

Stacey Sutay

Letter of Comment No: 2364
File Reference: 1102-100

From: pvaughan@powerint.com
Sent: Wednesday, May 12, 2004 3:03 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 am one of the millions of normal US workers who receive stock options. I am a normal guy, not some high power executive and work for a company, Power Integrations Inc, where every employee receives options.

The current FASB proposal seems ridiculous, requiring companies to report paper losses while still creating a real dollars and cents profit, making poorly performing companies look healthier than companies that are performing well and basically sending the message to start-up to medium sized companies "don't issues stock options because it'll make you look financially unsound". Worst still the financial reporting will change dramatically quarter to quarter as the value of these paper losses we change with the fluctuations of the stock price. One quarter there's a profit, stock price goes up, next month there's a loss because the high stock price has generated a bigger paper loss. How can this improve the information to the investment community? For large companies this is of no consequence as the expensing represents noise on their financial statement.

I joined Power Integrations while it was a start up after leaving a large multinational company. I took a huge risk that the company would be a success and worked and continue to work extremely hard to make this happen. Without the part ownership the stock options represent I would never have taken this risk and I know this sentiment is shared by the many others that joined under similar circumstances.

My concern is that the expensing of options will stifle the innovation and the prolific creativity we have enjoyed in the US economy, effectively making it impossible for start-up companies to attract the high caliber employees needed to make a new company a success. Without start-up companies how can they grow into medium and large companies needed to maintain the growth of the economy, generate the jobs growth to mitigate the jobs lost through offshoring? How can the next large technological breakthrough generate the next big thing and move the US economy forward? With only 1 in 20 start-up companies being successful this proposal as is, is the nail in the coffin for the next Intel, Oracle, Microsoft, Yahoo and so on. With other countries (China, UK, Taiwan etc), having seen their success in the USA, now adopting stock options for attracting and motivating employees in start-ups, the USA will be at a real disadvantage.

I ask you to support H.R. 3574 or at least push for additional time for consultation before making this proposal law. I fear a political knee jerk reaction to some of the egregious violations we've seen by company executives, I refer to Worldcom, Tyco etc, but the current FASB proposal is not the answer - the cure is worse than the disease!

Thank you for you time.

Sincerely,

Peter Vaughan
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