

ikon

From: Steve Proctor [sproctor721@yahoo.com]
Sent: Monday, June 28, 2004 6:07 PM
To: Director - FASB
Subject: FAS123 - Expensing of Stock Options

Letter of Comment No: 5649 —
File Reference: 1102-100

Dear sir,

With regard to the subject of expensing stock options, I am totally against the idea for the following reasons:

- 1) Stock options have served as a significant tool to drive American high tech leadership, innovation and job creation. If implemented, FAS 123 will likely bring an end to broad-based employee stock option plans inside the United States.
- 2) U.S. companies need broad-based employee stock option programs to compete with other countries on a global basis. Other countries, including China, do not expense stock options.
- 3) These broad-based employee stock option plans not only enhance productivity but also benefit shareholders by better aligning employee and shareholder interests.
- 4) Stock options do not meet the definition of an expense because they do not use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Employee stock options are not freely tradable, are subject to forfeiture if an individual leaves the company, and are therefore impossible to value.
- 5) The FASB exposure draft will require companies to somehow come up with a value-- however inaccurate-- and force companies to put inaccurate information on the financial statement. The financial statements will actually become less valuable to the individual investor. Overall expensing options will likely lead to further inaccuracy and financial engineering in corporate filings, which will not be beneficial to shareholders.

I personally have chosen to work in the tech industry because of the potential up-side that stock options present! I can speak from 25 years in the tech industry when I say that stock options result in employees that feel a true stake in the game. We are owners of our company and we all work extremely hard to achieve success, because success could result in our options being worth something. I do not have a great deal of confidence in the Social Security program, and look to the possibility of achieving some wealth and a comfortable retirement through my companies success. But if options are removed, my company and the entire tech industry will see a great change in work ethic. We will no longer have as much skin in the game, and overall performance will suffer. The entire US tech industry will have great difficulty competing in the world market if this happens.

I greatly appreciate your attention to this matter!

Warm regards,

Steven H. Proctor