

## COVID-19: Addressing Underwater Stock Options and Stock Appreciation Rights

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The recent market volatility caused by the coronavirus (COVID-19) pandemic has caused precipitous drops in the stock prices of many companies, reducing the value of outstanding equity awards and potentially jeopardizing the effectiveness of these awards to reward and retain employees. In particular, some companies may find that the exercise prices of their outstanding options and stock appreciation rights now substantially exceed the company's current stock price. This memorandum sets forth key considerations for companies in this position and offers possible approaches that may enable companies to continue to retain and incentivize employees amid the ongoing market volatility, while taking into account the reaction from their shareholders and the proxy advisory firms.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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