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From: Jerry Baty [jbaty@TransaveInc.com]
Sent: Wednesday, June 30, 2004 6:09 PM
To: Director - FASB
Subject: Stock Options

Director,

I am not going to bore you or waste my time filling this letter with a pile of rhetoric from BIO. Basically, I have a few strong concerns about expensing stock options. They are simple and straightforward, so shall be this letter.

1. Value - Any method, Black-Scholes or otherwise, that includes a volatility factor, not to mention other subjective factors, will inherently be very difficult to explain and provide info not useful to the investor. In an age when auditors are under intense scrutiny, it seems counterproductive to have them buy into subjective measures that when used will create a substantial change to the financials of the company. Can any member of FASB really say that the individual investor will understand this disclosure? The average investor does not understand the existing 123 footnote. Putting it into the income statement will certainly make it less understandable and muddy the income statement as well.

2. Presentation - For those investors interested in compensation of officers and directors, the proxy and financial disclosures in place presently are more than adequate and create plenty of confusion as is. More non-cash postings to the income statement will only make things worse. The problems Enron and others have had little to do with options and everything to do with management lies and deceit, coupled with shotty auditing. The information is there. Make it easier to understand by standardizing the calculation and increasing explanations. Don't make it worse by increasing technicalities. The employees at Enron lost their shirts because the government closed Andersen instead of letting them operate and pay off the restitution over many years. The employees made a decision to load their 401K with stock and no one force them to do it. Yes, they were victims, but this disclosure would not have prevented it, nor will it help save the next bunch who do the same thing when management is lying and cheating.

3. Comprehension - The SEC implemented the plain language requirements in order to make the various filings more understandable to nonlawyers. The financials will be understandable to only accomplished accountants if this is implemented.

4. Industry - I urge you to review the impact this rule would have on companies such as mine, when we are public. With the volatility in our industry of nearly 100% and the usual wide range of option pricing resulting from that, I have seen where a companies EPS would change by 50% or more just as a result of this inclusion. In an industry that is viewed on cash burn, these income statement figures will give readers of the financials the wrong information on burn rates. Actually causing more confusion and the wrong idea of performance is not the right idea. I am all for full disclosure and comparability, but since the average investor has no clue what the cash flow statement even says, they rely on the income statement for primary info on performance. This rule does nothing to increase usability of the financial info. The public will eventually complain and the legislature will not be there to support you when the mud starts flying.

Just a few thoughts from the front. My company is private and has only 25 people. It is the options and the prospect of monumental returns that has allowed us to recruit people from all over the country. Our investors will look past the disclosure because they know it is worthless. They are sophisticated investors. Please step forward as an industry and do what is right, not what is popular.

Jerry Baty
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7/1/2004