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Sent:

From: Pete Rubino [pjrubino@cox.net]

Letter of Comment No:1836

File Reference: 1102-100

To: Director - FASB

Subject: File Reference No. 1102-100

Sunday, April 25, 2004 4:19 PM

Dear Sirs:

I am an employee at a company that treats all employees equally by providing stock options as one of our compensation methods. It has allowed me to purchase a home and furnish that home that I would not have been able to afford without the stock options I received. Also with a Finance MBA and having studied option pricing, I don't feel that expensing stock options is an accurate way to reflect the value. I do not know of a method that can accurately estimate the value of the stock and take into account stock market fluctuations that would be fair to the individual stockholders as well as the company.

By treating employee stock options as an accounting expense, it disregards three fundamental issues:

- 1. Employee options are not freely tradable. How do you value something that has no market? How do you put a price on something if it's not for sale? The answer is that you cannot. There is no accurate way to value these options without an open market.
- Employee stock options are subject to lengthy vesting periods—typically four or five years. If the employee changes jobs before the options vest, they are forfeited.
- 3. Finally, employee stock options will be exercised only if the stock price rises above the strike price. How does one predict future stock prices with any degree of certainty? There are entire industries dedicated to such a practice, yet no one is able to predict with absolute certainty what a stock price will be over a given length of time.

This FASB exposure draft is sure to be greeted with relish by our competitors in Asia and beyond. Entrepreneurs in China, Singapore and India will not just continue to focus on software development or other low-tech industries. They will create global economic powerhouses there which will be listed on those stock markets. 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. 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. I feel that this is a result of a few companies and individuals that have abused this benefit for their own self interest. Please do not force all companies to pay the price for these actions. This FASB proposal will harm the ability of Americans to innovate and drive our nation towards second tier status.

Sincerely,

Peter Rubino Employee who has benefited from Employee Stock Option Plan