



Total Rewards Program

July 14, 2014



What is Total Rewards...and how does equity fit?

- Total Rewards includes five key elements focused on attracting, retaining and motivating employees:
 - Compensation
 - Benefits
 - Work Life
 - Performance & Recognition
 - Development and career opportunities
- Total rewards gives a competitive advantage by linking employee behavior with business goals and driving a productive workforce
- Long Term Incentives or Equity provides you with
 - An opportunity to contribute to and benefit from the long term success of the company
 - It makes you a shareholder of the company
 - A more diverse total rewards offering



ACCUMENSM
Partnering to Deliver Lab Excellence

Stock Options



Basic Stock Option Overview



Accumen Option Particulars



Accumen Option Documentation



Process and Next Steps

Basic Stock Option Overview



- A stock option is a contract
 - Significant latitude regarding terms
 - Standard conventions
 - (e.g., duration, FMV exercise price, vesting schedule)
 - Basic contract rules apply
- A stock option is a security
 - An investment
 - A “piece of the pie”
 - Regulatory implications

FUNDAMENTAL TERMS

- Right to Purchase Stock
- Exercise Price at FMV
- Subject to Vesting Schedule
- Within Specified Option Period (10 yrs)

Non-Qualified Option

- Issuance (non tax event)
- Exercise (tax event on FMV spread)
- Sale

Variation: 83(b) Election

- Immediate exercisability
- IRS Election w/in 30 days of exercise
- Provides tax break on exercise and starts clock on capital gains treatment vs. ordinary income
- Avoid exercise for unvested shares without 83(b) filing (tax on vesting)

Incentive Stock Option (ISO)

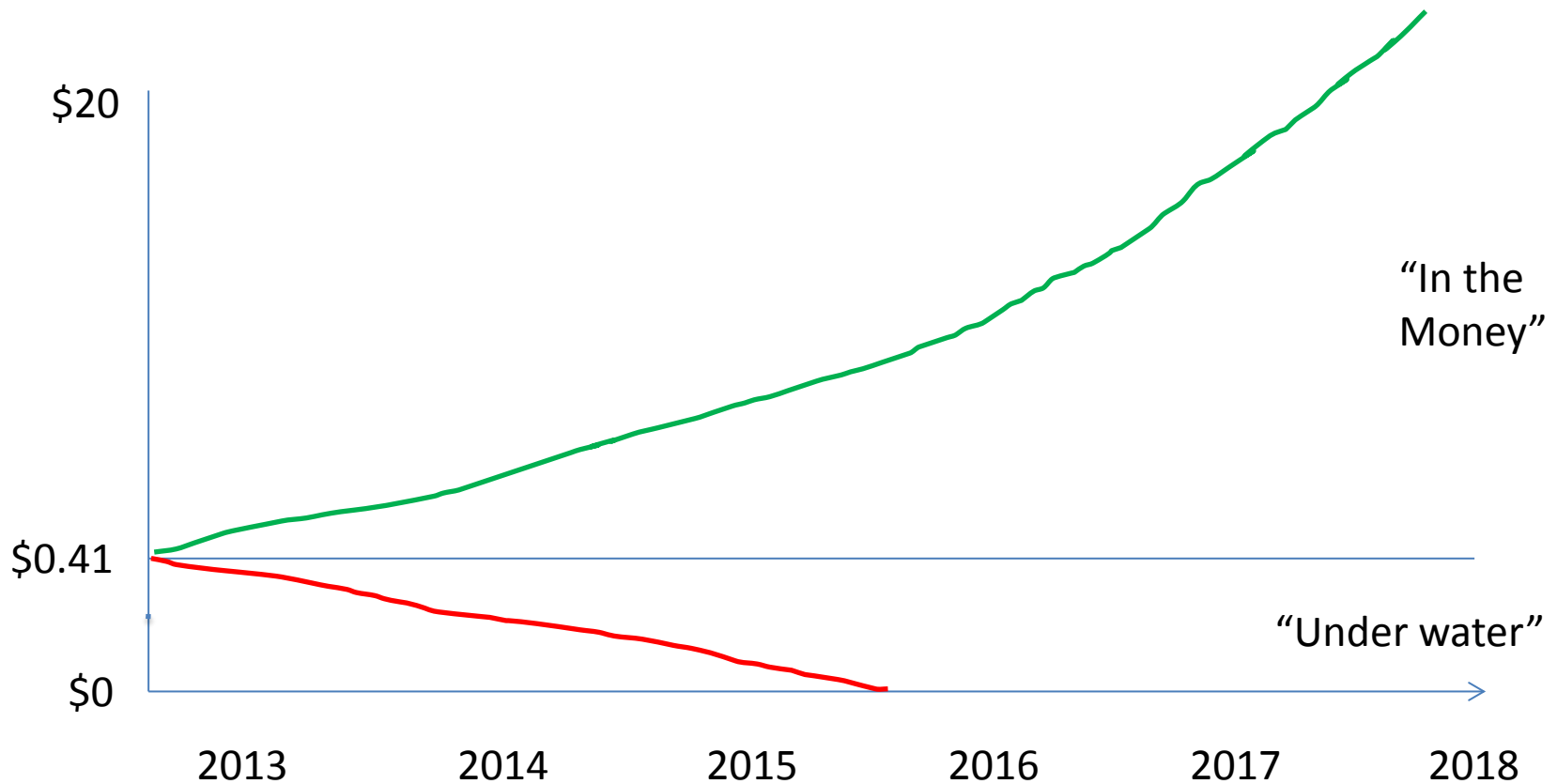
- Issuance (non tax event)
- Exercise (non tax event)
- Sale

Disadvantages:

- 2 years + 1 year
- Investment risk; .com bust
- Company treatment

Company Value
+
Liquidity (IPO or Sale)

Option Value



Caution: The value of your stock may go down from what you pay for it.

Why do Companies issue Stock Options?

- No cash outlay required
- Recruitment and retention tool
- Alignment and motivation

Considerations

- Compensation expense to the Company
- More options issued = more dilution for owners
- Do employees really value options?

Accumen Option Particulars



- Determination
 - Board responsible for determining
 - Valuation firm to assist
- Uses
 - Represents FMV (i.e., Exercise price)
 - Tied to Company's Repurchase Right
 - Accounting charges tied to Valuation
 - Liquidity event (IPO valuation and sale price)

Rationale

- Conserves shares
- Contributes to employee retention
- Rewards ongoing contributions
- Minimizes unaffiliated shareholders

Key Implication

- You may work to earn options but if you leave you may not reap the benefits

Accumen Option Documents



**Alabs Corp.
2011 Incentive Compensation Plan**

NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the grant to the Optionee named below of an option to purchase Common Shares of Alabs Corp., a Delaware corporation (the “**Company**”), as described below (the “**Option**”). By acceptance of the Option, and also by its exercise, Optionee agrees to the terms and conditions set forth in this Notice, and confirms that receipt and exercise of the Option is voluntary.

Basic Terms

BASIC TERMS

- | | |
|--|---|
| 1. You! | 1. <u>Optionee</u> . <i>[name]</i> |
| 2. Set per Guidelines | 2. <u>Issuance Date</u> : July 14, 2014 |
| 3. Employment start or issuance date (vesting credit!) | 3. <u>Vesting Commencement Date</u> : <i>[date]</i> |
| 4. Non-Qualified (recall tax discussion) | 4. <u>Type of Option</u> : Non-Qualified |
| 5. Exercise price = FMV | 5. <u>Exercise Price</u> : \$0.41 (forty-one cents) per share |
| 6. Number of shares | 6. <u>Number of Common Shares Subject to Option</u> . <i>[number]</i> shares of the Company's common stock, par value \$.0001 per share (the " <u>Common Shares</u> "). |



Expiration Date: Subject to any separate written agreement between the Company and Optionee, and subject to earlier termination as described below, the Option will expire and cease to be exercisable on the **tenth anniversary** of the Vesting Commencement Date.

Exercise

- **Immediate exercise** enables the 83(b) election discussed earlier
- **Pay exercise price = investment risk**
(you write check to Accumen)

Exercise: Notwithstanding anything to the contrary in the Plan (as defined below), the Option is **exercisable immediately** upon the Issuance Date and thereafter at any time and from time to time in one or more installments until termination of the Option, provided that after termination of Service the Option may be exercised only to the extent vested. Exercise is effected by Optionee's delivery of written notice to the Company specifying the exercise date and number of shares to be purchased, together with **payment of the exercise price** for the shares purchased in accordance with the Plan.

- First year **25%** cliff, then **monthly**
- Vesting subject to continued Service.
- Termination of Service cuts off the option.

Vesting and Termination: Although the Option is immediately exercisable, the Option and the Common Shares issued upon exercise of the Option shall be subject to vesting as follows:

Subject to any separate written agreement between the Company and Optionee, the Option or Common Shares issued upon exercise of the Option, as the case may be, shall vest (i) with respect to **25%** of the Option or underlying shares on the **first anniversary** of the Vesting Commencement Date (the “**First Vesting Date**”), and (ii) with respect to the remaining **75%** of the Option or underlying shares in **36 equal consecutive monthly installments**, each consisting of 1/48 of the initial grant, on the same day (*e.g.* the 14th day) of each calendar month following the First Vesting Date as the day of the month on which the Vesting Commencement Date occurs, provided that **vesting is subject to continued Service** and vesting will not occur on a particular scheduled vesting date if the Optionee is not in Service on that scheduled vesting date.

Subject to continued Service, Optionee shall be fully vested after four (4) years of continuous service with the Company, beginning on the Vesting Commencement Date.

Optionee may determine which shares vest on any particular vesting date.

Relevant rules are set forth in (on HR Passport):

1. 2011 Incentive Compensation Plan
2. Restricted Stock Purchase Agreement
3. Stockholders Agreement

Governance: The Option is granted subject to and in accordance with, and Optionee will be bound by, the terms of the **Alabs Corp. 2011 Incentive Compensation Plan (the “Plan”)**, as well as any separate written agreement between the Company and Optionee. The Option may not be exercised for fractional shares. Any Common Shares issued upon exercise of the Option will be subject to the terms set forth in **the Restricted Stock Purchase Agreement** attached hereto as **Exhibit 1** (the “**Restricted Stock Purchase Agreement**”), and upon vesting such shares will also be subject to the **Stockholders Agreement** referred to in, and attached as an exhibit to, the Restricted Stock Purchase Agreement (the “**Stockholders Agreement**”).

Securities Notice

- Options may not be transferred
- Shares are subject to transfer restrictions and repurchase
 - Securities law and contract restrictions

RESTRICTIONS ON TRANSFER AND REPURCHASE RIGHTS: THE OPTION IS SUBJECT TO RESTRICTIONS ON TRANSFER SET FORTH IN THE PLAN. ALL COMMON SHARES ACQUIRED UPON THE EXERCISE OF THE OPTION SHALL BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE RIGHTS EXERCISABLE BY THE COMPANY AND ITS ASSIGNS, INCLUDING BUT NOT LIMITED TO RESTRICTIONS ON TRANSFER OF UNVESTED SHARES. THE TERMS OF SUCH RESTRICTIONS AND RIGHTS ARE SPECIFIED IN THE PLAN, THE ATTACHED RESTRICTED STOCK PURCHASE AGREEMENT, AND THE STOCKHOLDERS AGREEMENT.

- Option do not change the “at-will” nature of employment

No Employment or Service Contract: Nothing in this Notice, the Restricted Stock Purchase Agreement, the Stockholders Agreement, or the Plan shall confer upon Optionee any right to continue in Service for any period of **specific duration** or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee’s Service at any time for any reason, with or without Cause.

The “Bad Boy” Provision

- You must sign a Proprietary Interests Agreement
- Options are only valid for good corporate citizens
- Bad behavior can lead to termination and clawback

Obligations to the Company: As a condition to vesting and exercise of the Option and vesting of any shares issued upon exercise of the Option, Optionee must have entered into a **Proprietary Interests Agreement**, or any successor agreement, in the form specified by the Company, and Optionee’s exercise of the Option in whole or part will constitute Optionee’s affirmation of and agreement to such Proprietary Interests Agreement. **If Optionee breaches** in any material respect the Proprietary Interests Agreement, or any other contract between Optionee and the Company, or Optionee’s common law duty of confidentiality or trade secret protection, and Optionee fails to cure that breach in full within ten days of notice and demand for cure by the Company, then such breach shall entitle the Company, in its discretion and in addition to any other legal or equitable remedies available to the Company, to do any or all of the following: (1) **cancel and terminate** as of the date of such breach any unvested and/or unexercised portion of the Option; (2) require Optionee to **tender back** to the Company any share of Company stock Optionee owns (directly or beneficially) that Optionee acquired upon the exercise of the Option, which the Company may purchase, in the case of vested shares, for the Fair Market Value thereof (measured at the time the Company provides notice of its exercise of this right) ...

- Notices = How to communicate

Notices: **Notices** related to the Option or underlying shares shall be given in writing by the Company to Optionee at the Optionee’s address of record in the Company’s employment files, and by Optionee to the Company’s headquarters, attention Chief Financial Officer and General Counsel.

- No representations regarding value or tax

Acknowledgment: **No representations** or promises are made regarding the **value** of the Option or the Company's stock or the Company's prospects. The Company provides no advice regarding **tax consequences** or Optionee’s handling of the Option; Optionee agrees to rely only upon Optionee’s own personal advisors.

The 2011 Option Plan

- Approved and administered by the Board
- Sets eligibility and share pool
- Basic rules for awards:
 - FMV Strike Price
 - Maximum ten (10) year term
 - Treatment on cessation of service
 - Transfer restrictions
 - Repurchase rights
 - Default vesting
- Company transaction (what happens in sale)
 - E.g., carries over to acquirer or accelerates vesting

- **Stock Transfer Restrictions**
 - Unvested shares cannot be transferred (sold) to third parties
 - Vested = no transfers before Qualified Public Offering; after that, transfers OK in compliance with securities law
- Restrictions on sale for minimum time after Qualified Public Offering (e.g., 180-225 days market stand-off)
- Company has repurchase right before Qualified Public Offering
 - Not a repurchase obligation or a put right for 365 days
 - Price is FMV for vested, and lesser of FMV or purchase for unvested

Stockholders Agreement

- First Company, followed by Accretive and anchor clients, have right of first refusal for proposed sales
- Accretive may “drag along” other investors
(you must sell your shares)
- Piggyback registration rights in public offerings (other than IPO)
- Accretive and anchor clients (only) possess tag-along rights and rights to participate in certain Company offerings

Process and Next Steps



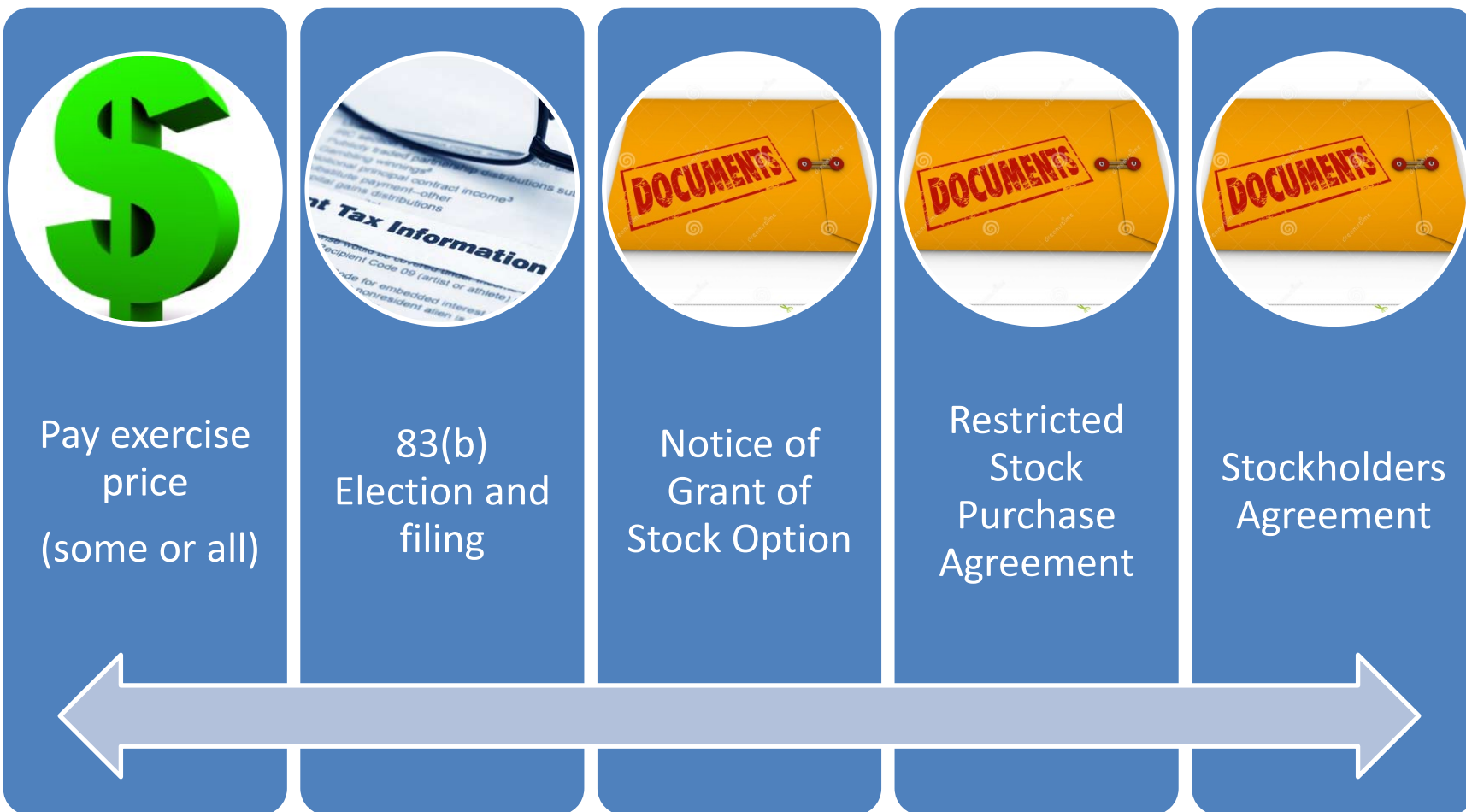
Process & Next Steps

- Board approval
- Valuation completed
- Communications Made
- Sign and return Grant Notice
- Equity Admin if Wish to Exercise



DISCLAIMER: No promises about value. No tax advice.

Immediate Exercise



Contact the Equity Administrator at:

equityadmin@accumen.com