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Google's new stock option plan

by Jyoti Pal - December 13, 2006 - 0 comments

In a bid to provide fresh lease of life to scandal-tainted [stock options](#), Google has created a novel program designed to manage their 6.6 million stock options and benefit their workers.

Under the new program, called the Transferable Stock Option program, the search giant will let employees sell their vested stock options to selected financial institutions in an auction marketplace it's setting up with [Morgan Stanley](#).

Under the program, employees will be able to sell their stock options on the semi-private marketplace much the way public options are sold.

However, individual investors will not be able to buy the options, and the [financial institutions](#) that do purchase them from Google employees will not be allowed to resell them. Employees with vested options will still be able to hold or exercise them and receive Google [shares](#).

This would let employees reap more than if they merely exercised and then sold the [securities](#). The program boosts options' value to workers but would raise the cost of options to the company. The goal of the program is to increase the perceived value of the option to the employee.

Ted Buyniski, the senior vice president at Aon's aptly said, "Google has an issue in the disconnection between perceived value of their stock options and the financial value...Employees will always wonder if it is as 'easy' for \$500 [stock](#) to go to \$1,000 as it is for a \$5 stock to go to \$10. It's psychology, not [finance](#), but it affects most employees."

Google co-founders Larry Page and Sergey Brin, along with Chairman and CEO Eric Schmidt and a handful of other executives are excluded from the program. However most other employees will be able to sell vested options granted after Google went public in 2004.

The announcement of the program is an effort to introduce liquidity that benefits not only shareholders but employees also. Needless to say, the mechanism will help in motivating and retaining employees.

