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ROSS ROUNDTABLE

on

EMPLOYEE STOCK OPTIONS: WHAT LIES AHEAD?

Date: Monday, September 22, 2003 from 4:00 pm to 6:00 pm

Location: New York University
Leonard N. Stern School of Business
Kaufman Management Center
Abbe-Bogen Faculty Lounge, 11th Floor (11-85)
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Roundtable Coordinator

Eli Bartov, *Professor, Department of Accounting, Taxation, & Business Law*

In the last two decades stock option awards to employees in general and to top executives in particular have become increasingly popular among US corporations. However, employee stock options (ESO) were a major victim of both the spate of corporate scandals which highlighted their abuses and the burst of the tech price bubble which deteriorated their value in the last three years. Calls for restricting or eliminating altogether such stock options are increasing, and the demand to change the accounting treatment of the options—recognizing them as an expense—is getting wide-spread support. Some firms, notably Microsoft, announced publicly the elimination of stock options from new compensation contracts. Employee stock options are clearly at a crossroads.

This roundtable will thoroughly examine, with the help of a wide range of experts, the major issues in the current debate about stock options.

1. What are the main trends in ESO? Are there still benefits from ESO? And for whom?
2. Under what circumstances are ESO still an effective vehicle of compensation?

3. What are the alternatives to ESO?
4. What are the appropriate accounting treatments of ESO? How should ESO values be measured?
5. What are the tax consequences of ESO? How should the (contingent) obligation be reported? As a liability? Equity?

The Ross Roundtable provides a forum for "public opinion shapers" -- business writers, financial analysts, educators, corporate financial executives, regulators, etc. -- to discuss with policymakers important developments in capital markets and the financial world. To provide ample opportunity for participants to voice their opinions, the size of the Roundtable is limited.



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