

Practical Steps Before and After the Flip

Before the Flip

- Inventory every outstanding award and identify EMI, CSOP and other tax-advantaged options, options held by current or likely future U.S. taxpayers, awards subject to another country's rules and any options with discounted or nil-cost exercise prices.
- Decide before signing the flip documents how options will be treated—different types of options may require different treatment—and build any required consents, exchanges and optionholder notices into the closing process.
- Choose the post-flip plan structure (a U.S.-style TopCo plan, with a UK sub-plan or schedule where EMI or CSOP options will be granted, or an assumed or new UK-style scheme if the workforce will remain UK-based), reserve sufficient authorized TopCo shares for future grants, and obtain any stockholder approval required for ISOs or under applicable state securities exemptions.
- Create a clear plan for the handling of each option, having regard to relevant time limits. Prepare the requisite documents ahead of time, and have them signed and held in escrow pending completion of the flip.

After the Flip

- Obtain valuations that satisfy each applicable regime before granting options—a current 409A valuation for U.S. taxpayers and, where EMI or CSOP options will be granted, an HMRC-agreed valuation, or a single valuation prepared to meet both standards, and track their different validity periods.
- Put a grant approval calendar and delegation framework in place so that each grant is approved by the board or an authorized committee (or delegate), with all essential terms fixed, while the relevant valuations are current.
- Confirm the available securities exemption for each population, including Rule 701 and any state exemption, and monitor the plan reserve and Rule 701 usage against the \$10 million disclosure threshold.