ISO TAX IMPLICATIONS ANALYSIS

The tax math behind your *incentive stock options.*

A quantitative review of your equity position with **five tax events**modeled side-by-side: the cash required to execute, the income generated, the tax due, and the net after-tax value of each.

YOUR EQUITY POSITION — AS OF AUG 2, 2026

TOTAL VESTED OPTIONS	TOTAL FMV	ESTIMATED BASELINE TAX	EFFECTIVE TAX RATE AT BASELINE
216,499	$3,262,485	$19,928	13.7%
217,499 total vested	**$15.00** per share · FMV at analysis	**Federal** $14,240	**Federal** 9.8%
1,000 previously exercised		**State** $5,688	**State** 3.9%

FIVE-SCENARIO COMPARISON

	S01 Exercise to AMT Threshold Max shares at $0 incremental AMT	S02 Exercise & Hold Full position exercised, held	S03 Exercise & Same-Day Sale Full position, sold same day	S04 Qualifying Disposition Qualifying disposition, full position	S05 Sell Already-Exercised Sell already-exercised lots
Cash Required Strike cost to exercise	$989	$158,958	$158,958	$115,394	$0
Total Increase in Income Bargain element / ordinary income	$0	$3,578,533	$3,578,533	$3,132,091	$13,000
Estimated Incremental Tax Due Federal + state + AMT + NIIT	$0	$1,016,963	$1,731,796	$1,125,728	$3,983
Net After-Tax Cash from Sale Proceeds minus tax minus strike	no sales modeled	no sales modeled	$1,846,736	$2,006,362	$11,017

Exercise to AMT Threshold

DEMO CLIENT
FMV $15.00 · AS OF FEB 1, 2026

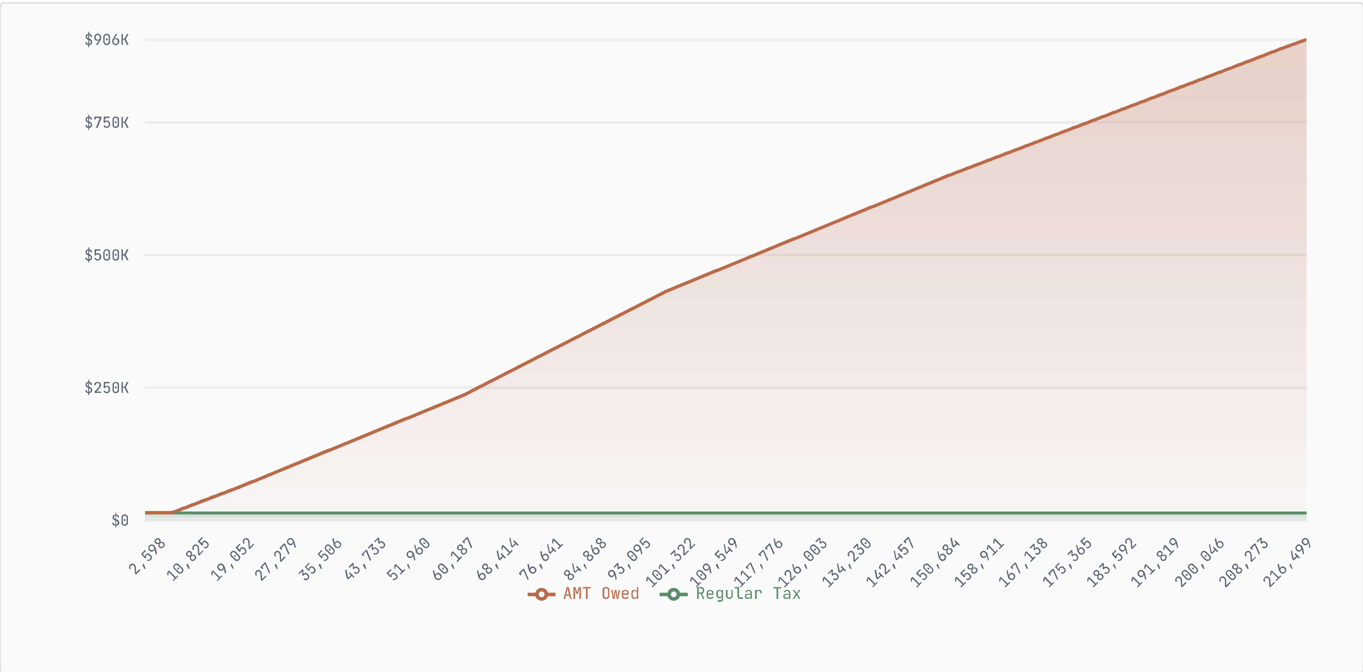
Max shares at $0 incremental AMT

Approximately **4,943** shares may be exercised this year without incremental Alternative Minimum Tax (AMT). The chart below shows how AMT owed grows as share count increases — the green dashed line marks the threshold. The table shows the maximum shares and out-of-pocket cost at three AMT budget levels.

> Reflects 1,000 options already exercised in 2026 — shows additional capacity.

CASH REQUIRED	SHARES EXERCISED	SHARES SOLD TO COVER	SHARES RETAINED
$989	4,943	66	4,877

AMT OWED VS. SHARES EXERCISED



EXERCISE BUDGET TIERS

AMT BUDGET	MAX SHARES	CASH REQUIRED	SHARES SOLD TO COVER	SHARES RETAINED	BARGAIN ELEMENT
$1K	5,203	$1,041	70	5,133	$77,004
$5K	6,243	$1,249	84	6,159	$92,396
$10K	7,542	$1,508	101	7,441	$111,622

S01 models pure exercise-and-hold only. Funding the strike cost by selling newly-exercised shares (sell-to-cover) is a disqualifying disposition that generates ordinary income and changes the AMT calculation. For same-day sale modeling, refer to **Scenario 3**.

Exercise & Hold

Full position exercised, held

Models exercising and holding your full vested position. The chart below shows how **regular tax and AMT** grow together as you exercise more options — each column is split between the two. The two-date comparison shows how many more options vest between the analysis date and December 31 of the tax year.

TWO-DATE VESTING COMPARISON

VESTED AS OF FEB 1, 2026

216,499

options available now

217,499 total vested

1,000 previously exercised

VESTED YEAR-END — DEC 31, 2026

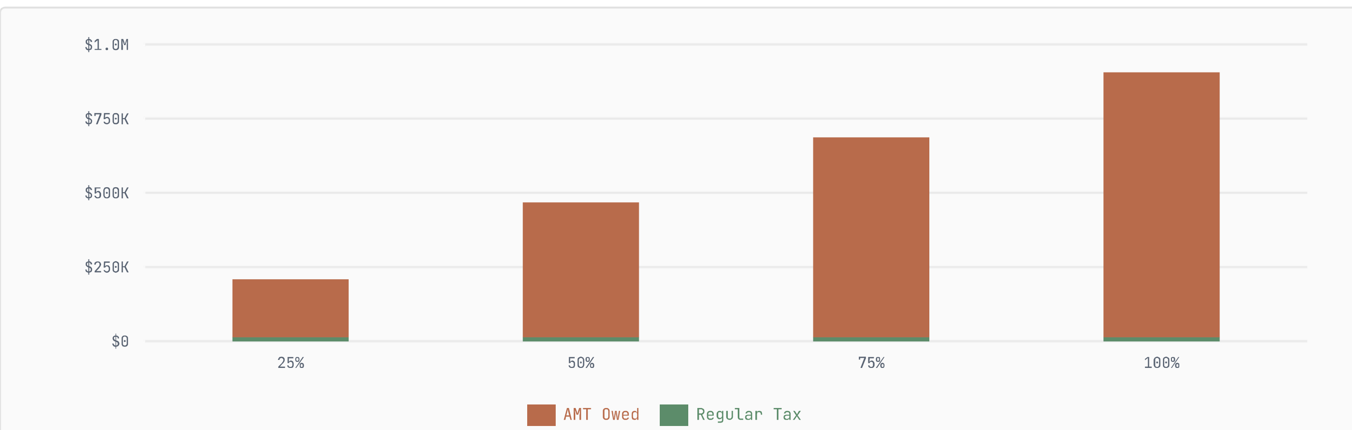
248,166

options by year-end

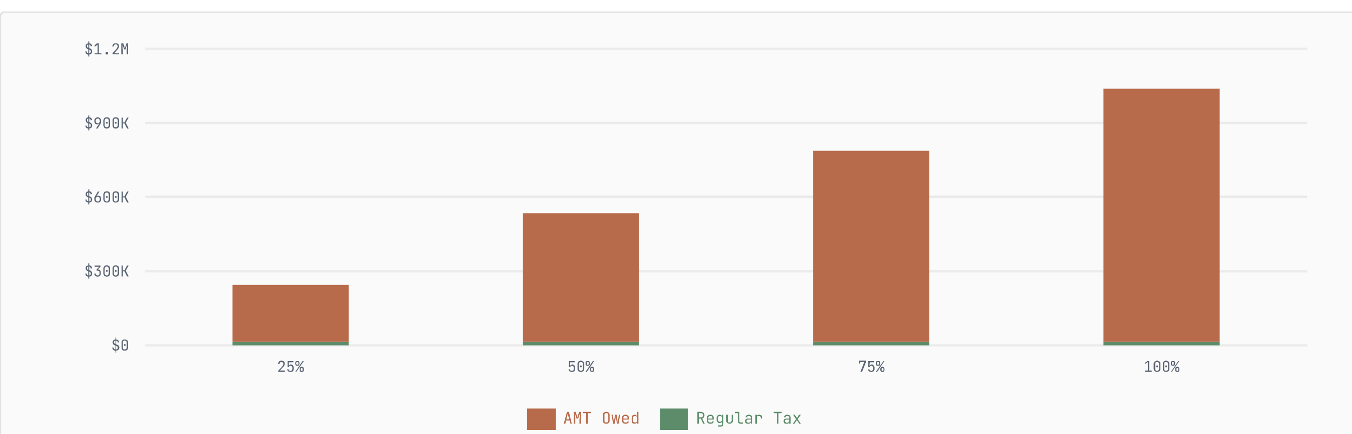
249,166 total vested

1,000 previously exercised

TAX AT 25 / 50 / 75 / 100% — AS OF FEB 1, 2026



TAX AT 25 / 50 / 75 / 100% — AT YEAR-END (2026-12-31)



Exercise & Same-Day Sale

Full position, sold same day

Models exercising your full vested position and selling all shares **immediately** as a disqualifying disposition. This is the *liquidity benchmark* — the net cash you keep today if you exercise and sell everything at the current FMV. The waterfall shows how gross proceeds are reduced by the strike cost and the incremental tax to arrive at your net after-tax cash.

IMPORTANT DISCLOSURES

Sell-to-cover. This is generally a sell-to-cover (cashless exercise) transaction — the proceeds from the sale are used to pay the strike cost and estimated taxes. No out-of-pocket cash is typically required to execute. **Disqualifying disposition.** Selling shares immediately upon exercise constitutes a disqualifying disposition. The full bargain element is treated as ordinary income in the year of sale, not long-term capital gain.

SUMMARY

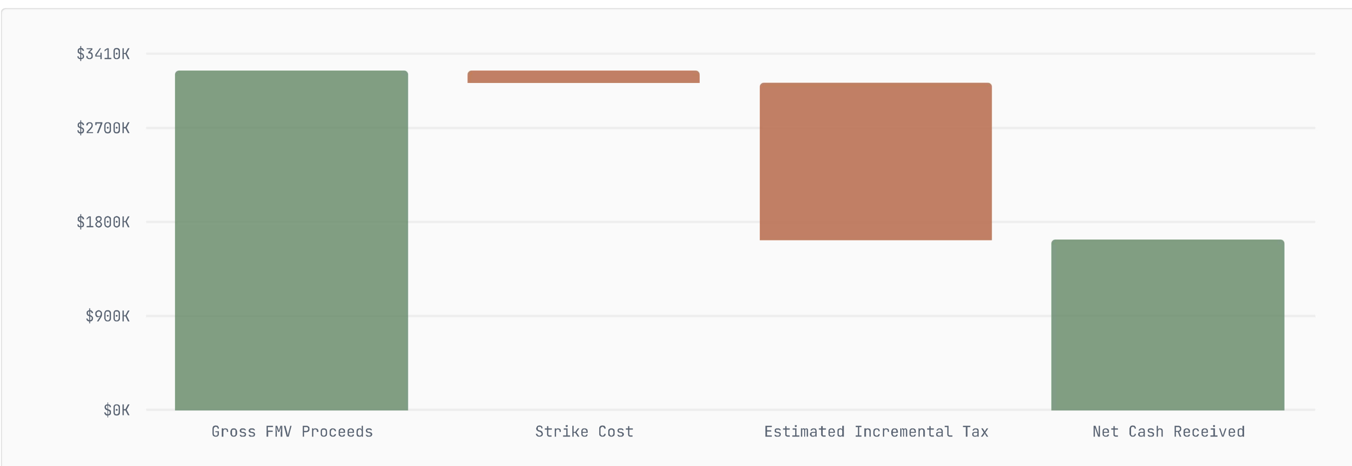
OPTIONS SOLD
216,999
500 previously exercised options
216,499 options exercised today

TOTAL INCOME INCREASE
$3,132,091
DQ bargain element

ESTIMATED TAX
$1,502,772
Federal + state incremental

NET AFTER-TAX CASH
$1,629,319
Proceeds minus strike minus tax

GROSS PROCEEDS TO NET AFTER-TAX CASH



PARTIAL-SALE SCENARIOS

% SOLD	SHARES	GROSS PROCEEDS	EXERCISE COST	ESTIMATED TAX	NET AFTER-TAX CASH
20%	43,300	$649,497	$23,079	$300,554	$325,864
40%	86,600	$1,298,994	$46,158	$601,109	$651,728
60%	129,899	$1,948,491	$69,237	$901,663	$977,591
80%	173,199	$2,597,988	$92,316	$1,202,217	$1,303,455

The 100% sale is shown in the Summary section above.

Qualifying Disposition

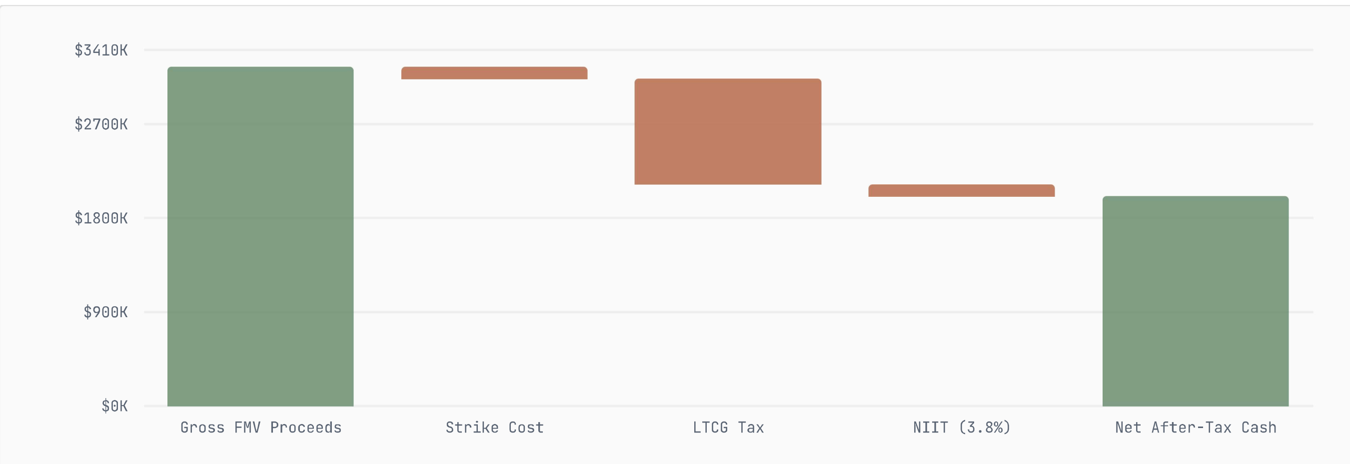
Qualifying disposition, full position

Models exercising your full vested position and holding for the ISO qualifying period — **more than one year from exercise** and more than two years from the grant date. The gain is taxed at **long-term capital gains rates** plus net investment income tax (NIIT). The waterfall shows how gross proceeds reduce to net after-tax cash. Compare this to S03 to see the tax benefit of qualifying.[1]

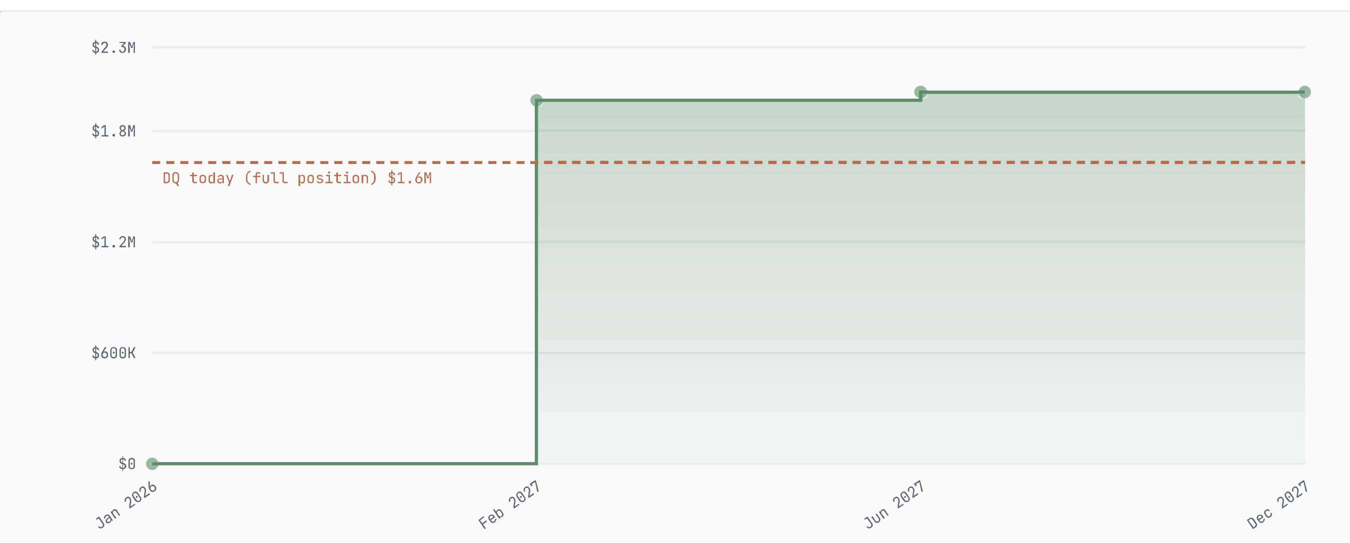
SUMMARY

LTCG AMOUNT	ESTIMATED TAX	NET AFTER-TAX CASH	TAX SAVINGS VS. DQ
$3,132,091	$1,125,728	$2,006,362	$377,043
Long-term capital gain	LTCG + NIIT incremental	Proceeds minus strike minus tax	More kept than same-day sale

GROSS PROCEEDS TO NET AFTER-TAX CASH



QUALIFYING DISPOSITION HARVEST SCHEDULE



Sell Already-Exercised

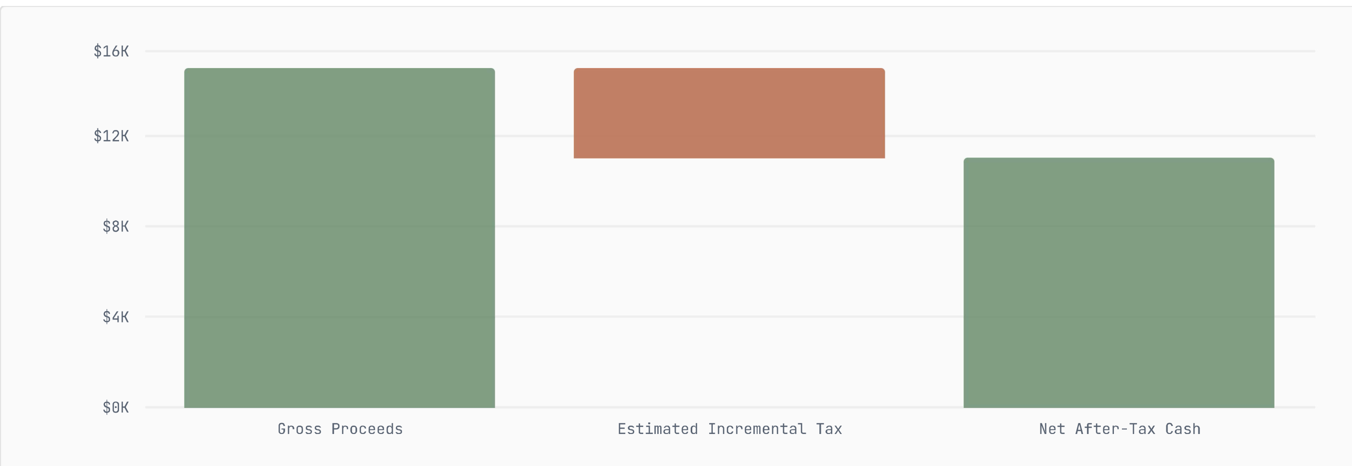
Sell already-exercised lots

Models the tax consequence of selling shares the client has already exercised at **$15.00**. Each lot is taxed according to its ISO holding period: lots held **more than one year from exercise** and more than two years from grant date qualify for long-term capital gains rates; all others are ordinary income.

SUMMARY

TOTAL TAXABLE GAIN	ESTIMATED INCREMENTAL TAX	NET AFTER-TAX CASH
$13,000	$3,983	$11,017
Combined LTCG + ordinary income	Federal + state incremental	Proceeds minus incremental tax

GROSS PROCEEDS TO NET AFTER-TAX CASH



EXERCISE LOT BREAKDOWN

EXERCISE DATE	SHARES	STRIKE	FMV AT EXERCISE	HOLDING PERIOD	TAX CHARACTER	TAXABLE GAIN
Jun 1, 2026	1,000	$2.00	$20.00	Short-term	Ordinary income †	$13,000
Total	**1,000**					**$13,000**

† One or more lots were sold below their original FMV at exercise. For these lots, ordinary income is limited to the actual gain (sale price less strike price), and any difference between the original exercise FMV and the sale price may be treated as a capital loss. If AMT was paid in the exercise year based on the higher bargain element, an AMT credit may partially offset this outcome. Consult your tax advisor for the specific treatment applicable to your situation.

Tax and equity assumptions.

DEMO CLIENT
FMV $15.00 · AS OF FEB 1, 2026

PERSONAL

Filing status
Married Filing Jointly

State of residence
CA

W-2 wages (client)
$145,000

Spouse W-2 wages
$0

Other ordinary income
$0

EQUITY

Total vested ISOs
217,499 shares

Weighted avg strike
$0.54/share

FMV at analysis
$15.00/share

Total FMV
$3,262,485

Total bargain element
$3,145,091

OTHER MODIFICATIONS

Deduction method
Standard

Prior AMT credit carryforward
$0

Capital loss carryforward
$0

GRANT LOTS

GRANT	GRANT DATE	STRIKE PRICE	EXERCISABLE OPTIONS	VESTING SCHEDULE
1222	Jun 20, 2025	$2.00	4,833	12 mo / Monthly
1123	Dec 10, 2024	$1.00	5,416	48 mo / 12 mo cliff / Monthly
1234	Oct 20, 2023	$1.25	56,250	48 mo / 12 mo cliff / Monthly
0001	Jan 1, 2019	$0.20	150,000	48 mo / 12 mo cliff / Monthly

EXERCISE LOTS

EXERCISE DATE	OPTIONS EXERCISED	FMV AT EXERCISE	HOLDING PERIOD STATUS
Jun 1, 2026	1,000	$20.00/share	Short-term (DQ risk)

Scope, disclosures, and signature.

SCOPE AND DISCLOSURES

Scope of engagement. This analysis was prepared exclusively for Demo Client by your assigned CPA using ISO Strategist. It models the federal and state income tax, alternative minimum tax (AMT), net investment income tax (NIIT), and additional Medicare tax consequences of the incentive stock option events described herein. It does not address gift tax, estate tax, foreign tax, penalties, interest, or any other taxes or obligations.

Not investment advice. Nothing in this document constitutes investment advice, a recommendation to exercise or not exercise options, or a recommendation to hold or sell any security. The analysis quantifies tax outcomes only. The decision to exercise incentive stock options involves risks beyond tax considerations, including company-specific, liquidity, and market risks, which are outside the scope of this engagement.

Methodology. Tax calculations are based on the assumptions stated above, the tax constants for the applicable year, and the inputs provided. Actual tax liability will depend on the complete facts and circumstances of your tax return for the relevant year. This analysis should be reviewed annually and updated for changes in tax law, FMV, compensation, and personal circumstances.

[1] Exercising ISOs to satisfy the qualifying period triggers AMT in the year of exercise. Depending on your regular tax in future years, some or all of the AMT paid may generate a minimum tax credit (Form 8801) that offsets regular tax in a subsequent year. This potential future credit is not reflected in the S04 scenario calculations.

[†] One or more lots were sold below their original FMV at exercise. For these lots, ordinary income is limited to the actual gain (sale price less strike price), and any difference between the original exercise FMV and the sale price may be treated as a capital loss. If AMT was paid in the exercise year based on the higher bargain element, an AMT credit may partially offset this outcome. Consult your tax advisor for the specific treatment applicable to your situation.

PREPARED BY

Bracket Co.

Certified Public Accountant

ENGAGEMENT

FMV $15.00 — 2026-02-01

Demo Client

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