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To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Currently there is a proposal to require companies to expense stock options and employee stock purchase plan (ESPP) benefits. I am opposed to this.

I am an employee in a large technology company and benefit from stock options and ESPP, both as an employee and a shareholder. Incidentally I own shares in a number of companies and do not mind at all that these other companies provide similar programs for there employees.

My understanding of the issue is that it is being proposed by "shareholder rights groups" which is counter intuitive, since, if these "shareholder rights groups" are so concerned about the dillution of ownership due to these programs, they can simply not own the company stock.

What will happen if these changes are instituted are:

1. Reduction of employee benefits. Company management want to keep these programs, obviously for selfish interest, but managment is not the primary beneficiary from ESPP, rather they benefit from share price appreciation from thier stock options. This is completely counter to the "shareholder rights groups" arguements.
2. This push to expense these programs will only hurt rank and file employees. Lets face it, senior management will continue to benefit from these programs and share prices will continue to be impacted from an infinite vareity of forces.
3. No one really knows what the final outcome will be if the proposals are instituted, but there will almost certainly be two big losers:

- A. Rank and File Employees of companies having these programs.
- B. The state of California and the Federal government through loss of tax revenue. (Capital gains are taxed at a much lower rate then the personal income tax rate employees pay on the gains from these programs.)

So who will win if this passes-

Accounting companies who will have more work auditing what will surely be a mess.

I do have a proposal, if you must do something, only require expensing of options and ESPP when:

1. 100% of employees are not participants
2. If options and ESPP exceed some percentage of total shares outstanding.

Item one will protect employees, option 2, if done correctly, will protect "shareholder rights gorups"

Thank you,

PF