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Via E-Mail

November 4, 2002

Financial Accounting Standards Board MP&T Director - File Reference 1101-001 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856

Dear Sir or Madam:

On behalf of the members of the Technology Network ("TechNet"), thank you for the opportunity to submit our comments on the Proposed Statement of Financial Accounting Standards, Accounting for Stock-Based Compensation - Transition and Disclosure (an amendment of FASB Statement 123), dated October 4, 2002 (the "Exposure Draft"). Our comments will focus on the proposed amendments to the disclosure provisions of SFAS 123.

TechNet is a national network of more than 200 chief executive officers and senior partners of the nation's leading technology companies in the fields of information technology, biotechnology, venture capital, investment banking and law. We are proud of the role that our industries have played in the growth of the U.S. economy, due in large part to the use of broad-based stock option and other equity-based incentive plans to attract and retain talented employees. By giving employees at all levels a chance to share

in their company's financial success through equity ownership, broad-based stock option plans boost productivity and are essential to America's competitiveness and economic growth.

With respect to the proposed amendments to the disclosure provisions of SFAS 123, we commend the Board's proposal for quarterly disclosures of information related to employee stock options. Investors should have timely, accurate and meaningful information about employee stock options in order to make informed investment decisions. Providing information about stock options on an annual basis is not sufficient. We believe that companies should provide information about stock options on a quarterly basis, in connection with their 10Q filings.

We do, however, take issue with the type of information to be provided under the Board's proposal. Specifically, we firmly believe that employee stock options do not represent an expense. Further, we do not believe that an accurate, reliable method of valuing stock options currently exists. In our view, there is a growing consensus that current option pricing models, when applied to employee stock options, produce wide-ranging and therefore often misleading results. Quarterly disclosures based on a flawed valuation will not serve shareholders or investors.

There are significant problems with applying current option pricing models, including the Black-Scholes valuation method, to employee stock options because many of the unique

aspects of stock options are not accounted for in these models. For example, these models were designed to value freely transferable options, yet there are significant restrictions on the transferability of employee stock options. Current option pricing models do not factor in a lack-of-marketability discount to address such restrictions.

In addition, models such as Black-Scholes were designed for options that are exercisable only upon expiration. Employee options, in contrast, typically have long vesting requirements and are then exercisable for a period of time, but are worthless if the employee terminates employment prior to vesting. Option pricing models do not accurately account for these factors.

An additional significant prediction that must be incorporated into such models is the volatility of the underlying stock expected over the life of the option. Commonly used historical estimates of volatility can vary over a significant range depending on the length of the historical period and the sampling frequency selected during the period. Future stock volatility is impossible to predict.

In short, by failing to account for the restrictions and other characteristics of employee stock options, current option pricing models produce unreliable and misleading results when applied to employee stock options. Requiring quarterly disclosures based on such models will not provide investors with accurate and reliable information.

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The real cost of employee stock options is the potential dilution of each investor's share of company ownership. Because the number of outstanding shares will potentially increase when options are granted, shareholders have a right to know the amount by which earnings per share will be diluted. That information is disclosed today, but the usefulness and frequency of those disclosures should be improved.

In fact, shareholders should have access to comprehensive, accurate information about company stock option activity on a quarterly basis. In lieu of more frequent reporting of the Black-Scholes value of employee stock options, we urge the Board to consider more meaningful disclosures about employee stock options. These disclosures should provide shareholders with detailed, relevant information about employee stock options in a separate section of company quarterly financial statements in a series of easy-to-read tables and charts.

These disclosures should include the following information:

- · employee and executive option grants;
- year-to-date option activity, as well as option activity in the prior fiscal year;
- "above water" and "underwater" option information as of the reporting date
 (i.e. Options that have an exercise price below a company's current share price, as well as options with an exercise price above the company's current share price).

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• the portion of options that go to executives versus the portion provided to the

rest of the company's employees.

In addition, separate tables should provide new, detailed information about options

granted to a company's listed officers, including:

· new options granted during the quarter;

· options exercised during the quarter and the value of those options;

• the total number of options held by executives;

• the dollar value of options that are "above water".

The disclosures should also provide new information about dilution, enabling

shareholders to see the potential impact of new option grants on the total number of

shares outstanding.

Currently, corporations provide information about employee and executive stock options

in two different documents -- their 10K and proxy statement - filed only once a year.

These documents are not always released at the same time, and there is no requirement

that companies provide this information in a consistent format, making it difficult for

investors to decipher.

By consolidating this information into one section of company financial statements,

providing it in a consistent format and disclosing the information to shareholders on a

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quarterly basis, companies will provide investors with accurate, reliable and comprehensive information about employee stock options.

TechNet believes these enhanced quarterly disclosures will provide investors with a comprehensive and accurate picture of a company's stock option activity. We firmly believe that these disclosures represent the type of clear, accurate information that would be most valuable to investors. We have attached guidelines illustrating a proposed format for these new disclosures as well as an explanatory document.

We firmly believe that a comprehensive disclosure approach as described above and in the attachments will effectively meet the Board's stated goals of ensuring consistency and comparability of financial statements and "providing greater clarity of the effect of stock-based employee compensation on reported results". We further believe that such disclosures will address the legitimate demands by investors and the public for more comprehensive, transparent and timely information about employee stock options.

We appreciate the opportunity to offer these comments and look forward to further opportunities to work with the Financial Accounting Standards Board to improve financial reporting.

Sincerely,

Rick White President and CEO

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Attachments

- Proposed guidelines for enhanced quarterly disclosures
- Explanatory document

Suggested Quarterly Stock Options Disclosures

Section I. Option Program Description

Caption II	Dietribution on	d Dillotiva	Effect of Ontions	

Employee and Executive Option Grants	
As of End of Current Interim Reporting Period	

	2002 YTD	2001	2000
Net grants during the period as % of outstanding shares (#)			
Grants to listed officers* during the period as % of total options granted (%)			
Grants to listed officers* during the period as % of outstanding shares (%)			
Cumulative options held by listed officers* as % of total options outstanding (%)	1		

^{*}See section IV for listed officers: these are defined by the SEC for the proxy as the CEO and each of the four other most highly compensated executive officers.

Section III. General Option Information

Summary of Option Activity
As of End of Current Interim Reporting Period

			Options Outsta	nding
	(Shares in thousands or millions)	Shares Available for Options (#)	Number of Shares (#)	Weighted Average Exercise Price (\$)
Last Fiscal Year	December 29, 2000			
(as reported in the 10K)	Grants			
	Options assumed in acquisitions			
	Exercises			
	Cancellations			
	Additional shares reserved			
	December 20, 2001			
Year to Date	Grants			
(As of End of	Options assumed in acquisitions			
Current	Exercises			
Interim	Cancellations			
Reporting	Additional shares reserved			
Period)	End of Quarter Date			

In-the-Money and Out-of-the-Money Option Information As of End of Current Interim Reporting Period

	Ex	ercisable	Unexero	isable	To	
As of End of Quarter (Shares in thousands or millions)	Shares (#)	Wtd. Avg. Exercise Price (\$)	E Shares (#)	Wtd. Avg. Exercise Price (\$)	Shares (#)	Wid. Avg. Exercise Price (\$)
In-the-Money						
Out-of-the-Money (1) Total Options Outstanding						

(1) Out-of-the-money options are those options with an exercise price equal to or above the closing price of \$XX.XX at the end of the quarter

Section	IV	Executive	Ontions

Options Granted to Listed Officers* Year-to-Date, as of End of Current Interim Reporting Period

		Percent of Total Options Granted to Number of Securities Employees			Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (5)	
	Underlying Options Per Grant (#)	Year to Date	Exercise of Base Price (\$/Share)	Expiration Date		10%
Top Officer #1				,		
Top Officer #2					<u>+</u>	
Top Officer #3						
Top Officer #4				_,		
Top Officer #5						

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**Based on a year-to-date total of xxx,xxx,xxx shares subject to options granted to employees under the company's option plans.

Options Exercises and Remaining Holdings of Listed Officers* Year-to-Date, as of End of Current Interim Reporting Period

	Shares Acquired on	Value	Underlyin Options at	of Securities g Unexercised End of Quarter ate (#)	the Money	Inexercised In- Options at End or Date (\$)**
Name	Exercise (#)	Realized (\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
Top Officer #1			Ì		ļ	
Top Officer #2					}	
Top Officer #3					ĺ	
Top Officer #4						
Top Officer #5			i		l	

[.] Definition of "fisted officers" is same as above table

Option values based on stock price of XX on (end of quarter date) Page 2

Section V. Equity Compensation Plan Information

(Shares in millions)

	(1)	(2)	(3)
	Number of securities to	Weighted-average	Number of securities remaining
	be issued upon exercise	exercise price of	available for future issuance under
	of outstanding options,	outstanding options,	equity compensation plans (excluding
Plan category	warrants, and rights (#)	warrants, and rights (\$)	securities reflected in column (1))
Equity compensation			
plans approved by	1		
shareholders	1		
Equity compensation			
plans not approved by			
shareholders			
TOTAL			

SUGGESTED QUARTERLY STOCK OPTION DISCLOSURES Explanation of Charts

Section I: Option Program Description

Companies would provide investors with a narrative description of their specific stock option plans for employees and executives.

Section II: Distribution and Dilutive Effect of Options

This table, "Employee and Executive Option Grants," provides significant new information about the options granted (year-to-date) to the company's "listed officers" (for example, the CEO and the four other most highly compensated executives), as well as information about how these options could potentially dilute shareholder equity in the future. The table would respond to investor calls for more information about stock option grants to high-level executives.

By showing the percentage of new option grants as a percentage of outstanding shares of stock, the table illustrates to shareholders how the options granted so far during the current fiscal year could affect their "slice of the pie," or their percentage of ownership interest in the company, if exercised. The higher the percentage, the greater the potential dilution of shareholder ownership interest.

The table also provides information about the company's distribution of options between a company's "listed officers" and the rest of the employees of the company.

Section III: General Option Information

The first table, "Summary of Option Activity," provides shareholders each quarter with a summary of a company's year-to-date option activity, as well as activity for the last fiscal year. Currently, this information is required to be disclosed only once a year in company financial statements.

The second table, "In-the-Money and Out-of-the-Money Option Information," would provide investors with accurate and up-to-date information about options' potential dilution of shareholder ownership. It shows the total number of options outstanding at the end of the quarter, along with the number of options that can and cannot be exercised according to vesting schedules. For example, the table allows investors to see that even if

there are options outstanding, many of them may not be exercisable yet and therefore, cannot have a near term dilutive effect on shareholder equity.

The table also shows how many of the outstanding options are "in-the-money" vs. "out of-the-money", as of the report date. Options are considered "in-the-money" (or "above water") if the exercise price is less than the market share price of the stock. Options are considered to be "out-of-the-money" (or "underwater") if the amount of money the employee would have to pay to exercise the option is greater than the market price. Options that are significantly "out-of the-money" are not likely to be exercised and, therefore, are not likely to have any dilutive effect in the near term. As a result, this table shows shareholders the maximum potential dilution of their ownership stake in the company from all outstanding options and the potential near-term dilution from "in-the-money", exercisable options.

Section IV: Executive Options

The two tables in this section respond to investor calls for additional information about executive stock options. The tables cover year-to-date stock options granted to and exercised by a company's "listed officers". Currently, shareholders receive information about executive options once a year in a company's proxy statement. These tables will provide investors with this information on a quarterly basis.

The first table summarizes "Options Granted to Listed Officers" on a year-to-date basis. The first column of the table shows the number of shares that would be received by the officer if he or she exercised all of the new options granted during the current year. The second column shows the percentage of new options granted to each officer as compared to the total new options granted to all employees. The third column shows the exercise price (i.e., the price the officer would have to pay to buy the stock) for each option grant. The fourth column shows the options' expiration date, the last date the officer could exercise the options. The final two columns show the potential net profit to the officer from the exercise and sale of the options if the stock price were to appreciate from the date of grant to the expiration date at annualized rates of 5 and 10 percent. Conversely, if the stock price were to drop below the exercise price of the options, the potential realizable value would be zero. These options would then be "underwater" and thus, even if vested, would not be exercised.

The second table summarizes "Option Exercises and Remaining Holdings of Listed Officers." The first two columns show the number of shares of stock each executive received upon exercising any options during the current fiscal year, as well as the profit realized on those shares. The second two columns show the number of shares remaining that could and could not be exercised at the end of the quarter, based on when the options vest. The final two columns provide, as of the report date, the value of the officer's

"above water" options that can be exercised and the value of "above water" options that are unvested and therefore, cannot be exercised.

This information provides additional transparency to investors because they can see recent option exercises by the officers. These exercises are placed in a meaningful context because the officers' remaining options are also shown.

Section V: Equity Compensation Plan Information

The first column of the table shows the number of shares that would be issued upon exercise of outstanding options, warrants or other rights. The second column provides the weighted average exercise price of all the options, warrants, and other rights. The third column shows the number of shares that are available for issuance in the future under the plans.