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**From:** Lydia Terrill [lydia\_terrill@hotmail.com]  
**Sent:** Tuesday, June 29, 2004 8:19 PM  
**To:** Director - FASB  
**Cc:** lydia\_terrill@hotmail.com  
**Subject:** Option expensing and ESPPs (file ref# 1102-100)

Dear FASB,

I want to give you my opinion on option expensing and ESP Plans. First, I should tell you that I'm a stock administrator from Menlo Park, CA. But hopefully that does not discount my opinion, rather I think I see more accurately who gets what from an option perspective.

Regarding option expensing, I have seen excess given to officers and executives and wish the grants were more equally spread to the "rank and file". I also can see that officers and executives sometimes take bigger risks than rank and file employees. But in the interest of protecting investors from gross compensation amounts to senior company employees, I think there should be something in place to limit it, rather than negatively impacting the small amount that does make it to the rank and file employees as well. With expensing, companies will be more inclined to only compensate senior people with option grants, it would be too costly to do it for all. Why don't you create a percentage ratio where officers/management can't have more than, for example, 25% of the outstanding options? Or put a limit along the lines of the IRS \$25,000 limit for ESPPs, in addition to the \$100K limit that exists for options? Or exclude officers from receiving option grants? Or just expense officer's option grants? It seems like you could figure out a better and more effective way to accomplish your goal without the "collateral damage" that would be created by forcing everyone to move to expensing.

Regarding ESP Plans, they \*do\* have both time and value limits already! They are so different from options but I think they were accidentally swept up in the hunt for excesses. Please leave ESPPs alone, they really are the way the rank and file can get some of the benefits from their company's growth. If the company (and investors) don't make much money, then not much is made from the ESPP either. The 5 to 15% discount doesn't make much of a difference on profit on a sliding stock price, especially after taxes. If the company is doing well, they would do better than the average investor but the employee is probably working harder and more directly to contribute to a company's success than the average investor! And there is a time limit to that, where they would then get reset again to current FMV.

Thank you for listening. I hope you consider my input.

Best regards,  
Lydia Terrill

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