

ikon

From: Wilper, Holly L
Sent: Friday, April 23, 2004 3:46 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Letter of Comment No: 75a
File Reference: 1102-100



InterScan_SafeSta
mp.txt (296 B...

I am writing today to urge FASB to not require expensing of stock option programs.

I am not, and never will be, high in the management of my company. But every year I, like nearly every other employee, receive stock options. These options are never going to make me rich, but they give me a real investment in the performance of the company I work for.

I think that there is a perception that stock options are a benefit given to the CEOs and COOs of the world in an attempt to "hide" some of their compensation. I'm not them. I'm just J. Random Employee, worried about paying day care bills, building college accounts, and saving for retirement.

There are two, important reasons, that I feel that expensing would be a mistake:

1) I don't see that there is any mathematically valid way of valuing them. How do you value something that doesn't have worth now, and might not ever? They can't be bought or sold now, so they have no intrinsic value now. They won't ever have value if the employee leaves before the options are vested, or if the market turns such that the stock option strike price is more than the market value. If they turn out to have value, because the market increases or the company does well, there is no way of measuring now how much value they will have then.

If there was an accurate way to know how much stock A was going to be worth 5-10 years from now, surely there wouldn't be so many stock analysts misguessing how things are going to go. How much would we have thought those dot com stock options were worth, and expensed them based on? How much did they wind up being worth?

Stock options have no value now, might never have value, and if they wind up having value, there is no way of knowing how much value. How can any attempt at valuing/expensing stock options be anything more than a mathematically unsound guess?

2) We don't live in an isolated nation. Anyone who has their eyes open sees that there are competitors and entrepreneurs all over the world anxious for their share of the global wealth. And they will have stock options as a factor. Specifically, in its latest five-year economic plan, the Chinese government explicitly calls for broader use of stock options to attract and retain key talent in China. I doubt that India, Singapore, South Korea, and Malaysia, just to name a few, are likely to fall far behind.

If US companies are forced to expense options, especially given how expensing may have little relationship to the worth of the options, many of them are going to be forced to stop issuing options. Not just options to the top few, but options to all of us. It is ironic that a communist country, the People's Republic of China, is encouraging the wider use of stock options, while in the U.S. the FASB wishes to make option grants to employees much more difficult and expensive.

Between the mathematical impracticality of finding a valid measurement for something of unknown and unknowable value and the fact that stock options are a valuable tool that US companies should be able to use as effectively as non-US companies, I do not believe that requiring expensing of stock options is to the benefit of either honest statements of company finances or of the best interest of the American worker.

Again, I ask FASB to not require expensing of stock option programs.