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Letter of Comment No: 2527

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From: Charles Rogers [charles@exar.com]
Sent: Wednesday, May 19, 2004 5:34 PM
To: Director - FASB
Cc: caldmjgg@pacbell.net; charles@exar.com
Subject: File Reference No. 1102-100

Hello:

Please do not take away Stock Options or Stock Purchase Plans.

There are several important reasons the plans should not be changed. Some are personal to me, and some are general economic reasons that will affect all of us. I will discuss the general reasons first.

Part of the problem the state budget of California is facing is due to the fact that there was a stock market bubble in the year 2000. People who had previously been making money in the stock market were no longer making as much money. This then caused the tax base to be lower reducing the budget of California. In addition because the money these people expected to make did not continue they could not spend as much. When they did not spend as much our economy went into a recession, a recession larger than any other since the great depression.

Presently many people depend on Stock options and Stock Purchase Plans to supplement their salaries. If that source of income is taken away those people will have less to spend and pay less taxes. If that happens the present recession we are climbing out of will get much worse. This will cause more people to lose jobs.

In my own case I save as much as possible in the Stock Purchase Plan. It is my hope that it will help my children go to college. I also greatly appreciate the Stock Options. Stock options reward me and my colleagues for a job well done.

The reason for expensing stock options is to give investors more visibility into the future spending of a company. The irony of the issue is that the companies that do the best are the ones giving options to the most employees. When a company gives incentive to the employees who are doing the work then the employees are more aware of how to help the company make money and will make judgments accordingly.

If options are expensed they will be not given as much. When they are not given as much the company will not do as well. The end result is the lack of investment by the company (in options) will cause a lack of return on investment.

The value of an option on the day it is given is zero. If the stock price goes down it is never given and the other stock holders are not affected. If the stock goes up and the employee sells it, then a "NEW" stock holder has bought it at the higher price. Since the "NEW" stockholder unlikely to want to sell it for less, they cause the price of the stock to be buffered the same or greater price, which in turn helps the previous stock holders. It is a win-win-win situation. It is a win for the employee (who made the difference in price on the stock). It is a win for the NEW stockholder (who believes the stock will go up). It is also a win for the previous stockholder (because the price is buffered at the new higher price). If dilution becomes an issue then the stock holders should vote on any limit to the number of shares a single person can have thereby controlling any dilution to the stock caused by one individual

In the past the companies that have had options have done well.
There is no way to predict the future value of an option.
On the other hand it is possible to state how many options are given.
Rather than expensing options it would be wiser to have the
stock holders vote on all options for the employees. That way
the investors can determine the wisest way to increase their investment.

Sincerely
Charles A. Rogers