

NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC. (NERA) INTRODUCES NEW STANDARD FOR VALUING EMPLOYEE STOCK OPTIONS

New York, Feb. 18, 2003 - Business Wire - National Economic Research Associates, Inc. (NERA) has developed NERA ESO, a pricing model to value employee stock options. The standard used to value stock options has major implications for corporations under growing pressure to expense employee stock options as a result of the recent scandals. The Financial Accounting Standards Board (FASB) is currently considering whether to revise Financial Accounting Standards (FAS) 123, which regulates options disclosure in financial reporting.

As part of the process, the FASB has invited the public to propose that a specific model be mandated for option valuation, as well as any modifications that would improve the consistency and reliability of option pricing. The FASB is expected to propose a new standard by the end of this year that may make the expensing of stock options mandatory. Whether or when expensing options becomes a requirement, companies are still left with the burden of having to accurately quantify today the value of their employees' options to purchase shares in the future at a price that remains unknown. More accurate valuation also helps corporations not electing to expense options more effectively measure their potentially dilutive effect on earnings and value per share.

NERA ESO is designed so firms can "confidently reach their financial objectives, whether that means meeting accounting standards, making the proper compensation decisions or better managing financial risk," the company said. Compared to widely used Black-Scholes and binomial methods of options valuation - which were initially designed to value options bought and sold by individuals outside the corporation on open stock exchanges - NERA ESO more accurately takes into account the distinct conditions affecting the value of options granted by corporations to their employees, it adds. Such conditions include the lack of transferability of employee stock options, the possibility of early exercise of options by employees, and blackout periods that restrict the exercise of options, NERA said.

Online users can compare NERA ESO option valuations to those of other models by using a calculator located at www.nera.com/neraes0. By plugging in numbers for company-specific variables such as blackout periods, expected volatility and forfeiture rate, users can immediately evaluate the resulting data. www.nera.com <<http://www.nera.com>>