

## **Questions: Sara's Options**

Please evaluate the compensation packages being offered to Sara Becker:

1. Under the assumption that Sara stays with the respective jobs for 3 years, what is the value of the Clear Lake offer compared to the Davis & Rockefeller offer? Assume that the Clear Lake options can be valued as if they were regular financial options. Also, assume that she gets annual grants of 3840 options in her Clear Lake job.
  - a) How do the values change if she stays with the firms for five years
2. Discuss the limitations of this approach to valuation and describe what you would do to address these limitations.
3. Discuss the strengths and weaknesses of indexing as in the WebScale compensation package.
4. Optional question (This is truly optional!): What is the value of the WebScale compensation package?