

Option grants draw scrutiny

[Business](#), [Management](#)



The grants of the shareholders are affected in two ways, one being positive to them, the other in a negative way. The shareholders can be deprived of their share value with the dilution of its cost by providing extra shares to officers. Or, they can benefit from the incentives that are obtained through the merging with other companies. The executive officers, due to the extensive revenue they get through takeover bids promote mergers and acquisitions in a large way. Examples of such merger acquisition done in the past two years include the taking over of Marvel pictures by Walt Disney, where the CEO reaped \$34 million in cash through selling stock options. The allowance of providing pre-deal options to executives is termed as a selfish act by critics and is compared in terms with another activity considered to be controversial, “ SpringLoading”. Though the details were discussed with the SEC, they have declined to take any direct action against it except for ruling that the acquiring companies have to show their annual proxy statements. As the article suggests, the executives convert their options to shares as soon as the deal closes out. This was discussed in the chapter on how the executives “ reprice” stock values so that their shares do not get affected in case of any loss. The basic idea of stock options was to motivate the employees as mentioned by EDS in the article, “ to motivate executives to achieve long-term goals designed to create sustainable shareholder value and reward them to the extent they achieve such goals.” (Maremont) But the current reports are in direct contrast as to how the executives use up the stock options for individual profit.

The article provided a practical knowledge of whatever that was discussed in the course materials. The article was directly related to the stock options,

their purpose, and their way of usage. The article gave a clear explanation of the executives use the stock options to their benefit, what is the profit they gain from it and what is the effect of it on shareholders and share market. The article also provides a possible solution on how to overcome this scenario and make the use of stock options in a positive way. The article has given a great insight into the dealings and discussions that goes off the record in a merger acquisition scenario that can be greatly useful in aiding further understanding of the course.