

Andrews Ross Sorkin wrote a [piece for the NY Times](#) that was just ridiculous. He put the blame squarely on the back of the CFO of FB. Talk about getting it 180 degrees wrong.

Have you ever been to an auction where the selling party told a buyer to reduce their price because they were worried that the item might not hold its value ? Neither have I. If the CFO of Facebook came on SharkTank and told me that he was able to sell his shares to the public for \$38 a share, but turned down the opportunity, I would crush him for being an idiot.

Facebook was able to raise about 10 BILLION DOLLARS in this IPO. The CFO's job is not to manage shareholder portfolios. His job is to help Facebook succeed. I don't know about you, but putting 10 BILLION DOLLARS in the bank in my opinion is one way to help them succeed.

Who's job is it to help manage the portfolio's of FB investors ? If an investor doesn't manage their own portfolio, the brokers who sold them the stock are responsible. It's their job to read the prospectus if you as an investor are too lazy to do so. It is the job of the broker to help the investor understand the value of the company and make a buying decision. No question that there are a lot of brokers out there that did not do their jobs.

As far as traders who bought the stock hoping for a pop. No one cares about them. Seriously. You trade, you know you are going to lose on trades. That is how things work.

I bought and sold FB shares as a TRADE, not an investment. I lost money. When the stock didn't bounce as I thought/hoped it would, I realized I was wrong and got out. It wasn't the fault of the FB CFO that I lost money. It was my fault. I know that no one sells me shares of stock because they expect the price of the stock to go up. So someone saw me coming and they sold me the stock. That is the way the stock market works. When you sit at the trading terminal you look for the sucker. When you don't see one, it's you. In this case it was me.

If the goal of the company is to maximize the cash obtained from the IPO, then the CFO should absolutely price the stock to maximize the return. If the goal of the company is to get a 1 day pop to make a PR splash, that is a completely different strategy. It obviously was not the strategy of Facebook. Facebook maximized the cash available to it. They have been very clear that they will not manage the stock, they will manage the company to reach the goals they have been very open and honest about. Good for them.

Andrew did try to make one cogent argument that Facebook faced the risk of employees leaving because their options were underwater. Apparently Andrew forgot that companies can re-price their options. Problem solved.

I will leave you with this article from a few years back when Google was at a similar point, having lost more than TWICE the market cap valuation that Facebook has lost to this point

http://www.cbsnews.com/2100-500395_162-4750463.html

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[Google Reprices Employee Stock Options](#)

[Google Inc.](#) is showing its love for its employees by giving them a second chance to profit from their wilting stock options. But the move irked shareholders still stuck with agonizing losses on their investments. Nevertheless, Google's willingness to reset more than 8 million stock options at lower prices is likely to spur similar gestures by companies hoping to motivate their employees during a demoralizing recession.

"There is a lot of momentum building" to reprice stock options, said Alexander Cwirko-Godycki, a research manager for executive compensation specialist Equilar. "Everyone has just been sort of waiting for a big name to do it."

Google already has been joined by coffee chain Starbucks Corp., which unveiled a proposal to allow its employees to swap their existing stock options for new ones that will be more likely to put cash in their pockets.

But Google's repricing program made a bigger splash because it's far more generous to the employees — much to the dismay of the shareholders who have seen their holdings in the Internet search leader plunge by 57 percent, or a collective \$130 billion, since the stock peaked at \$747 per share in 2007.

Google shares surged \$18.20, or nearly 6 percent, to close Friday at \$324.70 as investors cheered the company's fourth-quarter earnings report. But analysts said the rally probably would have been even more robust if not for the decision to reprice the stock options.

"A lot of people just hate it," said Broadpoint AmTech analyst Rob Sanderson. "I had one money manager tell me, 'The next time you talk to Google's management, tell them I want all the stock I bought at \$400 a few months ago to be repriced at \$285.'"

Understanding the angst triggered by option repricing requires an explanation on how the perquisites work.

Employees at thousands of companies generally receive a bundle of stock options when they are hired, and frequently receive additional grants in subsequent years.

The options are assigned what is known as an "exercise price" — the employee's cost for cashing in the reward. This price typically equals the stock's price at the time of the grant.

The more a company's stock price rises above the option price, the higher the profit for employees. The idea is to inspire workers to put in longer hours and come up with better ideas — to increase the company's value and the employees' potential windfall.

But if a stock price plunges below the option price — a phenomenon known as being "underwater" — employees can become dejected, distracted and perhaps even tempted to entertain other job offers, especially if a large portion of the compensation comes in the form of options.

The problem of underwater options faces 72 percent of the companies in the Fortune 500, based on Equilar's analysis of average exercise prices in mid-December.

Google's work force is awash in underwater options: Nearly 17,000 employees are holding more than 8 million stock options with an exercise price of at least \$400.

Those are the options likely to be exchanged in a program running from Jan. 29 through March 3. The new options are expected to have an exercise price tied to the market value of Google's stock in early March.

Even though the repricing will result in \$460 million in accounting charges, Google reasoned the cost is acceptable, to avoid morale and retention problems among its 20,222 workers. Since its inception in 1998, Google has given options to virtually all of its employees, turning thousands of them into multimillionaires.

"We think it's a good deal for shareholders and for our employees as well," Google Chief Executive Eric Schmidt said Thursday.

Even though it has been cutting back on some perks, Google is still renowned for pampering employees — a trait that isn't widely shared. That's why Sanderson isn't convinced Google's repricing will cause other companies to follow suit.

"Google gives away free lunches to employees, but that didn't compel everyone else to do it," he said.

Did Google even need to be so magnanimous at a time when many people are simply happy to have a job?

"While we agree with management that it is in shareholders' interests to keep Google employees motivated and retain the company's focus on growth, we question the necessity of the (repricing) program given the current employment environment," ThinkEquity analyst William Morrison wrote in a research report.

On the flip side, it could still be smart business to feel make workers feel wanted — even as millions of other people are unemployed.

"The reality is that talented people will always be able to find another job in any market," Sanderson said. "And if you lose your intellectual capital, you could be losing the future of the company."

Hoping to hold on to its employees, Google is extending the vesting period for each swapped option by a full year. Vesting refers to the time that must lapse before an option can be exercised. So a Google employee with an underwater option that vests in June 2010 would have to wait until June 2011 to exercise a repriced option.

Sanderson and Morrison both agree that Google could have lessened the backlash against its repricing by coming up with a program that didn't sting its shareholders as much.

Besides raising issues of fairness, Google's program threatens to lower future earnings per share by creating the need to issue more outstanding stock when the options are cashed in.

Google could have lessened the dilution experienced by its shareholders if it required employees to exchange anywhere from four to 10 of their current options for a repriced option. Or they could have traded for a share of restricted stock that would vest over several years.

It will probably take a few years before any definitive conclusions can be made about the wisdom of Google's repricing, said Collins Stewart analyst Sandeep Aggarwal.

"If it turns out to be good for Google in the long run," he said, "then it will be good for shareholders too."

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