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Letter of Comment No: 2302
File Reference: 1102-100

From: jim.tolonen@businessobjects.com
Sent: Wednesday, May 12, 2004 2:20 AM
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 a CFO of a public company, and have been CFO of 4 other public companies, two of which went public while I was CFO. I have an engineering undergraduate degree, and am a CPA. I have studied the accounting implications of stock option expensing for over a decade, have actually met Myron Scholes of the "Black-Sholes" method and understand the Binomial-Lattice method. I do not believe using either of these methods will give a reasonable approach to value employee stock based compensation, and in fact believe they will dramatically reduce the usability and comparability of financial statements. In addition, due to the confusion added by the market response to this dilution of the value, usability and understanding of financial statements, I believe companies will respond by ceasing to use the very tools that have helped this country fuel the entrepreneurial revolution in electronics, biotechnology and software, among others; at a time when these investments should be kept at home.

I believe the political pendulum has swung so far out of normal that pushing any answer, without regard for the costs and consequences has become acceptable. This is frightening to me after 35 years in the industry, with a very good operational understanding of the likely long term consequences of this rash action.

We will be taking a form of equity, which only pays out in the event of shareholder wealth creation, and was designed to reward the intellectual property investors, (employees), of a company for their contributions to capital and somehow calling it an expense, in addition to adding it to shares outstanding -- a double charge to EPS. And this, for a tool that actually adds cash to an enterprise at exercise, rather than costing an enterprise cash.

I predict that the changes this reckless act will produce will harm the small technology innovation engine that has driven the strength of our economy for the past 40 years. And, it is just bad accounting besides.

If this were easy or correct, it would not have been so hotly debated by intelligent men and women for so long.

Beware what you ask for, for you just may receive it.

Sincerely,

Jim Tolonen
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