ikon

From:

Stacey Sutay

Sent:

Wednesday, June 30, 2004 9:10 AM

To: ikon

Subject:

FW: Amendment of FASB Statement No. 123

Letter of Comment No: 5630

File Reference: 1102-100



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` ----Original Message----

From: Rob McMillan [mailto:RMCMILLA@svbank.com]

Sent: Tuesday, June 22, 2004 8:14 PM

To: Michael Tovey

Subject: Amendment of FASB Statement No. 123

Dear Mr. Tovey,

I am a rank and file member of a bank. As part of my compensation package for the past 14 years, I have received options. It has been good for my employer because it preserves cash and costs them nothing. Its been good for me because I have been able to create some wealth over the past 14 years that will possibly take me into retirement. Its been good for shareholders because while there may be some dilution, it has kept me engaged in this organization for a very long time. The shareholders goal of increasing share price, have effectively been aligned with my own as well.

The FASB Exposure Draft, Share-Based Payment, an Amendment of FASB Statements No. 123 and 95 will change that for me. Because the FASB wants to consider options and Employee Stock Ownership plans as a real expense on the income statement, my employer is going to discontinue the issuance of option grants. It already cut back the grants from 10 year options to 5 years, costing me real money. I understand the theoretical arguments of why someone might want to capture the value of the grants as a compensation expense, but to actually call them a real expense when the company doesn't pay out real dollars seems silly and takes a logical argument to an extreme. When this issue first came up years ago, I thought it might either go away, or maybe the analysts would add it back to income or add it to an EBITDA analysis. But I have listened to the analyst calls and they are keen on the issue and are pressuring the company for whom I work, to discontinue our broadbased employee option plan based solely on this pending pronouncement. While the "expense" has been noted in the footnotes for quite some time, including it in the income statement changes the name of the game. Forgetting the theoretical accounting issues, from a policy perspective, this will have real negative impact on start-up companies in the Technology space; an engine for the US economy. It also reduces the ability for the country to create capital and distribute wealth, particularly as it relates to the broad based option and ESPP's. Lastly, the approaches that are being used to value the option "expense" are viewed by most everyone as inaccurate and an overstatement at best. In closing, please do not implement this change. Leave option expense as a footnote. Its questionable logic, overstates the potential for option "costs", is bad policy, hurts the economy, and probably most important for me, is cutting compensation that heretofore was paid by the market and not my employer, but was real money in my pocket.

Respectfully Rob McMillan St Helena, CA

> Andy Byars, Master Cooper and Scotsman