

Len Tatore

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**From:** Kim Johnson [kimbjohns@bellsouth.net]  
**Sent:** Wednesday, April 21, 2004 8:36 PM  
**To:** Director - FASB  
**Cc:** Kim Johnson  
**Subject:** Stock Option Expensing, Reference # - 1102-100

Dear Chairman Herz,

I am writing you regarding File Reference No. 1102-100, Stock Option Expensing Requirements. The recent news that the Financial Accounting Standards Board may be requiring the expensing of company stock options is extremely disturbing to me and many of my fellow employees. At my company there is a very unique culture different from any place that I've ever worked in the past. It is one that creates a sense of ownership in the company. I personally have been with my current employer nearly 10 years and have been fortunate enough to have built a small nest egg in stock options. It is this nest egg that I hope to use to pay off my house and maybe my children's college education someday. I feel very fortunate to be able to say that, but it has not come without a price. We are awarded stock options based on our performance. This encourages one to always put forth that extra effort to help make the company one of the most successful technology companies ever. Without this sense of ownership I feel that our chances of continuing with this success will be far less than it is today.

Over the past couple of years the stock option expensing issue has been heavily reported on and debated by many. To this day I struggle with understanding really what problem you are trying to solve by requiring companies to expense stock options. Isn't the main issue that corporate America is worried about is corporate governance. To make sure that we prevent the Enrons, Worldcoms, and Tycos from occurring again? However, I fail to see how expensing stock options would have prevented any of these debacles. Actually, it seems that expensing stock options will create much more harm than any good. Some of the reasons for this view are:

- Stock options will be eliminated as a tool for encouraging innovation and improving productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of stock options is the dilution to earnings per share.
- This is no good method of valuing stock options which means expense numbers may be significantly overstated. At least 1/3 of my current options are underwater today due to the recent bear market.. This would be a major misstatement of expenses if those options were expensed at prices 4 times what the stock is valued at today.
- The US may lose its edge in competition with foreign countries that don't require the expensing of stock options, such as china.
- The expensing of stock options will exasterbate the problem we are facing today with losing jobs to offshore employment.

In closing I hope I have clearly articulated my position on stock option expensing which I think may be consistent with several 1000s of other US employees that work for companies offering stock options to incent their employees to innovate. Hopefully, you will reconsider your position to require expensing of employee stock options as currently proposed.

Regards,

Tim Johnson  
5500 Overleaf Court

NTC

4/22/2004