics of your plan.

What is an Employee Stock Purchase Plan?

An Employee Stock Purchase Plan enables you to purchase shares of your company stock at a discount of the fair market value (FMV) of the company stock.

How does the plan work?

You enroll for a payroll deduction of your base pay for the six-month purchase period. At the end of the purchase period, the money that has been deducted from your paycheck is used to purchase ESPP shares. Depending on the type of plan your company has, the purchase price may be determined by taking 85% (15% discount) of the lower of the FMV of the stock on the first or last day of the offering period.

When can I enroll?

You may elect to participate in the ESPP during any enrollment period, which may be quarterly, semiannual or annual depending on your company.

How do I enroll?

If this is your first time visiting the UBS One Source website, click on the "Enroll now in your ESPP Plan" link. Simply enter your Employee ID Number/password and click "Login." Please read the plan document and choose your desired contribution percentage. Once you see your ESPP selection on the "Benefits Update" page, you are enrolled in the ESPP.

Can you provide an example of an ESPP purchase period?

Participant Jane

Example *ESPP purchase period of 13 pay periods* (assuming a 15% discount):

- Base wage earnings of \$300 each pay period

- Selected 1% payroll deduction into the ESPP ($\$300 \times 1\% = \3 each pay period)
- Payroll deduction of \$3 each pay period for 13 pay periods is \$39 in payroll deductions for the purchase period ($\$3 \times 13 = \39)

Example: FMV

- At the beginning of the purchase period FMV is \$19.25
- At the end of the purchase period FMV is \$19.50
- The lower of the first and last day of the purchase period is \$19.25
- Discount of 15% of the stock price is \$16.36 ($\$19.25 \times 85\% = \16.36)

Example: Purchase of stock

- Payroll deductions of \$39 ($\3×13 pay periods - \$39)
- Allows for the purchase of 2 shares at a cost of \$32.72 ($\$16.36 \times 2 = \32.72)
- \$39 payroll deductions less \$32.72 cost of stock purchase ($\$39.00 - \$32.72 = \$6.28$)
- Carryover \$6.28 to the next purchase period

Note: If your payroll deductions are not equal to the cost of one (1) full share, no stock will be purchased, and all payroll deductions may be applied to the next purchase period unless a refund is requested.

Do I need to re-enroll each period?

No. Your enrollment in the ESPP plan will continue forward through all succeeding Exercise periods unless you withdraw or terminate from the plan. You do not need to re-enroll for subsequent enrollment periods to keep the same withholding percentage.

To ensure your contribution election is maintained for future enrollment periods, please remember to check the "Carry Forward Your Contribution Election" box at the bottom of the "Contribution Elections" screen on the UBS One Source website.

Are my payroll contributions into the ESPP pre-tax?

No. Contributions to the ESPP are based on your base gross (pre-tax) earnings, but they are after-tax deductions.

Can I participate in both the ESPP and the 401(k) plan?

Yes. You can participate in both the ESPP and the 401(k) plan.

When can I make changes to my elections?

You may increase or decrease your payroll deduction percentage at any time during the purchase period. Limitations on the number of changes within a specific purchase period may apply. Please see your company plan document(s) for details.

Can I withdraw from the plan at any time?

You can withdraw from ESPP at any time prior to the last calendar days of the offering (typically, 3 – 10 days including holidays and weekends). To withdraw from a current offering, you may visit the UBS One Source website. From the “Quick-Links” pull-down menu on the right, select “Elections.” Select the current election then select the “Withdraw and Refund” button. Your contributions for the purchase period will be refunded within one to two pay cycles.

If I withdraw from the plan, are there any penalties?

If you withdraw from the plan, you may not be eligible to participate in the plan again until the beginning of the following purchase period. If available, you may then reenroll via the UBS One Source website.

Who do I contact regarding ESPP enrollment and purchase questions?

If you have questions about your stock purchase plan, you should contact a UBS Service Center Representative.

What happens to leftover balances at the end of a purchase period?

The leftover balance (carryover) at the end of a purchase period that is insufficient to purchase a whole share may be applied to the next purchase period or refunded, depending on your company. If, however, you request within a certain number of days a return of that excess amount, your company will send you a check. This period varies depending on your company. If you withdraw, the carryover will be refunded to you within one to two pay cycles after the close of the purchase period.

What if I leave the company before the end of the purchase period?

Your final paycheck will include a refund of all contributions for that purchase period, and no shares will be issued. You need to be an associate as of the last day of the period in order to purchase shares through the ESPP.

What happens to my ESPP account if I leave the company?

Depending on your company’s plan, if you leave, your contributions that have not yet been used to purchase shares will be refunded to you. Your shares will remain in your account at UBS.

When do I have access to the shares?

ESPP shares are purchased at the close of the period and deposited into individual participant accounts with UBS Financial Services Inc. Individual participant accounts will automatically be established by our firm for all participants enrolled in the ESPP. The shares from each purchase will be available approximately one week after the period ends or as soon as administratively possible.

How do I sell my shares?

UBS Financial Services Inc. is the designated broker for your ESPP Stock Purchase Plan. There are a couple of ways in which you can sell shares:

1. Online, via the UBS One Source website at ubs.com/onesource/XYZ, where XYZ is your company’s ticker.
2. By telephone for U.S. and non-U.S. participants. UBS Equity Plan Advisory Services contact numbers are listed on the home page of the UBS One Source website.

Before you can transact shares through UBS Financial Services Inc., you must complete and submit an Account Authorization Form (a W-9 Form for U.S. employees or a W-8BEN Form for non-U.S. employees). You can easily submit this form online via the links found on the home page under the “Online Forms” section in the left navigational panel.

Disqualifying dispositions

If you sell your shares within two years of the offering date or one year of purchase under a Qualified Plan, you will have a disqualifying disposition. In this case, the discount will be reported as compensation on your W-2, and you will have to pay ordinary income taxes in addition to any capital gains.

When I sell ESPP shares, is the ordinary income reported for me on my W-2?

Ordinary income will be reported for you on your W-2 only if the ESPP shares have been held for less than 24 months from the first day of the offering period (“entry date”) at the time you sold them.

Where do I report ordinary income for ESPP shares sold after 24 months from the first day of the offering period (entry date)?

Ordinary income for ESPP shares sold after 24 months from the entry date may be reported on IRS Form 1040.

Can I transfer my shares to another broker?

Yes, you can have your shares transferred to another financial institution by completing and submitting an Electronic Share Transfer Form online. If you are not clear on the steps that must be taken, you may contact a UBS Service Center Representative for further guidance.

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