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From: Eric Lemons [eric.lemons@sun.com]
Sent: Sunday, June 06, 2004 10:37 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Letter of Comment No: 3655
File Reference: 1102-100

From: Eric Lemons (eric.lemons@sun.com)
Date: June 6, 2004
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Sir:

I am writing to you regarding the Exposure Draft, File Reference No. 1102-100.

I am puzzled. The problem you are attempting to fix is not clear.

If the problem you are attempting to fix is to give investors a clear picture of the expense and revenue of a company, then your proposal does not do this. First, stock options do not cause a company to incur an expense. Stock options generate neither revenue or expense and do not belong in an income statement. Stock options are a capital or equity transaction.

Treating stock option transactions as an expense will damage an investor's clear picture of the revenue and expense of a company by contaminating and potentially swamping the true expenses of the company. An investor has public access to the stock option transactions of a company and therefore can already assess the impact of those stock options. The only potential negative impact to the investor is stock dilution. The potential positive impact of stock options is immense.

Stock options are generally issued to the key employees of a company as an incentive to retain them and keep the company strong. An investor is investing with the hope that the company will succeed and that their investment will appreciate.

Your proposal to treat stock options as an expense could have far reaching and devastating impact on the economy of the United States of America.

If you have not already received a letter from the Internal Revenue Service, the Presidential Administration, the Congress, and the Federal Reserve Board protesting your proposal then I am concerned. By expensing stock options, companies' profits will be reduced and therefore the corporate tax revenues will be reduced. This increases deficit spending, debt interest payments, and potentially increases taxes on the very investors you are trying to help.

By treating stock options as an expense many companies will be forced to greatly reduce or abandon their stock option programs. This effectively decreases an incentive for those key employees who would have received those stock options to stay with that company. A company's value is based on the strength of the people it employs this change, you propose, would change the real value of a company and damage its investors by removing a critical tool to retain those key employees.

Further those stock options become income to those employees when they are exercised. With a drastic reduction in stock options being exercised, the taxes that would be collected are reduced again impacting the tax revenues of the entire country.

Stock options are a critical tool of innovation. By incenting key talented individuals to work diligently to make their company succeed and grow so the stock value of that company grows, stock options fuel the innovation and competitiveness of American companies. By making key employees partial owners of their company, investors benefit from the stock appreciation which that innovation and hard work of those employees brings.

Stock options are one of the tools which fuel our economy. The change you propose will

potentially cause our companies to become less competitive in the world marketplace. Further it could cause our entire economy to undergo a contraction as the creation of profits and income are reduced and tax rates are increased to compensate for the decreased tax revenues.

I can only assume that you are trying to fix the abuses of stock option programs by a small number of executives at a small number of companies. This is not a problem that is appropriately fixed by changing the accounting practices of all companies who issue stock options. You will be punishing the many for the abuses of the few. The Congress and the Justice Department need to deal with the crimes of the few.

Please reconsider your proposal and recognize that it may cause more harm than good.

Eric Lemons