

## Karen Salmansohn

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**From:** Director - FASB  
**Sent:** Saturday, Febru  
**To:** Karen Salmansohn  
**Subject:** FW: Expensing

**Letter of Comment No:** 192  
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-----Original Message-----

**From:** Charles Cantoni [mailto:chuck@cantoni.net]  
**Sent:** Friday, January 31, 2003 10:14 PM  
**To:** Director - FASB  
**Subject:** Expensing stock options

FASB:

Requiring companies to expense stock options makes no sense at all.

Stock options are designed to reward individuals wherein their performance within the company increases the company value, for themselves and the shareholders. Try the alternate way of providing incentives. Pay every bonus in cash. The result is fine for the employee, but the shareholder pays for it.

I'm bothered by the motivation force here. If people think that CEO's earn too much via stock options, why not attack the problem directly.

Set up a system that controls CEO compensation, for example, similar to the control system that limits pork barrel spending in congress!

If people are worried that the tax deduction taken for options is wrong, why not attack that directly? Is this a tax revenue issue?

It makes no sense to expense options which will dramatically reduce their use, destroying incentives for start-ups. Is this a move by the slow moving large companies to keep people from doing start-ups? If so, then you better look at where economic growth has come from in the past 10-20 years. To have strong growth, we need investment in people and ideas. Kill the stock options, and the venture capitalist sees less incentive in the start-ups. Great move, killing venture investments in new ideas.

Finally, if you want to learn from history. You changed the rules recently on amortization of goodwill placed on the balance sheet during acquisitions. Now you have the press, and the general public looking at AOL Time Warner and shaking in their collective boots over the "largest annual loss of a company ever." Read all the press releases, read all the reactions, look at the stock market, and tell that me anyone understands that an accounting rules change has cast a negative pall over the market. Negative pall over the market means less capital formation, means less economic growth.

In short, requiring that stock options be expensed just creates one more negative factor for capital formation. Its time people recognized what is happening, and got to work to move in a positive direction. We need to stop reacting to Enrons. No matter what rules you set up, crooks will be crooks. You know that, and I know that. It is time for all organizations, including FASB, to get moving in a positive direction.

We need to get economic growth back to a reasonable level. If you want to correct abuse problems, attack them directly. Why penalize idealistic young engineers and others over stock options, when you are worried about excessive compensation of executives. Work on the problem directly, and let free enterprise work.

Sincerely,

Charles W. Cantoni