

Karen Salmansohn

From: Director - FASB
Sent: Friday, January 31, 2003
To: Karen Salmansohn
Subject: FW: Invitation to Comm

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From: Paul Gardner [mailto:PGardner@concordecareercolleges.com]
Sent: Friday, January 31, 2003 10:51 AM
To: Director - FASB
Subject: Invitation to Comment on Accounting for Stock-Based Compensation

As both a financial executive and an active investor in public companies I share a common concern that stock options and their current treatment do not adequately reflect the dilution on shareholders value.

I am opposed to expanding stock options. My opposition stems from the need of companies, primarily early stage companies or companies that are experiencing severe financial troubles , to attract the best possible executives to grow or turn their companies around.

My personal experience has been that companies would not have attracted the talent to change an underperforming company into a thriving, growing entity without the ability to offer stock based compensation. If stock options were an expense, the company would not have been able to absorb the expense to the bottom line.

I would prefer to address the issue by changing the earnings per share calculation. Current methods dilute the potential impact of stock options issued to employees. If stock options were treated as outstanding shares in the diluted earnings per share calculation immediately upon issuance, the effect or potential effect to shareholders is immediately shown. Current methods including the treasury method dilute the impact to shareholders. This is particularly true of companies that issue new shares when stock options are exercised.

One benefit to immediately showing options as common stock equivalents, without adjustment, regardless of vesting schedule or exercise price, is that companies using excessive amounts of options to reward employees will show an immediate reduction to earnings per share. This type of exposure raises awareness of option plans with shareholders and the investment community.

It is ultimately the investment community that must tell companies that they are getting out of hand with issuing options.

Thank you for the opportunity to comment.

Best regards,

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