

Karen Salmansohn

From: Director - FASB
Sent: Friday, January 31, 2003 1:17 PM
To: Karen Salmansohn
Subject: FW: File Reference No. 1102-001

Letter of Comment No: 117
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-----Original Message-----

From: Paul White [mailto:paulw@deltathree.com]
Sent: Friday, January 31, 2003 9:19 AM
To: Director - FASB
Subject: File Reference No. 1102-001

Dear FASB members,

I am writing in response to your request for public opinion regarding stock options. Over the course of my 20+ year career I have worked as a "Big 8" auditor, "Big 6 consultant", and senior level finance manager for a variety of startup, established private and Fortune 500 companies.

I have also lived through the S&I scandals, previous major cries of "corporate foul play", and the boom and bust of the dot-com economy. Throughout all of these experiences, the current methods of accounting for options has only been favorable. In the cycles of economic prosperity and corporate growth, the current method on NOT expensing options has served as an effective way for companies to provide effective incentives to their employees. In fact, the reason that some many people determined that it was acceptable to make a move to a start-up company in the boom years of the dot-com experience is directly related to these companies ability to offer options as a strong incentive.

In all of the bust cycles, including the one we are in now, options accounting has not ever been proven to have been a factor in the underlying reasons for the downfall. In fact, all of the current and previous cries of "corporate foul play" has only one key factor, and that is the usual culprit in these cases-- greed. This has been a constant since biblical times, and will remain true going forward.

In this case, changing the option accounting rules will do nothing to diminish this. In fact, the senior level players at these large companies will continue to be given stock options, and if the accounting rules are changed they will most likely be given shares instead of options which will create an even larger incentive to "do what it takes to move the stock price up". At the same time, almost all other employee bands, from clerk to middle manager, will loose their ability to get one of the greatest incentive to high (and legal) performance. Established companies will eliminate options for the masses as they will be too expensive. Start-ups won't even have a chance to think about it.

In summary, options are one of the things that sets America apart from the rest of the world. They give the "little guy" a chance to benefit from their activities. Taking them away will stifle a major incentive source and the results will not change the problem that you are trying to eliminate.

Very truly yours,

Paul White, CPA