

ikon

Letter of Comment No: 5032  
File Reference: 1102-100

**From:** Robert Fanini [rfanini@itgroundwork.com]  
**Sent:** Friday, June 18, 2004 4:39 PM  
**To:** Director - FASB  
**Cc:** jcdowling@nvca.org  
**Subject:** Reference File # 1102-100



InterScan\_SafeSta  
mp.txt (296 B...

June 17, 2004

To: The Financial Accounting Standards Board (Reference File No. 1102-100)

From: GroundWork Open Source Solutions, Inc.

Regarding: Reference File # 1102-100 - the Share-Based Payment, and  
Amendment of FASB Statements No. 123 and 95.

Dear FASB Official,

I strongly oppose the requirement for companies to expense stock options. As an entrepreneur having started several successful technology companies providing jobs for hundreds of people, and as a current CEO of an existing technology start-up, I see the requirement of expensing stock options to be a problem for the following reasons:

- \* All high innovative small businesses use stock options as a critical part of motivating employees and as a benefit to help off-set higher risk jobs. The high technology industry is extremely important to America's leadership in the World's economy. Expensing options would hamper the growth of these companies.
- \* Options make employees equity partners. Allowing employee ownership provides a mechanism to further enhance the employee passion and enthusiasm that is typically required in order to produce innovation and progress.
- \* Expensing options will not address corporate governance issues or penalize management excesses.
- \* The proposal generally calls for stock options to be expensed at grant date using either the Black-Scholes method or binomial methods, which are useless for nonpublic companies. Nonpublic companies should continue to have their option values determined by their Boards and their auditors.
- \* Using these methods will result in misleading and non-comparable financial statements.
- \* Not including vesting periods in the determination of value overstates the value of an employee option and violates the principle of fair value.
- \* Options do not create a liability for companies. Options do not affect revenue, cash, or impact company operations.

Current rules allow expensing and/or disclosure of the amount of expense in footnotes to the financial statements. This is the correct approach. We should keep it this way.

Thank you for your consideration and understanding of how detrimental the expensing of options will be to the small, innovative technology start-up.

Sincerely