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**From:** isaac@fosteremail.com  
**Sent:** Wednesday, May 12, 2004 7:53 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100. Comment on FASB Stock Option Proposal



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Dear Mr. Robert Herz:

I am writing in reference to FASB's invitation to comment on its exposure draft, "Share-Based Payment," an amendment of Statements No. 123 and 95. My name is Isaac Foster and I am a seasoned start up professional having held multiple COO and CFO positions in early stage companies. In addition, I am an ex wall street professional who at one time specialized in working with early stage companies and at another time traded extensively in stock options.

I can tell you from my personal experience that in private companies far less than 1% of options ever have any value. Options are a brass ring for everyone to reach for but rarely if ever have any value. What FASB is suggesting is a tax on the "American Dream" and by that I mean specifically the "Dream" part as when an employee receives an option, that is all they get, a "Dream".

If this idea is enacted, the net effect is that it will hamper growth of early stage companies which are the life blood of our economy. Option packages help small business attract individuals who they could not normally afford. These individuals then have less money to feed their families (you can't pay for groceries with an option!) and take that risk in the hopes of their reaching that American dream.

I have studied all of the option models and none of them can accurately predict what price a public option is. They are academic tools to be used in theoretical discussions about ideas. They are not practical, capitalistic tools. To prove this, try to purchase or sell any option on the open market and argue with your broker that you want to pay or get the price that your model reflects. good luck!

Given that over 80% of all publicly traded options expire worthless, how can it be justified to force companies to expense something that has no value and has a far greater probability of being worthless than being valuable? Are you then going to allow companies to reverse the expense if the options have no value? Given that companies already report on a fully diluted basis, which already takes into account all options as if they were exercised today, what is the additional benefit that will be gained? I could go on and on and on as this is an area I have extensive personal experience with, I have been a millionaire many times over on paper and of all the options I have received in exchange for taking less compensation, so far, all of them together aren't even worth \$1. I keep in the game and one day I will hit pay dirt and I will pay taxes on my gain and all will be right and fair in the land. If FASB is ready to make options an "expense" and create a formula on which to calculate their value, they need to create a market that will purchase at those prices as well. On Wall Street, people who set prices do so by being willing to buy at them. That is what makes markets work.

Sincerely,

Isaac Foster  
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