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From: Dave B [dlb800@yahoo.com]
Sent: Wednesday, June 02, 2004 11:04 AM
To: Director - FASB
Subject: FAS123 - Expensing of Stock Options

Letter of Comment No: 2962
File Reference: 1102-100

I am writing to you to give my views on expensing options.

I believe I understand why there there is a proposal for the expensing of stock options to change.

Stock options have served as a significant tool to drive American high tech leadership, innovation and job creation. If implemented, FAS 123 will likely bring an end to broad-based employee stock option plans inside the United States.

U.S. companies need broad-based employee stock option programs to compete with other countries on a global basis. Other countries, including China, do not expense stock options.

Implementing FAS 123 will drive companies overseas. We have people who criticize the government for allowing companies to move jobs overseas, it isn't the fault of the companies. The rules and regulations are forcing the companies to make changes to continue to be profitable and to be able to compete with companies in other countries.

These broad-based employee stock option plans not only enhance productivity but also benefit shareholders by better aligning employee and shareholder interests. I have worked at a high-tech company, and I have worked at other companies. When the stock was going up, productivity went up drastically. Employees were much happier with their lives and jobs. People were more concerned about what happened to the company because it affected your interests.

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. If the stock goes down (which in the last 3 years stocks have gone down drastically), how do you value that 4 years ago? 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.

I am one of those individuals in the US who is trying not to be a burden on the government in my old age, and at this company, we don't have a retirement plan. Our stock options (and how we invest the proceeds) are our retirement. Implementing FAS 123 will make it more difficult to do this.

I agree something needs to be done so that there is more accountability for companies that purposely have inaccurate accounting information, such as Enron, and more recently Nortel, but implementing FAS 123 is not the answer. It is not only going to hurt those who cause the accounting issues, but all the employees of the companies.

It's the equivalent of "Throwing the baby out with the bathwater."

Please keep that in mind when reviewing FAS 123.

Thank you.

Sincerely,

David Bartlett
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