

UNDERSTANDING RESTRICTED STOCK & PERFORMANCE AWARDS

Restricted stock grants and performance awards provide immediate value at the time of vesting, and can be an important part of your overall financial picture. Understanding what they are, and how to cover any associated taxes, can help you make the most of the important benefits they provide.

Restricted stock grants, once vested, give you an ownership stake in your company via shares of stock. Once your company has released the shares to you, you can hold these shares as part of your portfolio or sell them at your discretion. Restricted stock has value at vesting regardless of whether or not the stock price has increased since the date of grant. When granted restricted stock, you'll first need to accept the grant. In most cases, restricted stock is free, although some companies may charge a nominal amount per share. Since you will have paid nothing or very little for the stock, you can sell it for a profit after it vests.

A restricted stock grant is said to be "vested" when you own the shares free of grant restrictions—meaning you have the authority to sell, transfer, or make other important decisions concerning the shares. Vesting conditions can be time-based or contingent upon the achievement of certain performance goals, also known as performance awards. The rate at which you take unrestricted ownership of the stock—referred to as the "vesting schedule"—is described in your grant agreement, and displayed in your stock plan account on the Portfolios sub-tab under the Employee Stock Plans tab at etrade.com.

KNOW THE TYPES OF RESTRICTED STOCK

- **Restricted Stock Awards** – A grant of company stock in which your rights to take full ownership of the stock are restricted until the shares vest. Once the vesting requirements are met you own the shares outright and may treat them as you would any other shares in your account. You'll typically have voting and dividend benefits, if applicable, from the grant date.
- **Restricted Stock Units** – You are given a grant valued in terms of company stock, though actual stock is not issued until your vesting requirements are satisfied. As with restricted stock awards, these requirements can be based on time and/or performance. Typically, you will not have voting or dividend benefits until the shares vest.
- **Performance Awards** – A grant of restricted stock awards or units in which your rights to the shares are contingent upon the achievement of certain pre-established performance goals. At the end of the performance period, your company will assess whether you have met the original performance goals and may adjust the awarded number of shares you receive accordingly.

THINGS TO CONSIDER WHEN DECIDING TO SELL OR HOLD:

Duration of Ownership - Depending on your attitude toward risk, you may want to sell your shares when they vest, or you may find it more attractive to hold them with the expectation their value will increase over time.

Diversification & Company Stock Ownership - Determining how much company stock you want to own can help you decide whether to sell your shares upon release or keep them. You may also want to consider issues of diversification so that your portfolio isn't overly dependent on any one investment.

IMPORTANT TAX ISSUES FOR RESTRICTED STOCK

Before you make your tax payment elections or sell shares, you'll want to carefully consider the tax consequences. Tax treatment for each transaction depends on the type of restricted stock you own. For advice on your personal financial situation, please consult a tax advisor.¹

- **For Restricted Stock Awards** – Generally, there are two tax events - at vesting and at the time you sell the shares. However, it is possible to move up the first tax trigger from the vesting date to the grant date by filing a Section 83(b) election with the IRS. This must be done within 30 days of the grant date. Please keep in mind that paying taxes at grant can be risky, as there are no allowances for refund or tax loss if your shares fail to vest. Also, you should check with your company to see if they allow this type of election.
- **For Restricted Stock Units** – There are two tax events - at vesting and upon sale of shares. IRS Section 83(b) does not apply to restricted stock units. It is possible to defer the receipt of shares from a restricted stock unit. If this election is made, employment taxes will still be due at vesting, but income taxes can be deferred until the shares are released to you. Again, you should check with your company to see if they allow this type of election.
- **For Performance Awards** – Like restricted stock units, your performance awards will be taxed in accordance with the type of underlying grant (that is, restricted stock award or restricted stock unit) as described above.

For the first tax trigger (vesting date or grant date if you have made an 83(b) election) on either award type, you'll pay tax on the market value of the stock on the vest date minus whatever you may have paid for the shares. For example, if you have 100 shares vesting at \$30 a share and there was no charge for the shares, you'll recognize income of \$3,000. This is treated as ordinary income, which means that your employer will report it on Form W-2, and establishes your cost basis in the shares.

When you sell your shares, you'll also have to pay tax on any capital gains you may realize. To determine your gain, simply subtract the price of the stock at the first tax trigger (vesting or grant) from the price when you sold the shares, then multiply by the number of shares you sold. If you held the stock for a year or longer after the date of the earlier tax trigger, you'll realize a long-term capital gain, which is usually taxed at a lower rate, as opposed to a short-term capital gain. Any long-term capital losses you may incur are not taxable and may even be deductible.

Please note that if your grant offers dividend benefits before vesting, any dividends your company issues will likely be reported on your W-2 as wages. As a general rule, these types of dividends are not eligible for the beneficial tax treatment of qualified dividends until after vesting.

A CLOSER LOOK AT POTENTIAL TAX SCENARIOS*

Let's take a look at the potential tax consequences for different types of restricted stock awards and elections. This hypothetical example assumes a grant of 100 shares/units of company stock issued at no cost to the employee.

OPTION TYPE	TAXES AT GRANT	TAXES AT VEST	TAXES ON SHARE SALE
	Fair Market Value (FMV) at Grant = \$25	FMV at Vest = \$30	Sale Price = \$45
Restricted Stock Award or Unit	Not applicable	100 shares X \$30 = \$3,000 taxed as ordinary income**	\$45 - \$30 = \$15 100 shares X \$15 = \$1,500 taxed as capital gain
Restricted Stock Award Under Rule 83(b)	100 shares X \$25 = \$2,500 taxed as ordinary income	Not applicable	\$45 - \$25 = \$20 100 shares X \$20 = \$2,000 taxed as capital gain

* Tax treatment for each transaction depends on the type of restricted stock you own. Please keep in mind that these examples are based on hypothetical conditions. For advice on your personal financial situation, please consult a tax advisor.

** If you have elected to defer the receipt of the shares from your restricted stock unit, only employment taxes would be due at vest. The income taxes would be due on the gain at the time the shares are released to you.

TAX PAYMENT METHODS

Typically, you will be taxed upon vesting (unless you make a Section 83(b) election or your employer allows you to defer receipt of your shares). There are several methods available to pay your tax withholding obligation through either the use of cash in your account, the sale of shares, or your company withholding shares. You should check your specific plan details to determine which tax payment methods your employer has made available for you.

Depending on your company's elections, E*TRADE can assist with three methods. These include cash transfer and the full or partial sale of your shares.¹

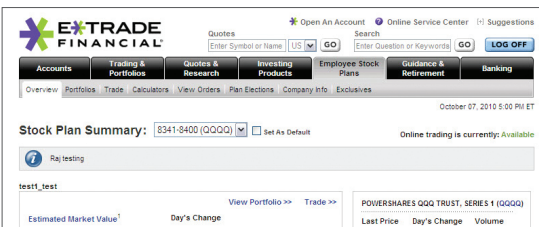
1. LOG ON TO ETRADE.COM,
and visit the Employee Stock Plans tab.

2. GO TO THE RESTRICTED STOCK SECTION
under Plan Elections, and then click Elect next to the particular grant.

3. UNDER ELECTION, MAKE YOUR SELECTION
from the menu available to you for each vesting period. Choices vary by company, and may include:

- **Withhold Shares** - Indicates that your employer will withhold enough shares to cover the taxes due. The net remaining shares will be released to you.
- **Same-Day Sale** – Sell all vested shares being released from the particular grant. You'll end up with cash proceeds in your linked E*TRADE Securities brokerage account, less any fees and taxes.
- **Sell-to-Cover** – Keep some of your shares, but sell just enough to cover any associated fees and taxes. You'll end up with shares of stock in your stock plan account.
- **Cash Transfer** – Keep your vested shares, and pay any associated fees and taxes with your own cash funds. You'll end up with shares of stock in your stock plan account. You'll need to ensure that you have adequate funds in your account to cover the cost of fees and taxes. The tax calculator on the Employee Stock Plans tab can help you estimate this amount.

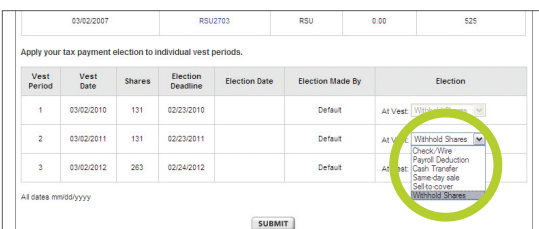
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Grant			Tax Payment Election		
Number	Date	Shares	Election	Deadline	Action
RSU2701	03/02/2007	525	At Vest: Withhold Shares	02/23/2011	View / Edit
RSU2702	03/02/2007	525	At Vest: Withhold Shares	02/23/2011	View / Edit
RSU2703	03/02/2007	525	At Vest: Withhold Shares	02/23/2011	Elect
RSU2704	03/02/2007	525	At Vest: Withhold Shares	02/23/2011	Elect
RSU2705	03/02/2007	525	At Vest: Withhold Shares	02/23/2011	Elect

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CONSIDER YOUR OPTIONS WITH HELP FROM E*TRADE

When you are ready to sell your shares, your proceeds will be automatically deposited into your linked E*TRADE Securities brokerage account. You can then reinvest the funds according to your own financial plan or access your proceeds through a variety of convenient cash management tools, including Quick Transfer.²

At E*TRADE Securities, you'll find the tools, calculators, and personalized guidance you need to make important decisions about your restricted stock benefits. Plus, we give you an array of investment options and resources to help you make the most of your proceeds.



Powerful Options Calculators & Modelers

Estimate the value of your holdings, compare the impact of different transaction types, assess various tax scenarios, and more.¹



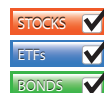
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Including live and on-demand web seminars, videos, and in-depth articles to help you invest with confidence.⁴



Online Advisor

Use our professional tool to get a recommended investment solution targeted to your goals.



A Full Range of Investments

Trade stock and options and access more than 7,600 mutual funds, every ETF sold, and 30,000 bonds & fixed income products.



FREE Guidance & Advice

From experienced investment professionals who can help you create a plan, execute your strategy, and allocate your assets.³



Take Control of Your Retirement

With the Pain-Free, No Annual Fee, No Minimum IRA. Use our state-of-the art Retirement QuickPlan tool or talk to a retirement planning specialist.

PLEASE READ THE IMPORTANT DISCLOSURES BELOW

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