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Letter of Comment No: 2164
File Reference: 1102-100

To: Director - FASB
I am writing in regard to proposed accounting changes on stock option and stock purchase plans. The idea that an accounting rule could curtail my ability to participate in the success of my company is disheartening to say the least. Our employee stock purchase and employee stock option plans give me a stake in the success of the company, and they motivate me to work harder. I believe that if companies are forced to expense these plans, my company will be forced to limit the use of the plans. This would negatively impact morale, productivity and innovation.
I believe that mandatory expensing of our ESPP and stock options is bad accounting. The potential dilution of each investor's share of company ownership is the real cost of employee stock options. That cost is already reflected in our company financial statements through "diluted earnings per share". I also do not see that the current proposal clarifies the issues of transparency or accuracy. In fact, I would think given the array of variables and latitude in the assumptions proposed, the valuation methodology would cloud the financial statements more than ever.

Broad-based stock option programs are good for shareholders because employees are rewarded only if our company's stock value increases. In the past, my stock options have enabled me to improve my quality of life in meaningful ways. It enabled my wife and me to place a down payment on a home in Silicon Valley, and is key to financing my children's education.

I have personally seen the benefits of stock options to companies, employees and families. Broad-based plans should be encouraged, not eliminated and certainly not eliminated by a set of standards that does nothing to add to transparency or accuracy which are the hallmarks of accounting.

Respectfully submitted,

Scott G. Paull

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