THE SHARESPOST STOCK OPTION LOAN PROGRAM

As an option holder in a private growth company, it's important to proactively plan to maximize the value of your stock options. The actions you take—and when you take them—have a significant impact on your taxes and the ultimate dollar value you end up keeping for yourself. At SharesPost, we encourage our clients to understand their option grants and the tax implications of a decision to exercise them now, later, or not at all.

GET TO KNOW YOUR OPTIONS

SharesPost can help you navigate the complex world of stock options and make an informed decision based on your unique situation. Our experienced team will assist you in understanding your option-exercise alternatives and their financial implications.

SHAREPOST STOCK OPTION LOAN—UNLOCK UPSIDE WITH NO OUT-OF-POCKET COSTS

The SharesPost Stock Option Loan Program helps option holders exercise their options today with no out-of-pocket costs. By providing the option-exercise price and tax bill due upon exercise, a loan can help you preserve significant cash value that would otherwise be forfeited or paid in taxes. Additionally, because the loan is a non-recourse loan, your responsibility for repayment is limited to the shares that back the loan. The risk of company failure is transferred to the lender.

A SharesPost Stock Option Loan can provide two key benefits:

- Reduce taxes by allowing you to exercise your options and start your long-term capital gains holding period prior to selling the underlying shares.
- Reduce your risk by using a non-recourse loan so you do not risk other personal assets.

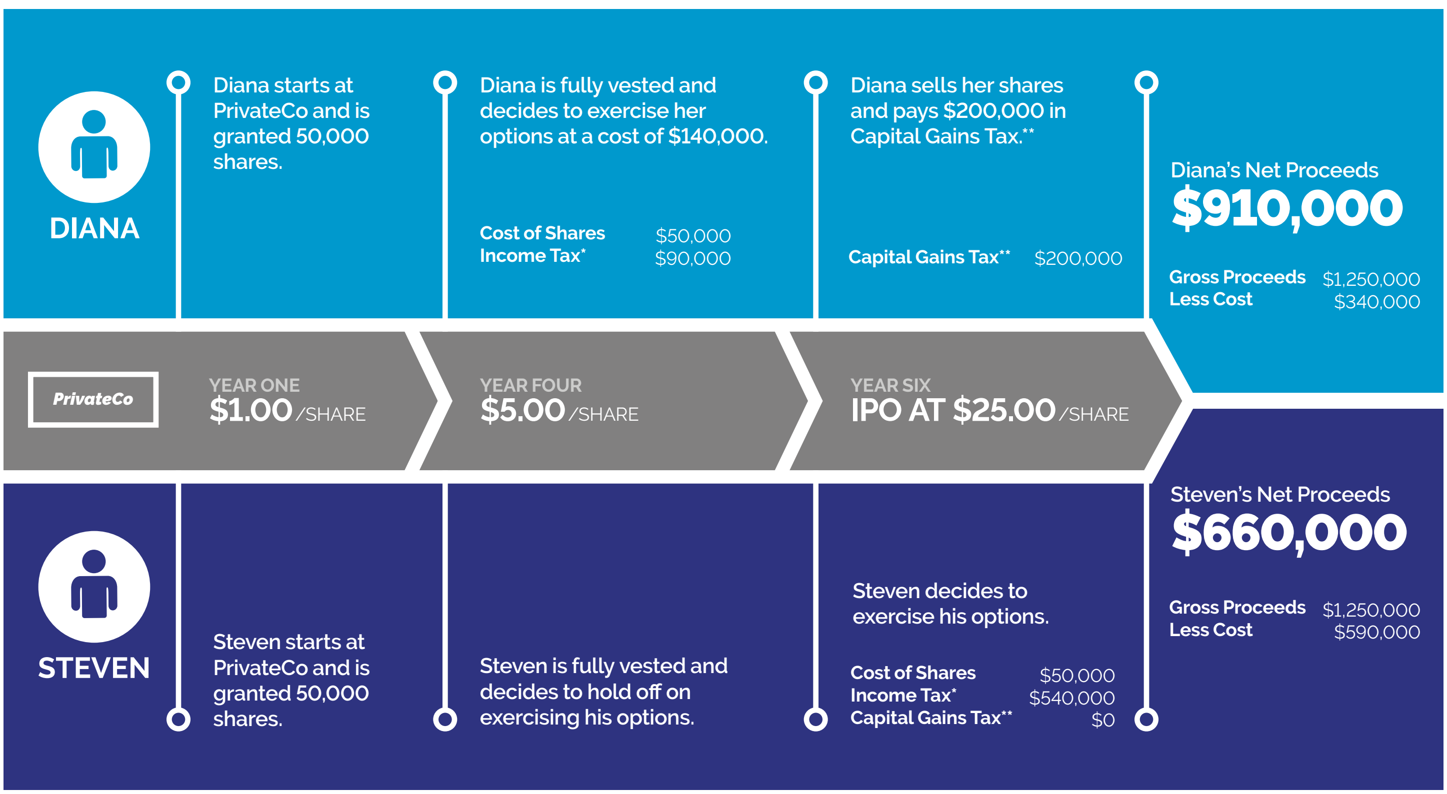
DON'T UNDERESTIMATE THE FINANCIAL IMPACT OF TAXES

Due to complex tax rules, high exercise costs, and the risk of company failure, you may consider waiting for an IPO before exercising your options. However, delaying the exercise of options can subject you to unfavorable tax consequences (i.e., taxation at ordinary income rates) and reduce the value you retain from your options. Using a non-recourse loan to exercise your options well before an IPO can substantially increase the after-tax value of your stock without increasing your risk.

NOW VERSUS LATER: THE BENEFITS OF A PROACTIVE APPROACH

To illustrate the impact of taxes, consider the following hypothetical example. Diana and Steven both work for a rapidly growing private technology firm and, as part of their employment agreement, were granted identical non-qualified stock option (NSO)* grants, with an option to buy 50,000 shares at $1.00 per share.

Four years after their start date, both Diana and Steven are fully vested and able to exercise their options. The company has done well over the years, and the current fair market value established by the company is now $5.00 per share. Diana is optimistic about the company's prospects and decides to exercise her options, incurring an up-front cost of $140,000, which represents the cost of the shares and the income tax due. Steven is also optimistic, but he figures he will cash in when the company IPOs, so he doesn't take any action.



Estimated combined federal and state income tax rate of 45%.

***Estimated long-term capital gains tax rate of 20%. The above graphic is used for illustrative purposes only and is not meant to be a guarantee of future events.*

Fast-forward two more years to the IPO. The company now trades for $25.00 per share, and Diana and Steven both sell their shares. Because of Diana's proactive approach, her remaining taxes were assessed at a low capital gains rate, while Steven's reactive approach resulted in him getting taxed at the much higher ordinary income tax rate. The difference in net proceeds is $250,000, with Diana's net proceeds exceeding Steven's by 38 percent.

Historically, many option holders have either lacked the cash or been too uncomfortable risking other assets to exercise their options. As a result, they've taken Steven's reactive approach. Now, the SharesPost Option Loan provides option holders with a creative solution: Exercise options early to get better tax treatment without risking personal capital.

TAKE CONTROL OF YOUR FINANCIAL FUTURE

The first step in maximizing your potential upside is to talk to a SharesPost representative, who can assess your stock-option grant and explain your alternatives.

To get started, register or logon to

sharespost.com/lending

Or email us at Loans@sharespost.com

* For non-qualified stock options (NSO), the "spread" or value of the stock at the time of exercise in excess of the exercise price is taxed as compensation income at the highest tax rates.

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