

## Announcements

FRS Equity Strategies begins its 8th year offering our CEP Exam Prep Courses. Our CEP Classes are On-line Webinars, Boot Camps, Special Tutoring, and Sample Exams with hundreds of questions.

## Industry News

### FASB, Norwalk, CT, February 18, 2009

—Robert H. Herz, Chairman of the Financial Accounting Standards Board (FASB), today announced the addition of new FASB agenda projects intended to improve (1) the application guidance used to determine fair values and (2) disclosure of fair value estimates. See: <http://www.fasb.org/news/nr021809.shtml>

**SEC, Washington, DC** – What is the SEC doing during the current credit crisis? See: <http://www.sec.gov/news/press/sec-actions.htm>

### IFRS News: Financial Crisis Advisory Group, March 9, 2009

– The Financial Crisis Advisory Group (FCAG) is seeking written input from constituents to assist the FCAG in discussing **accounting** and **reporting matters** related to the financial crisis and making recommendations thereon to the IASB and the FASB. See <http://www.fasb.org>

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## The CEO Speaks

### Marianne Brannock-Hill, CTP, CEP



This month we will be covering “International Considerations - 8 Top Working Tips” when offering equity benefits outside the U.S. We will continue our discussion on IFRS-2, the recommendations on the U.S. and international accounting standards for stock-based compensation, next month.

Writing information in a cohesive format that has been gathered from multiple sources can be a challenge. Reading all the new information that becomes available under regulatory compliance and administrative practices is also a challenge.

That's why FRS takes the time to condense the most important information into our “Resources” site - Management Tools, Links and Tips found on our web site [www.equity-strategies.com](http://www.equity-strategies.com).

We cover a variety of topics from compliance to administrative. Topics include:

- a) Taxation tips at year-end,
- b) Accounting compliance under FAS123(R) for corporations,
- c) Software tips such as Equity Edge Reports necessary at Quarter-end, and
- d) Administrative Tips such as the Planning Checklist for your ESPP and so much more!

It is extremely important to keep up with the industry news to ensure you keep at the top of your career. There is also more to read than you have time for. See the Efficiency Tool / Tip on page 2.

## International Considerations for offering equity compensation

As a global company, offering equity to non-U.S. employees has many considerations that must be addressed BEFORE the benefits are offered. If you have not addressed the following topics, then it is extremely important to discuss these considerations as soon as possible. See the Tips on page 2.

Here are a few of the considerations for offering stock options and equity awards to non-U.S. Employees. FRS has several white papers and our International Taxation Starter Chart that may be of assistance to your company. Call us to receive these documents at no charge.

There are 7 basic areas of regulations that must be addressed:

1. Taxation: Employee and employer taxation
2. Accounting Expense for stock-based compensation
3. Security controls
4. Currency controls
5. Employee concerns: Data privacy, communication, labor and employment regulations
6. Filing requirements in the country
7. Administration of equity benefits

## Equity Compensation - TIPS for March 2009

### 8 Important Items to Complete!

Here are the 8 steps to take before offering stock to your non-U.S. employees. Or, if you are already offering equity benefits outside the U.S., then take these steps now!

1. Form a **committee** with HR, legal, accounting, and payroll to review the benefits offered to the non-U.S. employees.

2. What **types of equity** will be /are offered: Stock Options, Restricted Stock awards, Restricted Units, Phantom Stock, ESPP?

3. **Seek the advice** of the company's audit firm, legal counsel and an outside consultant.

4. Define or redefine the **purpose** for the company to offer equity compensation.

- Share in ownership.
- Incentive for long-term employment
- Performance goals
- Bonus for service
- CAUTION - when evaluating the purpose for offering equity benefits outside the US:

Ensure that this is indeed an incentive to the employee and is considered by the employee as a benefit.

If the employee doesn't understand the benefit, it's not a benefit.

5. **Forecast the costs** to the company.

- Stock-based compensation under FAS123R or IFRS-2
- Administrative costs: Stock Plan Admin, HR, Legal, Accounting/Finance
- Transfer agent costs
- Software costs and maintenance
- IT, indirect costs for server, security
- Auditors fees
- Outside consulting costs

6. **Local language requirements:**

Are the Grant Agreements required to

be converted to the local language? Are all communications regarding salary and benefits required in local language?

7. **Transfer Agreements**, charge-back arrangements. Talk with the Controller about what your company has in place. If you are a young company and do not yet have this in place, possibly the company should implement such an arrangement.

8. **Administration** over and above equity plans administration – Do you have a decentralized or centralized operation. Is there one liaison at U.S headquarters? What are the logistics of transferring funds collected for option exercises and ESPP participation, tax withholding amounts?

### 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, and advanced Access, to name a few.

Yes, I said this last month!

### Efficiency Tool / Tip:

- Keep up with your industry reading automatically. Get automatic email "Alerts" from industry leaders sent to your email inbox. Go to the web sites of your favorite auditors, law firms, consultants, and national, professional organizations. Put yourself on their email list. Most allow you to select what type of information to wish to receive. Then sit back and wait to receive these emails.
- I make these email alerts go to my personal email account so that my work inbox does not fill up.

## The Challenge!

ANSWER to last month's challenge:

**Question:** *What are 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.*

The answer is: **Expected dividend yield** and the **exercise price of the option.**

Reference the "Accounting For Equity Compensation", Chapter 4 (2008 edition).

### NEW CHALLENGE:

*Question:* What are the IRS holding periods that allow for long-term capital gain treatment when selling shares acquired from an equity benefit? \$25 gift certificate for the first right answer posted to training@equity-strategies.com.

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**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.**

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## 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](http://www.FRSEquityStrategies.com)