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From: Sent: Cathy McCloy [cgmccloy@hotmail.com] Thursday, June 10, 2004 11:09 AM

To:

Director - FASB

Subject:

FAS123 - Expensing of Sock Options"

Letter of Comment No: 3783 File Reference: 1102-100

This message is to inform you of my views concerning FAS123. Although the points made below were actually written by someone else, they express my views and express them better than I could have myself.

- 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.
- 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.
- 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.

Finally I'ld like to share how employee stock options have personally impacted me and my family. I'm an engineer for a high-tech company that distributes 80% of its options to all of its employees, not just the high level excutives. The options I've received over the years have served to motivate me in working harder and longer hours for the company. In return I have been able to buy a house for my family and save towards my son and daughters college eduction. Without the options I would not be able afford my home or save for college. If FAS123 is adopted as is it will seriously impact not only mine but hundreds of thousands of other american workers.

Thanks you for you consideration. Jay McCloy

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