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From: T R [terry_ryan@yahoo.com]
Sent: Wednesday, April 21, 2004 11:35 AM
To: Director - FASB
Subject: Expensing of stock options

To whom it may concern:

The expensing of stock options is a very important issue to many high tech workers. Most companies that provide stock options do not provide a retirement plan outside of their 401k plans. The stock options represent the potential for funding a comfortable retirement and funding of our children's education. The average high tech worker gets a very small percentage of stock options in comparison to executive management in any company. The current proposed model represents an inaccurate and unfair method of valuing employee stock options.

The idea of valuing employee stock options prior to their potential exercising is misleading and inaccurate. There is no accurate way to determine at what value of employee stock options will be worth prior to expiration or what price the options will be exercised at. This is clearly demonstrated in our stock market which shows no one knows what the stock market environment will be in 4 to 10 years (bearish or bullish), what a stock price will be in 4 to 10 years from now, or when a stock will actually be sold. Otherwise, anyone investing in stocks would be wealthy from always selling when the market conditions and stock prices are ideal.

I also feel that the expensing of stock options creates an unfair advantage in the stock market for those companies that do not provide employee stock options. The expense of options is realized at the time of exercises and appears in the dilution of the EPS number reported by each company in today's environment. I believe this is fair and accurate because it represents the true value of the expense compared to a guesstimate. I use the word guesstimate to describe the expensing stock option at the time of grant because it is truly a guess and not a fair estimate. I would never buy a house at a price determined to be the fair value of the house 10 years out. Why would you expense stock options using an approach that guess the future value the option will be exercised at. Companies that currently offer stock options will have to stop offering these options to the average employee in order to have competitive balance sheets.

My observation from watching many stocks is that the executive insiders do their selling of options prior to or during any devaluation of a company. Usually the average employee is not selling here. They tend to hold their stock and ride the price down with a few exceptions. Look at Tyco, Enron, and any other company when the stock has fallen dramatically. I personally think that the issue that will provide more impact is focusing on executive compensation packages and the behavior it creates for these executives. As we have seen over the past few years, a small group of executives have taken advantage of their positions by manipulating the value of their stock to personally profit from this behavior. While most executives demonstrate a very high degree of integrity in the way they manage their companies.

Fundamentally, America is in a race with every country in the world to lead and innovate from a technology perspective. Over the past 100 years, the United States has led the world financially and technically through its leadership in technology and the ability to motivate our work force. The expensing of stock options will ultimately lead to the elimination of stock options. Executives will still get some type of stock package as part of their compensation and not impact their current risk/reward behavior. Elimination of stock options will limit the ability of United States based high tech companies to draw top individual contributors from around the world for research and development, engineers, support, and other key personnel resources required for success. However, other countries around the world offer employee stock options and will continue to do so regardless of the decision FASB makes. A decision to expense employee stock options will have a dramatic impact on the United States ability to innovate and lead the world in technology. Ultimately, this will change our position as a world power as we become dependent on other nations to lead in technology.

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In summary, the proposed method of expensing of stock option at the time of grant will create an inaccurate method for determining the expense value of stock options. Most likely this will lead to the elimination of employee stock options for the average high tech employee without impacting the executive management risk/reward behavior. Ultimately, a decision to expense stock options at the time of grant would undermine the United States position as a world power and technical leader. Please do not make a decision to expense employee stock options at the time of grant.

Sincerely,
Terry Ryan

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