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From: mccloghrie@rcn.com
Sent: Wednesday, June 02, 2004 11:00 AM
To: Director - FASB
Subject: Subject: FAS123 - Expensing of Stock Options

Letter of Comment No: 2961
File Reference: 1102-100

Pawling,
New York.

FASB File Reference No 1102-100 - Expensing of Stock Options

Dear Sir,

I am concerned about the FASB's proposal to require the expensing of stock options for all employees.

It seems to me that there is a groundswell of opinion in the country which believes it was the Financial accounting treatment of stock options for senior executives of companies like Enron which led to their criminal behaviour (in manipulating the stock price for their own benefit). Fixing that problem requires only the expensing of stock options for *senior* executives. There is no reason to penalise both: a) the rank and file employees of companies who grant stock options to all of their employees, and b) all stock holders of such companies.

I say "penalise" because I myself have already benefited from employee stock options, and I hope to continue doing so in the future. Such benefit accrues since myself and my co-workers both work harder to increase the value of our company, and thereby increase our stock price. Such an increase in stock price benefits not only the rank and file employees who have stock options, but all stock holders.

Rank and file employees have no other way in which they can benefit from employee stock options, since: we do not speak for the company as senior executives do, we do not have insight into the financial standing of the company, and we cannot short the stock (without being subject to termination for cause). That is, we can only benefit by working harder to make the stock price go up. Surely, the FASB doesn't want American workers to stop working harder ??

I have also heard that there is currently no good method for valuing grants of employee Stock Options, but that there is currently new research being done at Stanford University and other establishments. I suggest that such research needs to be evaluated to determine whether it fixes the failings of all previous methods for valuing employee Stock Options. That is, until such evaluation is completed, it is fool-hardy to rush into any proposal for expensing stock options. Good accounting is conservative, not fool-hardy.

Yours Sincerely,

Keith McCloghrie