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From:

Cenita D'Souza [cenita_dsouza@yahoo.com]

Sent:

Wednesday, June 30, 2004 1:26 PM

To:

Stacey Sutay

Subject: Disagreement with FASB Exposure Draft re: FAS 123

Letter of Comment No: 5530 File Reference: 1102-100

Dear Sir or Madam:

I am writing with reference to FASB's invitation to comment on its exposure draft, "Share-Based Payment," an amendment of Statements No. 123. I work as a Sr. Accountant at a semiconductor company and I after analyzing your exposure draft in depth, I would have to disagree with your findings. The following are the reasons for my disagreement:

Employee Stock Options are already accurately accounted for using the current accounting methods. Every company's footnote data provides adequate disclosure information for investors and analysts. Besides, current models grossly overvalue employee stock option plans. Evidently the FASB has not taken into consideration the fact that ESOs are not transferable, cannot be hedged, have an average vesting period of four years and are not stock options until they vest. Given this, there is no valuation model that will accurately calculate the value of an ESO.

ESOs are not an expense to the company. They are not issued to raise new equity capital but to increase the value of the issuer's existing equity. ESOs do have some value but it cannot be converted to cash at the grant date. Its value is contingent upon the future performance of the issue's stock and the vesting period. An employee will realize the actual cash value of an ESO once the option is exercised after it is vested. Just as GAAP does not permit recognizing revenues or gains in the income statement until they are realized, likewise, a charge to the income statement cannot be made merely upon issuing such an option.

Forcing companies to expense options will not allow for accurate financial statements. ESO expense will be based on estimates that will distort financial statements making it impossible for the average investor to rely on them.

ESO is an incentive compensation instrument that is used to attract and retain talent. It allows employees to participate in their company's growth. Expensing options would potentially prevent many companies from hiring new talent and this would be a loss for many companies. ESOs are a win-win situation for both the company and its employees and I hope it is kept that way.

Please reconsider your thinking on this issue. Thank you.

Sincerely,

Cenita D'Souza

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