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Letter of Comment No: 5419
File Reference: 1102-100

From: jaywalker@nc.rr.com
Sent: Friday, June 25, 2004 2:25 PM
To: Director - FASB
Subject: "FAS123 - Expensing of Stock Options" or " FASB File Reference No 1102-100 - Expensing of Stock Options"

Hello:

I am strongly opposed to your proposal to Expense Stock Options for employees. Here are strong arguments against your proposal:

- 1) Stock options are a great incentive to build advanced technologies and innovation, which would lead to more job creation. Your proposal, however, will likely bring an end to broad-based employee stock option plans inside the United States.
- 2) Other countries, including China, do not expense stock options and we need to be on a fair playing field with our competitors.
- 3) These broad-based employee stock option plans not only enhance productivity but also benefit shareholders by better aligning employee and shareholder interests - meaning INNOVATION and PROFITS.
- 4) Stock options do not meet the definition of an expense because they do not use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Employee stock options are not freely tradable, are subject to forfeiture if an individual leaves the company, and are therefore impossible to value.
- 5) The FASB exposure draft will require companies to somehow come up with a value-- however inaccurate-- and force companies to put inaccurate information on the financial statement. The financial statements will actually become less valuable to the individual investor. Overall expensing options will likely lead to further inaccuracy and financial engineering in corporate filings, which will not be beneficial to shareholders.
- 6) For myself, options and our Employee Stock Purchase Plann (ESPP) have helped me to pay off my car loans and home equity loans, especially during the downturn of the economy two years ago.

Thank you for your time,

Jay Walker
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