ikon Letter of Comment No: 2575
File Reference: 1102-100

From: buddsmith@hotmail.com

Sent: Tuesday, May 18, 2004 6:35 PM

To: Director - FASB

Subject: File Reference No. 1102-100, Comment on FASB Stock Option Proposal



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Dear Mr. Robert Herz:

I am writing in reference to FASB's invitation to comment on its exposure draft, "Share-Based Payment," an amendment of Statements No. 123 and 95.

I am strongly against the proposal to expense Stock Option plans. I am very concerned that this measure will reduce America's competitiveness through stifled innovation and reduced personal entrepreneurship, with questionable improvements in financial clarity.

Many companies already note the impact of stock options in their financial reports, albeit in the footnotes. Moving stock options as expenses into the main financial reporting seems to be building on a poor foundation. How can a reasonable future valuation or estimate of true expenses be made with the methods chosen in the proposal? There are so many factors beyond the control of the company that affect the stock's price and potential value, that it is hard to imagine any reasonable way to estimate their impact.

In the Technology industries, broad-based stock options are a key tool to attract and hold good employees, those that drive or contribute to a company's success. The risk for stock options is high, especially for young companies pushing the edge of technology, but the potential benefit is high also. It's hard to imagine taking the risk of a job at a young company without the possibility of a reward that balances the risk taken.

Much of the innovation in this country comes from young companies even if they are well beyond the floor on declaring options as expenses. This proposal will take this tool to attract talent away from these companies.

I came to my company, Power Integrations, from a much larger semiconductor company, National Semiconductor. One of the most compelling factors in my decision was the chance to make money on stock options. With the money I've made, I have been able to own a good house in Silicon Valley, contribute stock to my church's capital campaign and prepare for my eventual retirement. Without stock options, I would not have been able to do that, and my family would be under significantly more financial threat. And I'm not a special case here; every single employee of Power Integrations receives stock options.

I also hire engineers for my company. Our stock options have been crucial in closing the deal to bring in creative engineers that have increased our company's value to our investors.

Already, in China, Taiwan and other countries, companies have realized the value of this tool and have begun to offer serious options to bring talent back home. In the semiconductor industry, many, many engineers and innovators are from these countries and these options are beginning to have an impact on their career decisions.

America's status as the innovation leader is already under attack from many directions, and this is a potentially serious blow to our economic wellbeing.

Ultimately, loss of America's leadership will hurt shareholders as well as employees. How can this be in the best interest of the country and her investors?

Please reconsider this proposal! Look at alternatives which address the real issue of runaway compensation, and which do not hurt the rank and file employees.

Thank you for your time.