



## **Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardan N.V. (“Company”) on May 28, 2015**

### **Agenda item 3**

#### ***Remuneration Report***

Pursuant to the provisions of section 2:135 of the Dutch Civil Code, the items mentioned in section 2:383 (c to e inclusive) of the Dutch Civil Code, as included in the Remuneration Report (attached hereto as Annex 1) which forms part of the annual report 2014 are placed on the agenda for consideration and discussion by the shareholders. The items are: (i) remuneration of each member of the Board; (ii) options to acquire shares in the capital of the Company granted to members of the Board and /or employees; (iii) loans, advance payments and guarantees provided to members of the Board.

### **Agenda item 4**

#### ***Adoption of the annual financial statements for the financial year 2014 (decision)***

It is proposed to adopt the annual financial statements for the financial year 2014. The IFRS financial statements for the year 2014 were approved by the Board and published on 26 March 2015.

### **Agenda item 5**

#### ***Dividend Policy***

The Company’s dividend policy will take into consideration the level of net profit, liquidity and the capital position, future financing requirements, and financial covenants of the Company, all within the limitations of the law. If circumstances allow, the dividend policy recommends an annual distribution of between 20% and 30% of net profit. The Company reported a net profit over 2014 of EUR 5.1 million. Given the Company’s financial liabilities and commitments towards the debenture holders, the Board does not propose a distribution of dividend over 2014.

Note: in light of the Company’s Principle Debt Settlement<sup>1</sup>, as approved by the Company’s debenture holders on 6 January 2015, the Company has committed not to distribute dividend until the approval by the debenture holders of the amendments to the deeds of trust of debentures Series A and B (“Amendments”) to reflect the principles of the Principle Debt Settlement. Once the Amendments are approved, the

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<sup>1</sup> Principle Debt Settlement: an agreement in principle with the debenture holders regarding debt restructuring of the Debentures comprising two phases:

- a) an amendment to the deeds of trust for debentures Series A and Series B, which in headline entails postponing the February 2015 interest and principal payments by six months until August 2015 for both Series (as approved by the Debenture Holders on January 6, 2015).
- 2) the drafting of amendments to the deeds of trust, to be approved by the Debenture Holders, according to proposed principles, which in headline entail to postpone the majority of payment of principals by 24 months against certain conditions, restrictions and collateral.

At the date of publication of the notice and agenda of the AGM 2015, the amendments under 2) have not yet been finalized and approved by the debenture holders.



Company shall not distribute dividend until certain relief conditions have been met and 75% of the par value of the debentures, series A and B, has been repaid.

## **Agenda item 6** ***Corporate Governance***

The General Meeting is, in accordance with the Dutch Corporate Governance Code (“**Code**”), invited to discuss the Company’s approach towards the implementation of the Code as specified in the corporate governance statement 2014, which is placed on the Company’s website and deemed an integral part of the annual report of 2014 of the Company. In 2014, no material changes were made to the Company’s governance framework except the following: the Board reviewed the authorization limits to enter into certain transactions<sup>2</sup> without prior Board approval, for the CEO and Executive Management as set out in the Board Regulations and resolved to lower the thresholds from EUR 20 million to EUR 10 million.

## **Agenda item 7** ***Appointment of the external auditor for the financial year 2015 (decision)***

Pursuant to the Dutch law on supervision on accountancy firms (“*Wet toezicht accountantsorganisaties*”), listed companies are required to rotate their external auditor, starting from 1 January 2016, if the external auditor has audited the company for seven consecutive years. In light hereof, and given Ernst & Young’s long-term engagement, since the incorporation of the Company in 2003, the Company’s management explored the possibilities of replacing Ernst & Young as the Company’s external auditor. Management had meetings with various accounting firms and eventually requested two accounting firms to present their proposals for external audit services to the Audit Committee. The Audit Committee unanimously resolved to recommend to the Board to propose PricewaterhouseCoopers to the AGM as the Company’s new external auditor.

Having considered this recommendation of the Audit Committee, the Board proposes to appoint PricewaterhouseCoopers Accountants N.V., Amsterdam, the Netherlands and PricewaterhouseCoopers, Israel (jointly “PwC”), as the external auditor responsible for auditing the annual accounts for the financial year 2015.

It is noted that, anticipating its appointment, PwC has already conducted a “shadow audit” during the year-end audit 2014 and intends to do so for the review of the Q1 2015 financial statements. Further, in 2015, Kardán Land China Ltd and their subsidiaries and investees will continue to be audited by Ernst & Young China who will report to PwC as group auditors. In cooperation with management PwC will review the possibility to take over the audit activities of the Chinese operations as from financial year 2016. PwC will replace Ernst & Young per 1 June 2015 and will consequently review the Q2/HY1 2015 financial statements.

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<sup>2</sup> Such as purchase of assets, providing guarantees etc.



## **Agenda item 8**

### ***Discharge from liability of the members of the Board in respect of the exercise of their duties during the financial year 2014 (decision)***

This agenda item is a standard item in an annual general meeting of shareholders in the Netherlands. A discharge (“*décharge*”) granted to the members of the Board means a release from actual or potential liability. However, a discharge does not affect the liability of the members of the Board towards third parties. It is proposed to grant discharge to the members of the Board in respect of the exercise of their respective duties throughout the year 2014, *only* to the extent that such exercise is apparent from the annual report of 2014 or has been otherwise disclosed to the General Meeting prior to the adoption of the financial statements of 2014. The discharge does thus not cover facts that were not disclosed to the General Meeting prior to the adoption the financial statements of 2014. In addition, the principles of reasonableness and fairness (“*redelijkheid and billijkheid*”) may prevent reliance on a discharge under certain circumstances.

## **Agenda item 9**

### ***Approval of amendment to the service agreement with Kardán Israel Ltd. (decision; Special GM Majority)***

It is proposed to approve that the Company enters into an amendment (“Amendment”) to the service agreement (“Service Agreement”) with Kardán Israel Ltd. (“KIL”) effective as of 1 March 2015 (subject to the approval of the Amendment by the Annual General Meeting of Shareholders, and approval of the Amendment by the authorised corporate bodies of KIL).

Pursuant to the Service Agreement, which was entered into effect as of 1 May 2005 and concluded on 8 February 2008 (and was amended from time to time), KIL provides certain services, in the manner and amount as required by the Company, which include, inter alia: legal counselling and legal services, including submitting reports to the Israeli authorities (mainly the Israel Securities Authority and the Tel-Aviv Stock Exchange) given that the Company's shares and debentures are listed on the Tel- Aviv Stock Exchange; day to day accountancy services with respect to the Company's bank accounts in Israel; payments to service providers in Israel; contact with financial institutions and the capital market in Israel, including meeting preparations and presentations on the activities of the Company's to analysts, various entities in the capital markets, financial institutions and banks, preparing information reports and maintaining an ongoing relationship with the Israeli capital market and representation towards Israeli media.

In consideration for the above services, the Company pays KIL a yearly Consulting Fee to the amount of NIS 2,250,000 (“Consulting Fee”). In addition, KIL provides services which include advice, consultation and assistance in raising equity and debt financing for the Company, with all its aspects and for this services KIL is entitled to receive a fee to the amount of 0.25% of the total net amount that will be raised, including amount which will be used for refinancing (the “Commission Fee”). However, this Commission Fee will not be paid for funds raised from banks and



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financial institutions. All the services described above are provided in accordance with the instructions, received from time to time by the Company.

The Company has indicated it wishes to decrease the services provided and consequently, the Amendment also pertains to a reduction of the yearly Consulting Fee from NIS 2,250,000 to NIS 893,000 as of March 1, 2015. The Consulting Fee is adjusted to increase in the Consumer Price Index ("CPI") as published by the Central Bureau of Statistics, Israel, which is known on 1 March 2015 (being the CPI of January 2015, as published in February 2015). It is hereby clarified that there will be no change or amendment with respect to the Commission Fee. Apart from the mentioned amendments, it is proposed that the Service Agreement is extended for three years as of the approval of the Amendment by all relevant corporate bodies, whichever approval is the latest, as further described below

The amended Consulting Fee was determined after examining the scope of the services provided by KIL to the Company. The calculation was conducted as follows: the number of hours spent by each of KIL's employees in providing the services. The Company is charged at the cost of each the aforementioned employees, plus 5% and a pro-rata part of KIL's headquarter/corporate fixed costs, which is explained further in the table below:

Type of service	Annual costs (in 1000 NIS)	Allocated time spent	Number of employees and profession
Finance department, Economist & IR services (A)	174	20%	1 senior economist 1 senior manager (B)
Legal services (C)	186	35%	3 lawyers (D)
Bookkeeping services	58	20%	3 bookkeepers
Secretarial services	115	100%	1 secretary
Rent, electricity, taxes, etc. (E)	252	/	/
Computers, prints, phones, office equipment, etc.	33	/	/
Office maintenance, catering, depreciations, insurance, deliveries, cleaning, etc.	75	/	/



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- (A) The services provided by the Finance Department include, amongst others: representation vis-à-vis banks and financial institutions in Israel, negotiations with banks and other funding providers (including debenture holders of the Company), preparations prior to the signing of financing agreements, arrangements and waivers, advice and representation towards the Israeli Securities Authority (the "ISA") and vis-à-vis the Tel Aviv Stock Exchange Ltd. (the "TASE").

The economist and IR services include: preparing presentations, preparation of valuations and examining various valuations conducted as part of the Company's daily operations, giving presentations regarding the Company, holding meetings with different stakeholders, providing regular updates related to Company's status and its results, maintaining relationships with capital market players (including debenture holders of the Company and the trustees of the debenture holders).

- (B) The time allocation of the officers is as follows: senior manager at 10% and senior economist at 10%.
- (C) The legal services include, among others: counselling and representing the Company vis-à-vis the ISA, the TASE, banks and financial institutions, etc., providing support in negotiation processes and drafting financing agreements and other arrangements with banks and other finance providers (including debenture holders of the Company). The legal services also include the publication of annual reports and immediate reports, writing of position papers, holding meetings with the ISA and more.
- (D) The services are provided by three lawyers (including one senior lawyer): the legal counsel of KIL dedicates 15% of the position to the services, and the two other lawyers 15% and 5% respectively.
- (E) The office space amounts to 88 square meters; the rent is approximately NIS 84 per square meter. In addition, the services include one meeting room available for the use of the Company.

Due to the listing of the Company on the Tel Aviv Stock Exchange, the Company included in its Articles of Association certain clauses which give rights to minority shareholders in connection with the approval of transactions with Holders of Control (as defined in the Articles of Association), similar to the rights they would have under the Israeli Companies Law (the "Special GM Majority", as defined in the Company's Articles of Association).

The Company's "Holders of Control" (as this term defined in the Company Articles of Association) jointly hold (indirectly 33.79% of KIL's shares (via holding in 45.87% of Kardan Yazamut (2011) Ltd., which holds 73.67% of KIL's shares) and therefore, by entering into an agreement with KIL, the Company would enter into an Extraordinary Transaction with another person (being KIL), in which transaction the Holders of Control have a personal interest. As such, according to article 7.2 b of the Articles of Association, this resolution of the General Meeting of Shareholders requires a Special GM Majority. The Board has already approved this resolution with a Special Board Majority (as defined in the Company's Articles of Association), as it established that the conditions of the Amendment are fair and reasonable in its opinion.

It should be noted, that this transaction has to be approved also by the relevant organs of KIL (which are: the audit committee, the board of directors, which approved the amendment on February 25 2015 and March 30, 2015, respectively, and the general meeting of KIL by special majority, all in accordance with the Israeli



Companies Law). Therefore, the Amendment shall be valid and effective as of and subject to the approvals of all the relevant organs of KIL, as described above.

## **Agenda item 10**

### ***Remuneration policy for the Board***

In 2012, the AGM approved a remuneration policy for the Board ("Policy") which entails the following:

- non-executive members of the Board: EUR 26,000 per year;
- the Chairman of the Board: additional fee of EUR 9,000 per year;
- the Chairman of a committee: additional fee EUR 6,000 per year;
- membership of a committee: additional fee of EUR 4,000 per year.

With respect to the executive member of the Board, a remuneration package for five years was approved by the AGM in 2012.

Extensive discussions took place in the Remuneration, Appointment and Selection Committee, on whether the remuneration of the non-executive directors as set out in the Policy is still appropriate. The RAS Committee took into consideration the larger number of meetings that took place during 2014 than anticipated and the increased responsibility of the Board given the situation that the Company is in. As a result, it was considered appropriate to propose to the Board to maintain the basic annual remuneration of all non-executive directors but to increase the remuneration of the Chairman, Chairmen and members of the committees. The Board reviewed the proposal of the RAS-Committee and as a result, proposes to amend the Policy for the Board as follows, as of 1 June 2015:

- non-executive members of the Board: EUR 26,000 per year;
- the Chairman of a committee: additional fee EUR 10,000 per year
- membership of a committee: additional fee of EUR 8,000 per year.
- the Chairman of the Board: total fee of EUR 58,000 per year (which includes all committee fees);

As a result, the remuneration of members of the Board who are also Holders of Control (Mr. Grunfeld, Mr. Rechter and Mr. Schnur) will not increase upon approval of this proposal.



## **Agenda item 11**

### ***Remuneration non-executive directors (decision)***

Subject to the approval of agenda item 10, it is proposed to amend the remuneration of the non-executive members of the Board listed below, as of 1 June 2015, as follows:

## **Agenda item 11a**

### ***Determination remuneration Mr. C. van den Bos (decision)***

The proposal is to approve the remuneration of Mr. van den Bos as follows:

- EUR 26,000 for membership of the Board
- EUR 10,000 for chairmanship of the Audit Committee

## **Agenda item 11b**

### ***Determination remuneration Mr. M. Groen (decision)***

The proposal is, to approve the remuneration of Mr. Groen as follows:

- EUR 26,000 for membership of the Board
- EUR 8,000 for membership of the Audit Committee

## **Agenda item 11c**

### ***Determination remuneration Mr. A. May (decision)***

The proposal is, to approve the remuneration of Mr. May as follows:

- EUR 26,000 for membership of the Board
- EUR 10,000 for chairmanship of the Remuneration, Appointment and Selection Committee
- EUR 8,000 for membership of the Audit Committee

## **Agenda item 11d**

### ***Determination remuneration Mrs. M. Seinstra (decision)***

The proposal is, to approve the remuneration of Mrs. Seinstra as follows:

- EUR 26,000 for membership of the Board
- EUR 8,000 for membership of the Remuneration, Appointment and Selection Committee

## **Agenda item 11e**

### ***Determination remuneration Mr. Sheldon (decision)***

The proposal is, to approve the remuneration of Mr. Sheldon as follows:

- total fee of EUR 58,000 per year (which includes all committee fees)



**Agenda item 12a**

**Authorisation of the Board to resolve to issue shares and to grant rights to subscribe for shares (*decision*)**

It is proposed to authorize the Board for a period of five years as of 28 May 2015 and within the limits of the law and the Articles of Association, to resolve to issue shares in the capital of the Company and to grant rights to subscribe for such shares, relating to annually 10% of the total number of the issued shares at the time of such decision, and in the event of the Company granting rights to subscribe for shares to increase this authorization with a maximum of 5% of the total number of the issued shares at the time of such decision.

**Agenda item 12b**

**Authorisation of the Board to resolve to restrict or exclude pre-emptive rights, (*decision*)**

It is proposed to authorize the Board for a period of five years as of 28 May 2015 and within the limits of the law and the Articles of Association, to resolve to restrict or exclude pre-emptive rights when issuing shares or granting rights to subscribe for shares.

Amsterdam, April 15, 2015

The Board



KARDAN N.V.

**Annex 1  
Remuneration Report**

# Remuneration Report

The RAS Committee makes, among others, proposals to the Board regarding the fixed and variable remuneration (as applicable) of the individual Board Members. In accordance with the Articles, the final determination of the Board Members' remuneration (amount and composition) lies with the Company's General Meeting of Shareholders.

In the AGM 2012, a remuneration policy was adopted for non-executive Board Members (the 'Policy') and a remuneration package for the CEO (the 'Remuneration Package') was approved, as explained in more detail below. It is noted that pension arrangements are not provided for by Kardan.

## Remuneration policy for the non-executive Board Members

The AGM 2012 adopted the Policy, which stipulates that each non-executive Board Member receives a fixed remuneration of EUR 26,000 per year. No change to this Policy was proposed in 2014. The Chairman receives an additional fee of EUR 9,000 per year; a committee chairman receives an additional fee of EUR 6,000 per year; committee members who are not a chairman receive an additional fee of EUR 4,000 per year. The remuneration for non-executive Board Members consists of fixed remuneration only. A breakdown of the total remuneration as paid in 2014 is presented in the table below. The Board will propose an amendment to the Policy to the AGM 2015.

Non-executive Board Member <sup>1</sup>	Gross Annual remuneration in €	Gross Remuneration in 2014 in €	
Mr. P. Sheldon	Chairman of the Board; member of the Audit Committee and of the RAS Committee	43,000	43,000
Mr. C. van den Bos *	Vice-Chairman of the Board and Chairman of the Audit Committee	32,000	31,500
Mr. M. Groen **	Member of the Audit Committee	30,000	30,500
Mr. Y. Grunfeld		26,000	26,000
Mr. A. May	Chairman of the RAS Committee and member of the Audit Committee	36,000	36,000
Mr. E. Rechter		26,000	26,000
Mr. A. Schnur		26,000	26,000
Mrs. M. Seinstra	Member of the RAS Committee	30,000	30,000

\* The actual remuneration of Mr. van den Bos is lower than the annual remuneration due to the fact that he was appointed as chairman of the Audit Committee in March 2014.

\*\* The actual remuneration of Mr. Groen is higher than the annual remuneration due to the fact that he acted as chairman of the Audit Committee until the end of March 2014.

<sup>1</sup> Pursuant to the Principle Debt Settlement, the remuneration of the non-executive Board Members who are Holders of Control (Mr. Grunfeld, Mr. Rechter and Mr. Schnur), shall not be paid if certain conditions as defined in the Principle Debt Settlement are not met.

Pursuant to the Articles, Board Members receive indemnification for losses, damages and costs which they may incur as a result of a claim or proceedings related to the fulfillment of their duties as Board Members (willful misconduct and gross negligence excluded). In 2014, the Company entered into indemnity agreements with the Board Members and members of Executive Management. The sole purpose of these agreements is to address (practical) issues with regard to indemnification pursuant to the Articles; they do not extend the Board Members' rights to indemnification beyond the scope of the Articles. It is noted that any agreement with a Board Member who is also Holder of Control is only effective upon approval of the General Meeting. No indemnification was granted in 2014.

### Remuneration of the CEO

The Remuneration Package of the CEO was proposed and adopted during the AGM 2012. Insofar as the Remuneration Package deviates from the Code, this is explained in the Company's [Corporate Governance Statement 2014](#).

The Remuneration Package is valid for a period of five years and entails a fixed remuneration and a variable short-term and long-term remuneration, as described below. Prior to proposing the Package to the AGM 2012, the RAS Committee and the supervisory board at the time assessed the full Package including the variable remuneration, taking into account various Company specific aspects including the challenges ahead and market developments.

#### Fixed remuneration

The CEO is entitled to receive an amount of EUR 437,000 per year including customary social benefits and allowances such as a car, cellular telephone, etc. and inflation correction. The fee is split between services provided by the CEO to the Company in the Netherlands and services provided by him to companies abroad within the Kardan Group.

#### Variable remuneration – short term <sup>2</sup>

The Board may propose to the General Meeting of Shareholders to grant the CEO an annual bonus for each calendar year, based on his achievements during the relevant year and taking into account his total Package.

It is noted that the General Meeting of Shareholders is ultimately the corporate body to approve a bonus.

In the event that the CEO leaves the Company at the initiative of the Company, he is entitled to a severance fee equal to six months' fixed remuneration.

In the AGM 2014, a bonus for the CEO in the amount of EUR 725,000 was approved. This bonus was to be paid following the end of the financial year 2014 and would be dependent on the Company having raised sufficient cash to redeem the Debentures due for repayment on February 15, 2015 plus repayment of a bank loan of EUR 28 million due for repayment by the end of 2014.

In February 2015, the Board concluded that the repayment of the bank loan as result of the successful sale of Galleria Chengdu, in combination with the contracted sale of KWIG, the sale of TBI Credit and the achievement of the Principle Debt Settlement with the Debenture Holders, were to be considered to be achievements of at least equivalent value to the Company as the aforementioned targets. As such, the Board approved, at the recommendation of the RAS Committee, to allocate the full amount, i.e. EUR 725,000, to Mr. Oren (under the conditions that the KWIG sale would reach completion and that the Debenture Holders approved the new deeds of trust according to the Principle Debt Settlement). <sup>3</sup>

<sup>2</sup> Pursuant to the Principle Debt Settlement, the CEO's bonus, if applicable in any year, shall be reduced by 20% if certain conditions as defined in the Principle Debt Settlement are not met.

<sup>3</sup> At the time of publication of this Annual Report, the bonus has not yet been paid to the CEO.

**Variable Remuneration – long term**

At the AGM 2012, the shareholders approved to grant the CEO an option to purchase ordinary shares in the share capital of the Company constituting 2% of the outstanding share capital (the 'Option').

It is noted that, in deviation of the Code, the Option is not linked to pre-defined, measurable targets.

However, the nature of the Option schedule is such that the CEO will only benefit from the Option in case of good long-term performance of the Company.

The Option vests over a period of five years from February 20, 2012 (the 'Effective Date'), this being the date that he was nominated as CEO, as follows:

- 1/4 after two years from the Effective Date;
- 1/4 after three years from the Effective Date;
- 1/4 after four years from the Effective Date;
- 1/4 after five years from the Effective Date;

The following conditions apply:

Upon termination of the engagement as described above, during the first year as of the Effective Date, the Option shall expire, without any further right to compensation.

Upon termination of the engagement during the second year as of the Effective Date, the CEO will be entitled to exercise a relative part of the first portion he is entitled to exercise at the end of the second year.

Upon termination of the engagement as of the Effective Date, after the end of the second year, the CEO will be entitled to exercise all the vested portions and the relative part of the next portion, up to the termination date.

In the event of termination for cause as of the Effective Date, the entire unexercised portions (whether vested or not) shall expire, without any further right to compensation.

The only condition is that Mr. Oren is the CEO at the time of vesting. It is noted that Mr. Oren can exercise 25% of the Option after two years from the Effective Date. The Code prescribes that options may not be exercised within three years from the date of grant. Given the fact that half of the options can be exercised only after the three-year period, the nature of the option schedule is such that Mr. Oren will only benefit in the case of good long-term performance of the Company.

It is noted that the act on the revision and claw back of bonuses and profit-sharing arrangements of, amongst others, board members of public limited liability companies entered into force on January 1, 2014, (the 'Act'). The Act explicitly provides for the possibility to: revise a bonus prior to payment, if unaltered payment of the bonus would be unacceptable pursuant to the criteria of 'reasonableness and fairness' and claw back (part of) a paid bonus, if payment took place on the basis of incorrect information on the fulfilment of the bonus targets or conditions for payment of the bonus. The revision and clawback provisions under the Act apply only to bonuses paid from January 1, 2014.

**Total remuneration**

A breakdown of the total costs of the remuneration for the CEO in 2014 is presented in the following table:

Element	Remuneration in 2014
Base Fee <sup>4</sup> (including social benefits)	EUR 466,000
Allowances company car, cell phone	
Annual Bonus <sup>5</sup>	EUR 725,000
Share-based payment (grant day: February 6, 2013)	EUR 179,000
Pension	0
	nil

4 Actual costs are higher than the approximate EUR 437,000 as indicated in the notes to the Annual General Meeting 2012, due to exchange rate differences and CPI adjustments.

5 See paragraph 'Variable remuneration – short term' above. Further, reference is made to Note 39 of the 2014 Consolidated Financial Statements ('Remuneration to Related Parties'). At the time of publication of this Annual Report, the full amount has not yet been paid to the CEO.

of the exercised options at the exercise date and (ii) the option price multiplied by the number exercised options at the exercise date. As at December 31, 2014, no options were exercised. No options were granted to employees in 2014.

For further details regarding share based payments see Note 19 of the consolidated financial statements.

**Employee Options**

In 2013, the Company granted 250,000 options to purchase shares in the Company to four senior employees. For each employee, the options vest in four equal annual installments commencing on June 1, 2014. Options (whether vested or not) shall lapse immediately and automatically, without any consideration becoming due, upon the occurrence of the earliest of the following events: (i) June 1, 2020; (ii) a participant ceases to be an employee for any reason other than, due to his death, as a consequence of total and permanent disability or retirement, or any other reason the CEO so decides at his absolute discretion, (iii) the participant transfers or encumbers the options. The option price is EUR 1.298 (NIS 6.136) and options can be exercised either by payment of the option price by the participant or by a) either issuing or transferring shares to the participant in an amount as shall reflect the net value of the exercised options per the exercise date, or b) settling the exercise of the options in cash in an amount equal to the difference between (i) the market price of the underlying shares