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From: Gearhardt, Michael [Michael.Gearhardt@mtctechologies.com]
Sent: Tuesday, May 18, 2004 11:32 AM
To: Director - FASB
Subject: Stock options

This letter is in response to the proposed changes in connection with the expensing of stock options. As the CFO of a small public company, I would like to go on the record that I am in total disagreement with expensing options.

As a business executive and shareholder I am concerned about the proposed changes that are being considered. It is my opinion that the expensing of options will serve to discourage companies from issuing stock options as well as create confusion and potential inconsistency between companies. Stock options are not free to the recipient, they have an exercise price and as such the transaction reflects the issuance of additional shares for value, not a give away program. The only time it would ever make sense to expense stock options would be if they are granted with an exercise that is below market. In this case expensing the delta between the option price and market would certainly be reasonable.

In my opinion stock options are a vital part of our capital structure. It is a risk/reward program that allows employees to participate in company growth. An employee that believes they can positively impact the future of a company can participate in the economic growth they help create and at the same time all shareholders realize an increase in their investment. If they fail the options will expire, worthless. Expensing options would potentially prevent many companies from attracting new talent which would be a loss for many companies. Options are a win/win for all as long as they are issued at market. Without this vehicle could start-up companies persuade someone to leave a comfortable position with an established company to join an unknown? I would seriously doubt it. Do we run the risk of impacting the next Microsoft, IBM or E-Bay to the point they never realize their potential greatness because of accounting requirements that are replete with assumptions? I certainly hope not. Options provide the ability, not the certainty, to develop wealth.

Hopefully you will consider some of the issues I have raised in your final analysis.