ikon From:

Paulo Mendes De Oliveira [mendolp@hotmail.com]

Sent: Tuesday, May 18, 2004 7:07 AM

To: Director - FASB

Subject: Don't Expense Stock Options

## Hello

I've been following the possible expensing of stock options debacle and, personally, neither agree nor would I want to see stock options being expensed.

Letter of Comment No: 2511 File Reference: 1102-100

I've been in the tech industry for most of my working life after I qualified as an accountant. All my working life I've worked in finance and the application of technology to solve financial challenges and problems.

In 1999 I moved across to a company that offered as an incentive, stock options. One of the key reasons I moved directly into a technology company, rather than as an end user using technology to solve problems, was the ability I had to influence the technology choices and directions customers could take. Key to the move was the prospect of ownership in the company and the direct correlation between my input and the expected growth of the company. What better way to motivate employees and shareholders?

Some key points that I want to highlight (I accept that these may have been made before but that does not mean they are not relevant) and hence I (re)emphasise them below:

- 1) Stock options have served as a significant tool to drive high tech leadership, innovation and job creation. If implemented, FAS 123 will likely bring an end to broad-based employee stock option plans inside the United States. Since I work for a US based technology company this would directly affect me and my contribution/productivity to the company.
- 2) U.S. companies need broad-based employee stock option programs to compete with other countries on a global basis. Other countries, including China, do not expense stock options.

It is this belief in empoyee ownership that is partly helping fuel these Asian tiger economies. To date the US has benefited from stock options to make it a world leader in inovation and the use of technology to help improve productivity and directly affect GDP. So why change this?

In order for us (EU/US) to compete with these emerging countries (& to retain high levels of employment within the US and Europe in these high tech companies, since our comapines will no doubt also be investing in these emerging economies) it is imperative that stock options are not expensed. Otherwise what is the point of working for a company where you cannot (as widely) participate in its success - in our success!?

- 3) These broad-based employee stock option plans not only enhance productivity but also benefit shareholders by better aligning employee and shareholder interests.
- 4) Stock options do not meet the definition of an expense because they do not use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Employee stock options are not freely tradable, are subject to forfeiture if an individual leaves the company, and are therefore impossible to value.

To date I have not seen one generally accepted method of expensing stock options. Black-Scholes does not do enough to provide industry agreement on how options should be expensed.

5) The FASB exposure draft will require companies to somehow come up with a value - however inaccurate - and force companies to put inaccurate information on the financial statement. The financial statements will actually become less valuable to the individual investor. Overall expensing options will likely lead to further inaccuracy and financial engineering in corporate filings, which will not be beneficial to shareholders.

Ironically given the Enron's and Worldcom's of the world which gave rise to the view that "whiter than white" financial record keeping is required in order to boost confidence in companies thereby bringing stability back to world markets, what exactly is hoped to be gained by intriducing a less then genrally accepted industry wide method of expensing options? How exactly will this help companies meet their reporting responsibilities?

Finally, stock options have been a driver for me in meeting my own financial obligations & personal growth. My plans for the future include using my options to provide for my new born daughters future and to help provide a tidy sum for our pension when I retire (I'm sure I don't need to tell you the fiasco that is the present pension situation) - surely employees making their own provisions for their own pensions will greatly assist the government in the future by relieving this ever increasing burden? Stock options can help alleviate this problem.

Please do not call for the expensing of stock options.

Thank you for your time.

Sent by Paulo Mendes De Oliveira (MendolP@HotMail.com)

Stay in touch better and keep protected online with MSN's NEW all-in-one Premium Services. Find out more here.