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From: Mike Warner [mikewarner2000@yahoo.com]
Sent: Wednesday, June 02, 2004 11:05 AM
To: Director - FASB
Subject: Expensing stock options - a very bad idea!

Letter of Comment No: 2963
File Reference: 1102-100

Greetings,

Why is the idea of expensing employee stock options, especially broad-based options given to every level of employee, so very bad? Let me count the ways.

1) Timing: If I'm granted an option today (Q204), and I don't exercise it until July of 2010 when my daughter is entering college (Q310), you're proposing that my company incur an expense on this quarter's books. How insane! Aren't all sorts of companies getting into all sorts of legal trouble for shifting expenses and revenues from one quarter or one year to another? This quarter's books would be inaccurate if an expense from 2010 is included now. How do you explain this clear and simplistic example of anti-logic to my 8-year-old, much less to me? The expense in this example is incurred in 2010, so capture and report it in 2010 (I believe that's already done now); to do otherwise is just plain silly.

2) Value: Nobody, no matter how many PhDs they have, can guess the market. That's an indisputable fact. There is absolutely no way you can tell me now what my options will be worth, and therefore what level of expense they will be to the company, in 2010. If you somehow can, then a) I, and the rest of the world, want access to your formula so I can manage my personal portfolio to my best advantage and remove myself from being a productive worker (i.e. retire) as soon as possible (not so great if millions begin retiring early because they got rich on your formula for predicting the markets - who'd produce anything!?), and b) you might as well close down the markets, because a sure-fire method of predicting the markets renders them useless. But you can't predict the market of the value of my options in 2010, so why mandate a voodoo-inspired value to put on a balance sheet now, rendering said balance sheet patently inaccurate!? I can't even imagine the scale of restatements that would be required to fix the guesses of the past.

3) Incentive: My options are meaningless unless my company succeeds. That means I am a very inspired employee. At a macro level - and I say this from experience - we are an inspired workforce. That inspiration leads to unprecedented teamwork! I've worked at other companies without options, and it's very much an old-fashioned scramble over your colleagues backs in an attempt to get ahead; this is obviously not a recipe for corporate productivity and success. If expensing options causes my company to scale back or stop issuing options to me, then both my company and I will suffer.

I'm terribly confused as to why anyone would propose expensing stock options. It would be a silly exercise in guesswork that would leave balance sheets worthless. It won't do anything to curb corporate financial abuses or shore up investor confidence; it would in fact do quite the opposite.

Please, just drop the whole stupid idea.

Sincerely,

Mike Warner

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