Items Needed to Calculate FAS 123R Expense
by David Harper, CFA, FRM
Principal, Investor Alternatives, LLC

- ☐ Itemization of outstanding, unvested options (if the transition rules require)
- ☐ Mechanics of the option grant
  - ☐ Date of grant
  - ☐ Quantity
  - ☐ Strike or exercise price
  - ☐ Stock price at grant (e.g., fair market value, +10% premium)
  - ☐ Vesting provisions (e.g., 5% per quarter over 5 years)
  - ☐ Any performance hurdles or exercise restrictions
  - ☐ Term of the option (e.g., 10 years)
- ☐ An estimate or estimate range of expected (going forward) volatility. Note that this can be easily calculated for a traded company.
- ☐ If the Black-Scholes will be used, an assumption for the average **expected life** of the grant (this can and should be based on historical experience, if available)
- ☐ If the binomial model will be used, an assumption concerning the average **exercise trigger** for the options (based on historical experience, if possible)
- ☐ Expected (going-forward) dividend policy on the underlying stock.
- ☐ If the stock is not traded (i.e., if there is not a listed value of the stock), the valuation mechanism
- ☐ If the company does not have a trading history—or if historical volatility is deemed not representative of future volatility—a ***specific*** market index. Please note that a broad index such as the S&P 500 is not sufficient; the index must be more specific to the company and its industry (and, if appropriate, its size).
- ☐ If an index is not appropriate, a list of publicly-traded peers (i.e., for purposes of estimating a proxy volatility)

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For more information, visit www.lipisconsulting.com or call 310-445-4393.