Letter of Comment No: 2510

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ikon From:

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Sent: Tuesday, May 18, 2004 7:43 AM

To: Director - FASB

Subject: Fw: FASB Ruling on stock Options

Dear Sir/Madam.

My attention has recently been drawn to some plans regarding the expensing of stock options (FAS123), which seem farcical to me.

I am a UK resident, and have worked for a number of U.S. companies who used stock options as part of the compensation plan.

I understand that some senior executives have abused the system, and this practice must be stopped. But to penalise employess and companies who benefit from the extra committment that corporate ownership brings appears to me to be poor for business competitiveness and Un-American.

I would like to re-emphasise the following points, with which I wholeheartedly agree;

- 1) Stock options have served as a significant tool to drive American 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.
- 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.
- 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.
- 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.
- 6) Describe how as an employee, stock options have impacted your life, finances, and were a determining factor in selecting a high tech career.

I will follow the progress of this action with interest.

Regards

John Bridges