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Letter of Comment No: 3342
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From: LISA TOTIN [2ndglance@comcast.net]
Sent: Thursday, June 10, 2004 11:49 AM
To: Director - FASB
Subject: Share-Based Payment Exposure Draft

LISA TOTIN
127 HOLLY CIRCLE
ESSEX, MD 21221

June 10, 2004

Ms. Suzanne Bielstein
Financial Accounting Standards Board
401 Merrit 7
Norwalk, CT 06856-5116

Dear Ms. Bielstein:

Re: Share-Based Payment Exposure Draft

I work for a company that allows employees to purchase my employer's stock at a discount through an Employee Stock Purchase Plan (ESPP). I understand that the Financial Accounting Standards Board (FASB) has proposed a change to accounting standards that would require my company to count this discount as an expense against its earnings (Share-Based Payment exposure draft). I respectfully request that you reconsider this proposal and not require expensing of the discount allowed in ESPPs.

I am concerned that required expensing of the discount in the ESPP may make this valuable benefit plan less attractive to my employer, potentially causing my employer to either discontinue the plan, or reduce or eliminate the current discount. If the discount is greatly reduced or eliminated, buying company stock through the ESPP would no longer be much of a benefit. Unlike benefits aimed only at high-paid executives, this is a valuable benefit for employees across the company.

The ESPP is a very important benefit to me. Being able to participate in an ESPP has enabled me to invest in my financial future and experience a sense of ownership in my company. This benefit helped attract me to and serves as an incentive for me to remain with my employer. I could even say I continuously strive to perform to the best of my ability because I am an owner of the company.

Please don't take away this valuable benefit. In light of Enron, Tyco, WorldCom and others, I agree that the Government needs to crack down on executives and dishonest accounting practices, but the proposed change to the Employee Stock Purchase Plan is not an executive plundering tool. Rather, it is practically the only way that many working families can enjoy the benefits of stock ownership.

For example, in 2001, I sold some of my ESPP shares to take my young son and my boyfriend (and fellow SMHS employee) Michael to my first ever Caribbean vacation. In fact, it was the first time I had ever taken a whole week-long vacation in my life. I'm not a manager or director or upper level executive. Where would I get the money to stay in a hotel for a whole week, let alone take my family?

As it was, I had borrowed money from my 401K to take full advantage of the ESPP. I was a single mom making about \$30,000 a year and struggling to pay daycare, rent, the car payment, and my student loans. I didn't have

the maximum allowable contribution laying around. There's also no way that I could afford to have large amounts of money withheld from my paycheck for any reason; especially not to speculate on stock that I had seen rise and fall (dramatically at times) during my time at SMHS. The fact that our price was set by looking back 6 months was the only reason that I could participate.

My then-boyfriend Michael also worked for SMHS. Although he made a better salary than me, he arrived in Baltimore in 1998 with a ton of debt and pretty much the clothes on his back after losing his life savings and maxxing his credit cards in a failed entrepreneurial effort. I taught him about our ESPP benefit.

By 2001, Michael accumulated enough shares to buy me an engagement ring. He asked me (and my son!) to marry him on our Caribbean trip -- on a beautiful beach with clear turquoise water. He wanted to propose in the perfect setting. The ESPP benefit made that moment possible.

In 2002, we used the combined profits of our ESPP stocks to pay for our wedding. There is no way that we could have realized our vision for our "big day" without the ESPP benefit. I doubt that we could have borrowed enough to have the kind of wedding that my hopelessly-romantic big-family-oriented husband wanted. With ESPP profits, we were able to pay cash for everything, invite the whole family, and still have a very special wedding.

While sentimental, I admit that we used a lot of our ESPP profits for something that was somewhat luxurious. However, we also paid off my student loans, my car, and much of Michael's debt. Additionally, many of my SMHS coworkers would never consider such frivolous expenses. Many of them borrowed money from friends, family, and their 401K to invest in the ESPP when the opportunity presented itself.

Again, the ability look back to set the price of ESPP is the ONLY way that these individuals could participate in such a benefit. It is unlikely that their friends and family would lend them money to buy stock that MIGHT become profitable at SOME point in the future. Imagine how that would sound if you were the grandma or aunt or cousin that was being asked for money to invest in a stock program that they may not even really understand. Working class people also can't afford to borrow from their 401K funds for such a gamble.

Let me give you another example: one of my coworkers, Christine, was a young, African-American single mom who had 2 children before she graduated from high school. She was living with her disabled mom in a small 2-bedroom apartment in a bad section of town where she didn't allow her young daughters to play outside. Neither she nor her mother had ever learned to drive because they never owned a car. At age 23, SMHS was Christine's first real job after temping and working multiple part-time jobs to try to make ends meet. She had no savings and couldn't even get a credit card. She is not a corporate big-wig plundering the system, although the Government was providing her with some support: food stamps and Medicaid, and at times, welfare checks.

In working with this young woman, I saw a bright, ambitious person that had overcome a lot of adversity and paid dearly for a couple bad decisions. Christine was not the type of person who owned stocks, and didn't personally know anyone who did. In fact, I had to convince her to start putting money away into a 401K so she had something when she was old.

I taught Christine (and later, several others) about the ESPP benefit. She couldn't put much money in at first, but over time, she bought and sold ESPP shares and reinvested the gains during the next ESPP purchase period. She eventually got a car, and carpools with two other coworkers to help pay for our downtown parking expenses. Barely three years after starting at SMHS, Christine bought a modest 3-bedroom rowhouse in a quiet

neighborhood in northern Baltimore. It wasn't fancy, but the girls each had their own bedroom for the first time in their lives, they could play with the other neighborhood kids, and they can walk to a much better school. I think I was almost as proud of her as her family was.

It's been over 3 years since Christine bought her house, and she has continued to invest in the ESPP stocks. She's used her gains to improve her house, putting on a new roof, replacing rotted windows, and remodeling a shabby bathroom and an aging kitchen.

During the last ESPP purchase period, Christine splurged a little, and with some creative travel-planning, she took her girls to Disneyworld for a long weekend. You have no idea how excited they were to get a chance to ride in a plane!

Christine gives me credit for the things that she's achieved through the use of the ESPP, and she sends other coworkers to me to learn about the program. Two other coworkers (including another single mom) in the same department have since used ESPP gains to buy their first homes, and they seem to think I'm the one who made it possible. However, it's not me. It's this fabulous benefit.

For many working-class people, ESPP is the only path to stock ownership. If you change the program by taking away that ability to look backward for the price, the only people who can participate will be the ones who can afford to speculate AND tie up money for long periods of time -- namely, the higher level executive staff. Folks like me and Christine wouldn't be able to participate and enjoy the kind of stock gains that wealthier investors get to see.

The proposed changes hurt the working class. They have no effect on executive accounting OR accountability. In fact, it's probably the most egalitarian stock benefit available -- the executive staff is capped at the same maximum contribution as the file clerk.

However, you won't hear me complain if you wanted to bar executive-level employees from participating. Go right ahead. They have other stock incentives and bonus incentives that we "worker bees" never see. Please don't confuse the ESPP with those "fat cat" benefits, and please don't modify the program to essentially make it something that only those upper-level employees can use.

Millions of workers like me in companies across the country are able to purchase their employer's stock through ESPPs. This builds company loyalty and helps to promote high standards of work when employees have a sense of ownership.

I strongly urge FASB to consider the negative impact the proposed rule would have on the nearly 16 million workers like me and eliminate the expensing requirement for ESPP discounts in the final rule.

CC:
SEC, Chairman, William Donaldson
SEC, Chief Accountant, Donald Nicolaisen
Employee Ownership Coalition (eoc@vennstrategies.com)

Sincerely,

Lisa Totin