

Karen Salmansohn

From: Director - FASB
Sent: Monday, February 01, 2003 3:26 PM
To: Karen Salmansohn
Subject: FV: stock option

Letter of Comment No: 167
File Reference: 1102-001
Date Received: 2-1-03

-----Original Message-----

From: Bill Scheerer [mailto:bill@alum.mit.edu]
Sent: Saturday, February 01, 2003 3:26 PM
To: Director - FASB
Subject: stock option expensing

Dear Sir:

Let me add my small voice to the debate over stock option expensing.

I am a director of a small (\$100M+ annual revenues) high tech company, and had been of two others before the economy (especially the high tech economy) collapsed. I hold underwater (in all but one case, very much underwater) options in two of these companies as well as the very large (formerly huge) company from which I retired in 1996.

I deeply believe that stock options have been an effective tool in motivating everyone - from the highest to the lowest levels - in these companies toward better performance. I also believe that expensing options as proposed would make them unaffordable to many companies. Even determining the assigned value to options is an art, not a science, so the damage to the company's books is done in the name of rationalism or realism but is really a much higher form of speculation than the options themselves.

I recognize that the incentives sometimes drive people to illegal and unethical behavior, as was clearly manifested in last year's scandals. However, I would think it much better to severely punish those who flagrantly act in their own best interest and not the best interest of the company, its employees, and its shareowners, than to punish all companies and reduce the likelihood that they will make an effective positive contribution to our national economy, with individual rewards for success.

I recall the clamor to use stock options to align the executive interest with those of the shareowner. Today's cry to eliminate that incentive is ironic and fickle.

Please allow each corporation to determine which approach is best for its circumstances.

Thank you.

Bill Scheerer

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