



# D | A | DAVIDSON

The Strength of Advice®

## Community Bank & Wealth Management Group

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## CASHLESS STOCK OPTION EXERCISE PROGRAM

Exercising your stock options should be easy. At D.A. Davidson & Co., we facilitate a program that provides for the financing and exercising of your stock options, called the Cashless Stock Option Exercise Program.

### HOW IT WORKS

#### Step One – Call Us

A simple phone call to Community Bank & Wealth Management Group will get the process started. We will assess your situation, and assist you with the appropriate paperwork in order for you to exercise your stock options. This will include new account paperwork (unless you already have an account with D.A. Davidson), and any necessary company forms and stock option financing paperwork.

#### Step Two – You Make the Choice

We will help you determine the best way to exercise your options and achieve your investment objectives.

#### There are two ways to generate funds to exercise your options:

- If you wish to sell all or part of your shares, the most popular method is to concurrently sell sufficient shares to generate the funds needed to exercise your stock option.\*\*
- If you wish to retain your stock, you may be able to use a margin loan to exercise your stock options.\*

In all likelihood you will not need to deposit additional funds to exercise your stock options.

#### Step Three – Completing the Process

We will process your paperwork, and issue a check to your company to exercise your stock options. In turn, your company will deliver your stock to us for your account.

- If you sold your stock, we will immediately pay you your net proceeds.\*\* (Net proceeds is defined as sales proceeds less the exercise cost, fees and interest. Interest charges will apply from the time we issued a check to your company until the time you sell your shares to cover your loan and we received your stock from your company.)
- If you chose to retain your stock using a margin loan, your stock may secure your loan. You can continue to hold your stock in your margin account or you can sell your stock at any time. You will continue to be charged margin interest until your margin loan is repaid.

\*See Important information about margin loans on the reverse.

## FREQUENTLY ASKED QUESTIONS

### Is the Cashless Stock Option Exercise Program available for all stock?

The program is available for most publicly traded companies. Privately held companies may not be eligible.

### How much will you loan for my Stock Option Exercise?

If you wish to sell your stock, we will generally lend 100% of the exercise price. If you use margin to retain your stock, we will generally lend 50% of the market value of your stock. Please note that margin requirements apply.

### What margin requirements apply?

You are responsible for maintaining appropriate levels of equity to properly secure your margin loan. If the prices of your margin collateral go down, you may be required to deposit additional funds or securities to meet your requirement.

### What happens if my equity goes too low and I am unable to deposit additional collateral in a timely manner?

You may be forced to sell securities for your account and risk in order to raise your level of equity as required.

### What interest rate is charged?

You will be charged the standard margin lending rate which is variable. Please see your financial advisor for more information.

### What fees will be charged?

In addition to interest, you will be subject to a commission and other potential fees associated with the exercise of your option, such as wire transfer fees and overnight delivery fees. Please see your financial advisor for more information.

### How long does it take?

A great deal depends on how quickly you return your paperwork and how quickly your company delivers your stock to us. If you are an Executive Officer or Director subject to SEC Rule 144/145, this process may take longer.

### If I sell my stock, how quickly will I receive my proceeds?

The earliest funds can be issued to you is three business days from the date you sell your stock. Please remember that we must receive your stock from your company before your proceeds can be released.

### Are there any taxes withheld on my exercise?

When completing your paperwork, you will sign an IRS Form W-9. D.A. Davidson will not withhold taxes; however, please contact your company and tax advisor for further information, as we cannot give tax advice. In the event you sell your stock, we will provide you with an IRS Form 1099 at the end of the tax year so that you can report the transaction for tax purposes.

The information contained herein is for informational purposes only and does not constitute a legal opinion or advice. Information is subject to change without notice.

#### **\*Important information about margin loans:**

Please note that not all securities qualify for margin loans. For example, securities that are not listed on a national securities exchange typically do not qualify. Approval is required for a margin loan. Margin loans are not suitable for all investors, and an investor should read and understand the important margin disclosure documents provided, including the maintenance of equity requirements, before a margin loan is utilized.

\*\*Prices fluctuate daily in the open market and D.A. Davidson does not make any assurance that your shares will be sold at a price that will meet or exceed the exercise price of your stock options. You also acknowledge that you are responsible for any market prices that may result in a deficiency in your account. Federal securities laws require "good delivery" of stock before the issuance of any proceeds can be made to you resulting from the sale of your securities.

D.A. Davidson & Co. does not provide tax advice and you are encouraged to review your tax circumstances with your tax advisor prior to the exercise of any stock options.

#### **D.A. Davidson & Co. member SIPC | Community Bank & Wealth Management Group**

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