

Stock Option Plan Taxation Information

Date: **[Insert Date]**

To: **[Employee's Name]**

Address: **[Employee's Address]**

Dear **[Employee's Name]**,

We are pleased to provide you with important information regarding the taxation of your stock options granted under our Stock Option Plan. This letter outlines the general tax implications that may arise when you exercise your stock options.

1. Taxation at Exercise

When you exercise your stock options, the difference between the fair market value of the shares and the exercise price will typically be treated as ordinary income for tax purposes. Please be aware that you may be subject to withholding tax on this amount.

2. Taxation at Sale

Upon the sale of shares acquired through the exercise of your options, you may realize a capital gain or loss, depending on the sale price in relation to the fair market value at the time of exercise. Capital gains may be subject to different tax rates.

3. Important Considerations

- Consult with a tax advisor to understand the implications based on your individual circumstances.
- Be aware of any expiration dates for exercising your stock options.
- Keep track of your exercise prices and fair market values for tax reporting.

We recommend that you review this information carefully and reach out to your tax advisor for advice tailored to your situation. Should you have any questions regarding your stock options, please do not hesitate to contact our HR department.

Best regards,

[Your Name]

[Your Title]

[Company Name]