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Letter of Comment No: 2593
File Reference: 1102-100

From: larry_kessler@inter-tel.com
Sent: Wednesday, May 19, 2004 4:39 PM
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. I would like to offer my own experiences as an example of the completely uncertain nature of the issue of stock option value. I have worked for more than a few companies that utilized the POSSIBILITY of significant future value to employees of stock options to attract and hold qualified workers. Not all of those situations "panned out"; if I could be paid for all the stock options I had that died "under-water" I would retire tomorrow. Forcing an artificial valuation on options at grant is totally unrealistic. A review of the experiences of most employees would probably prove the validity of my own experiences. If you concoct an unrealistic value for the item, you will not only cause most companies to completely discontinue issuing them, you will significantly and negatively impact the future of companies that currently depend on them to make up for the "short-fall" in current salary they can offer. This will have a noticeable future negative effect in tech companies, in particular. And the current expenditures of companies that do continue (which WILL BE the minority of companies) to offer options will not be a small cost. All of this means less money for growth and less growth in the economy overall. And, no doubt, the taxpayer that receives such options will "enjoy" the privilege of paying taxes on an "asset" that may quite likely never bear fruit. Such additional complexity in the income tax system cannot be justified. While greater disclosure and increased transparency in corporate reporting are worthwhile objectives, this totally artificial and unrealistic campaign to force a fantasy value on stock options @ issue will NOT have any positive effects. I totally oppose any such nonsense.

Sincerely,

Larry Kessler
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