

Karen Salmansohn

From: Director - FASB
Sent: Saturday, February 2, 2003 5:48 PM
To: Karen Salmansohn
Subject: FW: Stock Option

Letter of Comment No: 213
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-----Original Message-----

From: Laury Evans [mailto:Laury.Evans@horizonbank.com]
Sent: Friday, January 31, 2003 5:48 PM
To: Director - FASB
Subject: Stock Options/Expense/Disclosure

Horizon Financial Corporation has been a public company since 1986 and has utilized stock options as a benefit to its employees ever since. Horizon sees no reason why the current disclosure of stating diluted earnings per share on the Income Statement and the affect on Stockholders Equity Section in the footnotes of the financials should be changed.

The current modeling IE (the Black Scholes Model) to estimate the expense of these options is just that a poorly structured estimate. The disclosure of the expense of stock options is in the correct position of the financials as a footnote. There is no way to structure an estimate that makes sense to be included in Net Income especially with changing interest rates and business cycles going forward.

The use of stock options has helped companies grow. Entrepreneurs have formed new companies using stock options as a way to incent participants to take a risk and the result has been the creation of a lot of economic growth. For example, Microsoft and Intel.

With all the discussions about corporate governance lately the stock option and the way we expense it is not the culprit. The stock option is only a vehicle that business can use to promote growth and be a reward for success. The guilt lies with individuals that are greedy and that lack integrity.

Do not take a way one of the most dynamic tools to be used by companies to leverage growth and promote success. Leave the current disclosure in place and require all companies to practice this format. This will promote consistency. Thank you.

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