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Letter of Comment No: 3955
File Reference: 1102-100

From: Michael Stallings [mstallin@yahoo.com]
Sent: Thursday, June 10, 2004 10:07 AM
To: Director - FASB
Subject: File Reference No. 1102-100 Expensing of Stock Opti

Chairman Robert H. Herz
re: FASB 123 File Reference No. 1102-100

Dear Chairman Herz,

I urge the FASB to reconsider the position of treating stock options as an expense. If this proposal is implemented it will almost certainly cause the elimination of broad-based employee stock option programs. These programs have fostered innovation and success at many companies and enabled the common workers who are largely responsible for that success to share in the benefits. This proposal will hurt average people while doing nothing to curb the excesses in executive compensation.

Stock options absolutely align the interests of the employees with the interests of the shareholders. They allow US companies to be globally competitive. They produce company loyalty and extraordinary accomplishments by employees.

The proposed methods for valuation of options are unrealistic and will lead to more confusion, not more transparency. Employee stock options are not tradeable on any market, must be forfeited if the employee leaves the company before the usually substantial vesting period, and may expire worthless. The proposed valuations do not account for this and assign an artificially high value to an instrument that is essentially impossible to value accurately. The true cost of a stock option is dilution of earnings per share (EPS) which is already accounted for when options are exercised.

Employee stock options are good for the employees, good for the companies, and ultimately good for all shareholders. It would be very short sighted and harmful to implement this draft and cause them to disappear. There are alternatives which are more reasonable.

Sincerely,

Michael D. Stallings
Apex, North Carolina

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