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Letter of Comment No: 4158  
File Reference: 1102-100

**From:** Ron Sanders [ron.sanders@webmethods.com]  
**Sent:** Wednesday, June 16, 2004 11:39 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

To whom it may concern:

I am writing you to voice my objection to the issue of expensing stock options. The primary reasons are as follows:

- 1) The "cost" of options is already reflected in financial statements in the dilution of earnings per share. Stock holders are required by most companies to vote on expansion of the option pool and as such pre-approve any dilution that will result. Expensing of options will be a double accounting as well as an erroneous accounting. Options do not involve an expense to the company. They only impact earnings per share which is already accounted for.
- 2) Broad-based options plans are an entrepreneurial incentive that sparks innovation, enabling the creation and growth of successful companies that in turn provide jobs. As a technology industry employee (an engineer), I can tell you that it is one of the primary engines which drive the technology industry. Few people would be willing to work the number of hours they do were it not for the incentives provided by stock options.
- 3) Broad based plans help align the interest of employees with that of their companies. The feeling among shareholders is that employees with ownership in the company will be incented to do their best, thereby maximizing shareholder value.
- 4) Forcing stock options to be expensed will result in forcing many companies to become unprofitable should they continue to offer their employees options. Since becoming unprofitable will not be acceptable in the market, companies will probably terminate their option plans instead.
- 5) Stock options have resulted in greatest expansion of employee participation in the means of production since the beginning of the industrial revolution. Forcing companies to expense those options will result elimination of that participation turning a whole army of technology workers back into wage slaves.
- 6) There is no direct evidence that unethical and illegal corporate behavior aimed at inflating stock values is in any way tied to broad based stock options plans. Enforce the laws already on the books and put those individuals violating the law in jail. Do not create new laws which do not solve the problem.

I beg you to reconsider your position on this issue. Do not let yourselves be responsible for the ruin of the technology industry in the US. We are already struggling enough to overcome the downturn of the last couple of years.

Thank you,

Ron Sanders  
Spokane Washington.