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From: Ken and Diane Patton [kdpatton@earthlink.net]
Sent: Thursday, June 17, 2004 2:49 PM
To: Director - FASB
Subject: File Reference No 1102-100: Expensing of Stock Options

Letter of Comment No: 5110
File Reference: 1102-100

Chairman Robert H. Herz
FASB 123
File Reference No 1102-100

Dear Chairman Herz,

I am writing to you because I am very concerned regarding the FASB 123 draft. I strongly believe requiring companies to expense stock options would be a disadvantage for all shareholders, as this would most likely discontinue broad based stock options.

First, I am an employee of the high tech industry. Having worked elsewhere prior to this career, I know first hand how stock options motivate employees which in turn puts employees interests aligned with shareholders. At previous companies, employees think of working 8 to 5. At this company, they work until the job is done, no matter how late (or how early) that is. Personally, I have worked many weekends, nights, etc. that would never have been done at other companies. This motivation benefits both the employees and the shareholders by making more money for the company, which in turn increases the stock price.

Second, when I receive options, they have no value for two reasons. 1. They are priced at the current market value of that day 2. They require many years with the current company to vest. How can a company accurately "expense" something with no value? This will force companies to put incorrect information on their financial statements.

Third, there is no guarantee they will ever have value. For example, I have stock options that are underwater. If they expire unexercised, will my company get tax credit back that year? What if I quit before my stock options vest, will my company get a tax credit that year for those options, even if they have no value (as they must have expensed them). If you are going to make them be expensed, they should get credit as well when they go unused.

Fourth, issuing stock options does not use company assets, and thereby does not meet the definition of an expense. The real cost of stock options is already accounted for when they are exercised.

Fifth, other countries do not require expensing of stock options. This will lead to international companies having an edge for excellent technical employees over domestic companies. I don't think this is the way our country wants to move forward in the twenty first century.

Sixth, the average employee will be who loses, not executives. Please don't punish us regular workers for certain executives at certain firms.

Please reconsider this draft.

Thank you for your time and consideration,
Diane Patton