

Monthly Newsletter From the Experts at FRS Equity Strategies, Inc.

Welcome to the February Edition of our FRS Equity Strategies monthly newsletter. I am excited to be able to bring you news, information and tools in an interesting format - a newsletter.

Announcements

FRS Equity Strategies has completed a **SAS70 Audit** (Statement on Auditing Standards No. 70) and is certified under the guidelines for service / outsourcing organizations and has demonstrated that appropriate internal controls and security measures are in place.

Industry News

From the White House. On Wednesday, February 4th, President Obama announced new rules that will cap annual cash compensation for executives at firms receiving future government aid at \$500,000. (WSJ.com)

U.S. Dept of the Treasury, on Monday, January 26, the Senate confirmed Tim Geithner as US Treasury Secretary.

Contents

Monthly Newsletter From the Experts at FRS Equity Strategies, Inc.....	1
Announcements.....	1
Industry News.....	1
The CEO Speaks.....	1
IFRS -International Financial Reporting Standards: What is it? What do we need to do in 2009?.....	1
Equity Compensation - TIPS for February 2009.....	2
Looking Ahead:.....	2
Efficiency Tool / Tip:.....	2
The Challenge!.....	2

The CEO Speaks

Marianne Brannock-Hill, CTP, CEP



Let me begin this new communication by clarifying a few issues on a hot topic.

IFRS - International Financial Reporting Standards: What is it? What do we need to do in 2009?

Here is a quick overview of what we need to know at this time.

What is IFRS?

Currently, all U.S. business entities follow GAAP (Generally Accepted Accounting Principles) for the accounting rules used to prepare, present, and report financial statements (the Income Statement, the Balance Sheet and Statement of Cash Flows). Business entities include private and public companies as well as non-profits and governments.

The development of GAAP in the United States was and is influenced by: the Securities and Exchange Commission (SEC), the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), and the Governmental Accounting Standards Board (GASB). Starting in 1939, with many revisions in the 1970s and 1980s right up to the present day, our accounting principles have been created and reworked to ensure that all businesses follow the same rules to do their accounting and reporting.

Let's talk about the accounting standards and principles outside the U.S. The International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB), that is becoming the global standard for the preparation of public company financial statements. IFRS is followed by more than 100 countries

around the world, including all of Europe, much of Asia, Australia, Canada, GCC countries in the Middle East, Russia, and South Africa (data as of August 2008).

The U.S. GAAP provisions differ somewhat from IFRS. In 2002, the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) agreed to work towards reducing differences between IFRS and U.S. GAAP.

There are expectations among U.S. companies that the SEC will move to allow or require them to use IFRS in the near future.

In August 2008, the SEC announced a timetable that would allow some companies to report under IFRS as soon as 2010 and may require all companies by 2014.

What do we need to do in 2009?

We should understand that the move to a global standard is inevitable. Yet, the SEC is currently making their statements with the words "may require" because, at this time, there is no definite scope of what will change and when.

We should learn what part of the IFRS principles touch stock-based compensation and understand what are the "differences" and what are the "similarities" from IFRS to GAAP.

We should not change our Equity Plans in haste. Accounting for share-based payments is only one piece of the total picture when we offer equity compensation to our employees and non-employees.

More on IFRS2 and Share-based Payments in the next issue.

(Some of the text in the IFRS article was drawn from http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards and http://en.wikipedia.org/wiki/US_generally_accepted_accounting_principles.)

Equity Compensation - TIPS for February 2009

8 Important Items to Complete this Month!

1. LAW - SEC: Prepare the Form 5s under Section 16(a) of the '33 Act of SEC law. The Form 5s must be filed within 45 calendar days of the public company's last day of fiscal year-end.
2. LAW - Read last year's Proxy Statement to understand what you will need to prepare for this year's Statement.
3. LAW - SEC: Prepare the D&O Questionnaire - the document that will assist the Company with the necessary information for compiling the Proxy Statement.
4. LAW - SEC: Complete the draft of the Proxy Statement.
5. ADMIN - Obtain the "Record Date" from the Legal Dept or the CFO. You will need this date for reporting certain activity for the Proxy Statement.
6. ADMIN - Set up a "Retro Activity" folder (either softcopy or hardcopy) for 2009. This should hold a physical record of any and all prior period activity and adjustments - transactions that you receive THIS fiscal period that are dated and must be posted in the last quarter or last year. We never expect to receive late notices of terminations, grants, exercises, performance goals not met, but it does happen. Even if your database has an audit functionality feature, a physical record will be necessary to explain the activity to auditors and to assist you with the audit process each fiscal quarter.
7. ADMIN - Check your software and schedule an upgrade to the latest version. If you are on a web-based software application, then no internal upgrade is necessary, it happens automatically. Know how to access the software manual and help tips.
8. ADMIN - Last but not least! Schedule an Employee Equity Benefits Education Session. It's

tax time and employees have questions! Hold one session on-site at headquarters and several sessions via conference call for your remote and non-US employees. Your educational session should include 1) an overview of the equity benefits for the employees, the incentive and the potential, 2) the tax consequences of 2008 transactions for option exercises and sales, RSA and RSU releases, and ESPP sales. Yes, the options may be underwater, but that does not mean that you should hide from this fact and not discuss it. Give employees the chance to hear what the company is doing or considering to offset the current situation: offering Restricted Stock Units or Awards. It will give employees an open forum to ask questions and the company may benefit from such a forum to hear what employees are thinking. *(FRS Equity Strategies has been offering employee education sessions for 6 years. We will customize the presentation to your company plans and work up an informative session that your employees will appreciate.)*

Looking Ahead:

Take the opportunity now to sign up for classes or certification to advance your knowledge base and your career. CEP certification, HR certification, college courses in business management, advanced Access, to name a few.

Efficiency Tool / Tip:

1. Have a back-up person trained to handle your desk! Emergencies happen! Train someone to do your desk work if you are out sick or on vacation. Train someone now, not two days before you will be out. It doesn't have to be someone in your dept; it can be someone from a related dept. If you manage a dept, be sure to have a back-up person for everyone on your team.

The Challenge!

ANSWER to last month's challenge:

Last month's challenge was about Mary the COO of ABC co. We wanted to know: *What is Mary's purchase price, and how many shares did she purchase?* The answer is: 0 shares; she cannot purchase any shares at all. The reason is that Mary owns more than 5% of ABC's stock, therefore she may not participate in the ESPP. You can look this up in *The Stock Options Book* in Chapter 17 (2008 edition).

NEW CHALLENGE:

Ready for a new challenge? Of course you are! This one is a little bit harder: Name the two Black-Scholes factors used in the FAS123(R) valuation formula that, when such factors are increased, actually cause a decrease in the valuation expense of options.

AC005]

FRS Equity Strategies is the only full-service stock options and equity compensation consulting firm in the US that can deliver a complete solution to your company -- from [consulting services](#) to [outsourcing](#), to [training and education](#) courses that keep your staff up-to-date in this fast-changing arena.

We deliver unsurpassed knowledge of all aspects of equity compensation, unrivaled attention to detail and a high level of personal attention. We understand and meet the strictest standards of confidentiality to protect your information and minimize risk. Our services are organized and priced to deliver the best value without sacrificing quality.

Trust the [Experts](#) at FRS Equity Strategies.

FRS Equity Strategies, Inc.

3940 Freedom Circle
Suite 503
Santa Clara, CA 95054
Phone: (408) 727 0227
Fax: (408) 727 1760
www.FRSEquityStrategies.com