



We are sending this communication as a reminder of how cost basis reporting regulations can impact your personal income tax filing. Effective January 1, 2014, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) issued revised cost basis reporting regulations that impact how cost basis is reported on shares acquired through nonstatutory stock option exercises and the vesting of Restricted Stock Units and Performance Stock Units. The cost basis reporting rules apply only to shares acquired (i.e., stock option exercise, RSUs/PSUs vest) in 2014 and after. If you acquired shares since January 1, 2014 **and** sold those same shares, the cost basis for such shares as reported on Form 1099 should be adjusted in order to avoid potential double reporting of income.

The table below outlines the current cost basis reporting requirement, the reporting requirement prior to 2014, and the impact this will have when reporting the ordinary income from the exercise of a nonstatutory stock option or RSUs/PSUs vest. Please note that this information is not intended to offer tax advice or provide comprehensive guidance on how to report the income from a stock option exercise or RSUs/PSUs vest.

Award type	Actual cost basis	1099 Reporting pre-2014	1099 Reporting effective 1/1/2014 ¹	Ordinary income reporting at stock option exercise or RSUs/PSUs vest	Capital gain/loss reporting at sale
Nonstatutory stock option	Fair market value at exercise	Fair market value at exercise	Grant price	Stryker, as required by the IRS, will report the ordinary income (difference between the option price and FMV) from the exercise on your W-2.	In the year of sale, you must adjust your cost basis to the FMV at exercise with a Form 8949 when completing your tax return to avoid duplicate reporting and taxation of this income.
RSU/PSU	Fair market value at vest	Fair market value at vest	UBS will include FMV on the 1099, but no cost basis reported to IRS ²	Stryker, as required by the IRS, will report the ordinary income (the FMV at vest) from the RSUs/PSUs vest on your W-2.	In the year of sale, you must record your cost basis as the FMV at vest with a Form 8949 when completing your tax return to avoid duplicate reporting and taxation of this income.

¹ Applies to shares acquired through nonstatutory stock option exercises and RSUs/PSUs vest after January 1, 2014. Shares acquired prior to 2014 will continue to be reported as described in the “1099 Reporting pre-2014” column in the table above.

² For 2017 reporting, UBS is including the cost basis (the FMV at vest) on the 1099 for all shares sold from an RSU/PSU award for your information only, the cost basis will not be reported to the IRS for shares acquired in 2014 and after.

For any questions related to your stock awards, please contact:

- UBS Service Center between 3:00 a.m. and 11:00 p.m. Eastern Time, Monday through Friday, at 1-877-795-7857.
- UBS Greco Team of Financial Advisors between 9:30 a.m. and 5:00 p.m. Eastern Time, Monday through Friday, at 1-860-727-1515.
- UBS One Source site www.ubs.com/onesource/syk to access materials and information related to your stock awards. The 2017 UBS Tax Filing Guides are available on the UBS One Source site.

We encourage you to consider seeking advice from a tax professional when preparing your tax return.