

Karen Salmansohn

From: Director - FASB
Sent: Monday, February 03, 2003 1:
To: Karen Salmansohn
Subject: FW: Stock Option Expensing F

Letter of Comment No: 158
File Reference: 1102-001
Date Received: 1-31-03

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

From: robert_friedman@standardandpoors.com
[mailto:robert_friedman@standardandpoors.com]
Sent: Friday, January 31, 2003 3:56 PM
To: Director - FASB
Subject: Stock Option Expensing Response File Ref#1102-001

Dear Sir/Madam,

After reading and hearing about "sky-is-falling" predictions from opponents of mandatory stock option expensing, I feel compelled to make my own views heard. First, I believe that several of their conclusions are based on faulty assumptions. Besides the rubric that start-up companies won't be able to attract talented employees, it's been mooted that if companies are forced to expense stock option grants, then employees won't be able to share in the nation's productive assets (which then will drive employees to protest, riot, etc). Besides the fact that I find that contention absolute nonsense, I believe opponents of stock option expensing are missing the point. It's imperative that investors have trust and confidence in financial statement reporting. In my opinion, improving financial statement transparency is crucial in maintaining investor confidence. Mandatory expensing of stock options directly speaks to transparency. Thus, if stock options grants are just another form of employee compensation, then companies should report stock option grants as an expense. In my opinion, any other form of treatment is dishonest and self-serving.

Moreover, I'm not convinced that options actually align management/employee interests with those of shareholders. Consequently, I wouldn't be upset if the use of options as a form of compensation declines as a result of mandatory stock option expensing. In my opinion, restricted stock grants represent a better way of aligning management/employee interests with those of shareholders. Of course, restricted stock grants are expensed...But that's the way it should be!

In short, I believe the "the sky-is-falling" predictions by stock option expensing opponents such as NASD and Silicon Valley, are shrill, inaccurate, and again, very self-serving.

Sincerely,

Robert E. Friedman, CPA
Aerospace & Defense Analyst
Accounting Analyst
Standard & Poor's Equity Group