

FREQUENTLY ASKED QUESTIONS ABOUT RESTRICTED STOCK - RULE 144

What is the advantage of restricted stock over stock options?

Restricted stock has value to you even when the stock price drops below the price on the date of grant. This may help you feel more of the wealth impact (and shareholder pain) of changes in your stock price. Options have little practical value to you if they are "under water" (i.e., the market price is lower than exercise price).

What is Rule 145?

Rule 145 governs the resale of securities acquired in mergers and other types of acquisitions. Affiliates of a company acquired in a Rule 145 transaction can make public resales of the securities issued in the transaction by satisfying the public information, volume and manner-of-sale requirements of Rule 144 discussed earlier. Non-affiliates may sell such securities by complying with these requirements, or by holding the securities for at least one year.

Can I sell my securities publicly if the conditions of Rule 144 have been met?

Even if you have met the conditions of Rule 144, you can't sell your restricted securities to the public until the legend has been removed from the certificate. Only a transfer agent can remove the legend. Your William Blair Investment Professional can assist you in this process.

How might I acquire restricted stock?

Restricted stock is usually acquired through:

- Merger and acquisitions
- Direct purchases from the company or an insider
- Stock options
- Stock purchase plan
- Gift

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Restricted Stock
Rule 144

RESTRICTED STOCK - RULE 144

SEC Rule 144: Selling Restricted and Control Securities

Restricted Securities

Restricted securities are securities acquired in unregistered, private sales from the issuer or from an affiliate of the issuer. Investors typically receive restricted securities through private placement offerings, Regulation D offerings, employee stock benefit plans, as compensation for professional services, or in exchange for providing "seed money" or start-up capital to the company.

Control Securities

Control securities are those held by an affiliate of the issuing company. An affiliate is a person, such as a director or large shareholder (10% or more), in a relationship of control with the issuer. Control means the power to direct the management and policies of the company in question, whether through the ownership of voting securities, by contract, or otherwise.

If you acquire restricted securities, you almost always will receive a certificate stamped with a "restricted" legend. The legend indicates that the securities may not be resold in the marketplace unless they are registered with the SEC or are exempt from the registration requirements. The certificates of control securities are usually not stamped with a legend.

When you acquire restricted securities or hold control securities, you must find an exemption from the SEC's registration requirements to sell them in the marketplace. Rule 144 allows public resale of restricted and control securities if a number of conditions are met.

Rule 144 Conditions

If you want to sell your restricted or control securities to the public, you can follow the conditions set forth in Rule 144. The rule is not the exclusive means for selling restricted or control securities, but provides a "safe harbor" exemption to sellers. The rule's five conditions are summarized below:

1. **Holding Period** - Before you may sell restricted securities in the marketplace, you must hold them for at least one year. The one-year period holding period begins when the securities were bought and fully paid for. The holding period applies only to restricted securities.
2. **Adequate Current Information** - Current financial information must be made available to the buyer. Companies that file 10K and 10Q reports satisfy this requirement.

3. **Trading Volume Formula** - After the one-year holding period, the number of shares you may sell during any three-month period cannot exceed the greater of 1% of the outstanding shares of the same class being sold, or if the class is listed on a stock exchange or quoted on Nasdaq, the greater of 1% or the average reported weekly trading volume during the four weeks preceding filing of Form 144 (Notice of Proposed Sale) with the SEC.
4. **Ordinary Brokerage Transaction** - The sales must be handled in all respects as routine trading transactions, and brokers may not receive more than a normal commission. Neither the seller nor the broker can solicit orders to buy the securities.
5. **Filing Notice With the SEC** - At the time you place your order, you must file a notice with the SEC on Form 144 if the sale involves more than 500 shares or the aggregate dollar amount is greater than \$10,000 in any three-month period. The sale must take place within three months of filing the form and, if the securities have not been sold, you must file an amended notice.

How to Participate

1. Consult your company's insider trading/compliance officer about employee/insider trading policies and procedures.
2. Set up a William Blair & Company account.
3. Inform your William Blair & Company investment professional of your intent to sell restricted securities.
4. Discuss with your investment professional the terms of the sale, i.e., market order or limit order.
5. Fax to your investment professional a copy of your stock certificate.
6. Complete and return to your investment professional Form 144, an Attestation Letter, and a Stock Power along with stock certificate.
7. William Blair & Company personnel will seek the necessary approvals from your company's legal counsel.
8. Your shares will be sold and the proceeds deposited in your account where you can purchase securities, maintain a money market account, or request a check.