



Letter of Comment No: 3790  
File Reference: 1102-100

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FASB Director  
File Reference No.: 1102-100 Stock Option Expensing

Dear FASB:

I am writing to express my concern over the proposal to expense stock options. As CEO of Andigilog, an Arizona based semiconductor startup company. I would like to express my strong disapproval in treating options as an expense item. In particular, expensing options will 1) result in inaccurate accounting, 2) limit the competitiveness of the United States and 3) add additional expenses for US companies to bear. It is my sincere hope that FASB will find another, more appropriate way to account for stock options.

**Inaccurate Accounting:** Expensing options, which have neither current market nor cash value, is absurd and ultimately bound to be inaccurate. Individual options for startups have no market and thus no realizable current value. In addition, expensing options is simply wrong. Options are not an expense to a corporation. Options are a contingent liability in the form of dilution of earning per share. Running options through the income sheet is, plainly, incorrect accounting. A better approach is to manage the number of options granted to employees to minimize dilution to the shareholder. This results in a win-win for the employee, the employer and the shareholder.

**Stifle U.S. Innovation:** More importantly, this accounting change will severely limit the ability for the United States to continue to compete in the world economy. China, India, EU member countries and other Asian Tigers are not limited by this accounting practice and will be able to better incent their employees. Andigilog competes aggressively in these geographies. In fact, 70% of our revenue will come from Asia. Yet, we do the majority of our work here in the US. We are typical of many semiconductor startup companies. We develop our products in the US and export the majority of them into other countries. Cash is vitally important to us; consequently we must augment salaries with stock options to effectively compete for talent. International companies with a much lower cost basis do not suffer this handicap. Expensing stock options will result in an already depleted talent pool either staying overseas or worse yet, ex-patriot overseas. Without options, talented employees will simply migrate to the highest paying jobs rather than risk working for a U.S. company in the early stages of success.

**Additional Expense for U.S. Corporations to Endure:** Finally, in the event that the ruling passes, my company will be forced to hire new accounting staff or consultants to gather the historical option data required, run complex models, and conduct additional appraisals on stock price volatility, which are key variables in binomial, Black-Scholes or intrinsic value modeling.

Although there is tremendous political pressure to "do something" after the various financial accounting scandals, expensing options will not help. I fear that this has turned into a decision for short term political gain. I look forward to your common sense and continued service to our great country.

Best Regards,

Bill Sheppard  
President/CEO  
Andigilog