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Letter of Comment No: 2856
File Reference: 1102-100

From: djbell@powerint.com
Sent: Wednesday, May 12, 2004 4:05 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 would like to present my view on the FASB proposal to require expensing of stock options, and, I hope, to clear up some of the mis-information which has been presented on this topic. I work for a Silicon Valley Semiconductor company, and can proudly say that we are one of the technology leadership companies that have been spawned by the entrepreneurial environment of this region of California.

Silicon Valley is the most prolific generator of new high technology, high-paying jobs anywhere in the world, and a critical factor in this business success is the incentive created by stock options. Large companies like GE have agreed to implement expensing because it is of no consequence to their financial statements, not because they think it is sound financial reporting. That is because very few in the company receive stock options - only the most senior managers. In my company, every single employee, including manufacturing line operators receive stock options. This is also the practice in most high technology companies in this area. As a result, stock option expensing will affect a large number of Silicon Valley workers, not just those few who are Officers of a company. An even greater impact is on Employee Stock Purchase Plans (ESPP). Most employees who work for companies that have an ESPP participate in those plans, including lower level employees. At my company, the average line operator receives approximately 25% of his/her total compensation from the combination of stock options and ESPP. While this may be a little higher than the average, it is a very important factor in ensuring that high technology companies remain competitive, and continue to grow jobs in the US. Please do not make the wrong assumption that stock options are only granted to overpaid executives, who then proceed to abuse the law in search of even greater rewards. The SEC initiative will suck the entrepreneurial spirit from Silicon Valley and other high technology centers in the US, and reduce us to the mediocrity and complacency of European businesses. Before you form an opinion, I urge you to carefully analyze the business impact of the SEC proposal. Yours sincerely,

Derek J Bell
Vice President Engineering
Power Integrations Inc
Tel: (408) 414-8855

Sincerely,

Derek Bell
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