

Stacey Sutay

Subject: FW: FAS 123 Stock Option Expensing

-----Original Message-----

From: Joann [mailto:jmhartma@netscape.net]

Sent: Friday, April 16, 2004 4:14 PM

To: Stacey Sutay; jmhartma@netscape.net

Subject: FAS 123 Stock Option Expensing

Re: FAS 123

I am writing in response to the draft released for comment regarding expensing Employee Stock Options. I am an employee who receives options, usually on a yearly basis and have benefited from them when the company does well. I am strongly opposed to the exposure draft released on FAS 123.

Plans to expense employee stock options when they are handed out sounds reasonable on the surface. But if you dig just a little bit you will understand there are factors at play which show expensing stock options is unreasonable and can actually be harmful to a company.

First, it seems to me that everyone is missing a subtle but vital point in the employee stock option debate. I do not actually receive money, cash or funds from the initial stock offering price. The company is not giving me money. The company is not giving me a stock that is freely tradable on the open market. The option is nothing more than a numeric placeholder which provides me with a share equal to exactly \$0 to me until the market value of that share goes up. If I cash the share in above the initial offering price, I only gain the difference between the two prices.

For example, I receive an option for \$50. The market value is now \$60 and I sell the option. My portion and taxable gain from the sale is \$10. The original stock option price reverts back to the company. There is *neither a loss nor a gain* to the company after the transaction is complete in regards to the original \$50. How does it make sense to have a company expense something that has *\$0 net worth*?

Secondly, my hard work and focus on the shareholder have a part in causing an option's appreciation in value. The shareholders benefit, and I benefit. Stock options end up benefiting the shareholder because it aligns the employees' interest directly with theirs. As a shareholder, this is my company. I guard expenses to the company as carefully as I guard against excess expenses at home. This is true of my peers as well. We understand the relationship between expenses and the stock price. If we weren't stock owners, do you think we would care as much? Employee stock options are a promise that if the company does well, the employee will reap the rewards of a job well done.

If implemented, FAS 123 will more than likely end the employee stock option program at my company. That move will have a direct impact on my potential income. It will also impact shareholder value since employees will have less interest in 'watching the bottom line'.

I strongly ask that you reconsider and rescind this exposure draft.

Many thanks for your time and attention in this matter.

Joann Hartman
Cary, NC