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To: Director - FASB
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June 22, 2004

Directors
Financial Accounting Standards Board
Director@fasb.org

Dear FASB Directors,

I am writing to provide comments on the FASB Exposure Draft regarding stock option accounting. I have a number of concerns regarding your proposal.

(Issue 1) Stock options are not an expense to a corporation; they are an agreement between the owners of a corporation and its employees. They do not negatively impact the cash performance of a company, and the effects of dilution caused by a stock option are already accounted for in various per-share calculations.

(Issue 2) I believe pro-forma disclosures of the financial results using "fair-value" accounting is a suitable alternative to the changes you are proposing. More information is provided if the calculation is done both ways and investors can choose the method they find most useful.

Your proposed methods for accounting for stock options are very complex and inaccurate and will make it more difficult for shareholders to understand how a company is performing. Under your latest draft, many companies will be forced to recalculate expenses from options in every reporting period. This will cause operating results to swing significantly as the market moves, independent of the company's real underlying performance. How does this improve transparency for investors?

The proposal will be very costly to implement and will put smaller U.S. corporations at a competitive disadvantage to companies from countries that do not expense options, such as China and India. The NVCA estimates the incremental auditing and accounting costs at \$30,000 to \$100,000 per year for private companies. This is a waste of precious cash and management time that would be better invested in activities to improve the fundamentals of the business.

To the extent that stock option expensing reduces a company's reported profit, it will result in a lower market capitalization and an increase in the cost of capital needed to finance growth. This will also make it harder for U.S. based companies to compete internationally.

If your proposal is implemented, companies will be forced to issue fewer options, especially to rank-and-file employees. Options are a powerful incentive that attracts talented workers, motivates them, increases retention and aligns their interests with shareholders. Far fewer entrepreneurs would be willing to take on the extreme risks and challenges of a start-up if the potential reward of stock appreciation is not available. This will result in fewer new companies being started in the U.S. and fewer jobs being created here.

I strongly urge you not to implement the changes you have proposed.