

**ikon**

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**From:** Stacey Sutay  
**Sent:** Tuesday, June 29, 2004 9:34 AM  
**To:** ikon; Karen Salmansohn  
**Subject:** FW: File Reference No. 1102-100

**Letter of Comment No:** 5487 —  
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-----Original Message-----

**From:** David Wight [mailto:stockplans@sbcglobal.net]  
**Sent:** Tuesday, June 29, 2004 2:01 AM  
**To:** Director - FASB; Stacey Sutay  
**Subject:** File Reference No. 1102-100

To Whom It May Concern:

Thank you for the opportunity to respond to the FASB Exposure Draft which would force companies to expense stock options. Although I am grateful for the ability to comment, I am really alarmed that we have people making decisions for FASB who seem completely devoid of common sense and logic. Have any of these people ever heard of APB25? It seems that the motto of FASB is "if it's not broke, we will fix it until it is." I just cannot begin to fathom how FASB can get away with trying to carry out a very politically motivated agenda. They claim to be doing this under the guise that expensing will somehow create greater transparency for financial statements. Yet, anyone who has taken Accounting 101 can attest that expensing stock options will create less transparency than it did before. How do you justify to people that a company has to report a much smaller profit or even a loss in some cases yet they are obviously very cash flow positive? Not to mention there is no possible way to quantify the value of a stock option especially since the company does not have to pay that cost in any way. But the geniuses on the FASB Board want companies to make up an expense just so they can have peace of mind. The concept of having to declare an expense for something one never pays out is beyond me.

As we already know, earnings are already greatly understated because of the requirement to include unexercised in the money stock options as part of the diluted EPS calculation. So it would seem including stock options to the income statement would amount to double accounting? APB25 and Diluted EPS seem to do a very good job of accounting for stock options and ESPP.

I understand that FASB has some supporters, but from what I have perused on the comment section, all of those supporters seem to be very ignorant when it comes to the real issues. This is not about Corporate Governance or trying to preclude another Enron or WorldCom debacle. It's not FASB's job to stop Corporate Greed and yet all the supporters seem to allude to being sick and tired of seeing Executives making tons of money at the expense of shareholders. Shareholder has to remember that their investment lies in the hands of the employees. Employees need to be rewarded for their risk and diligence.

I work for a Company in Silicon Valley and handle their stock plan. So, I have seen first hand how great of an incentive stock options and ESPP can be. I have also seen how people are rewarded for their hard work. Do you have any idea how hard it is for a person who is in a middle income bracket to own property in Silicon Valley? I have seen actual stories of single mothers who barely make an average income be able to afford a home from stock options. I have seen people pay for their children's tuition with the proceeds from ESPP. And to think FASB wants to take this away. I think, if FASB is going to implement their absurd exposure draft, they should have to travel door to door to tell all the single mothers and fathers, who work in Silicon Valley, that they should no longer dream of owning a home in the Valley because they will not be receiving stock options anymore. I think FASB does not understand what a wonderful tool stock options are for the rank and file employees. It creates a real sense of worth and attachment to a Company. Stock Options help people dream. And we know once you stop dreaming, you begin to die.

If FASB feels compelled to put through their illogical to expense stock options, I really hope they can show some sort of rationale and exempt Employee Stock Purchase Plans. By statute from IRC 423, ESPP is non compensatory. APB25 also states that ESPP is non compensatory yet FASB thinks anything in excess of a 5% discount at the time of purchase is an expense. ESPP is perhaps the greatest tool Corporations have for aligning the interest of employees with shareholders. It creates incredible ownership and pride. If the IRS is willing to let a 15% discount occur without realizing it as income, then FASB should do the same. ESPP solves one of greatest issues Shareholders have with Stock Options which is the employee is not subject to any risk. With ESPP, employees are putting their own money into the company stock and are subjects to nearly the same risks as all other shareholders. Employees should have some sort of significant discount, after all they are the ones trying to build more wealth for the Shareholders. With all the pressures and stress that come along with working for a publicly traded company, a 15% discount is small concession.

In case you have not figured it out yet, I am strongly opposed to expensing stock options as all it will do is hurt the rank and file

6/29/2004

and create more confusion for investors. Most investors are not sophisticated nor do they have the time to weed through and try to understand bogus expenses being mandated by a politically driven band of very confused FASB members.