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Letter of Comment No: 3081

File Reference: 1102-100

**From:** Deezbuddy@aol.com  
**Sent:** Monday, June 07, 2004 11:45 PM  
**To:** Director - FASB  
**Subject:** Position Statement for Palo Alto Roundtable -- Palo Alto

June 6, 2004

Andrew H. Dral  
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Financial Accounting Standards Board (FASB)  
Director of Major Projects - File Reference No. 1102-100  
401 Merritt 7, P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Dear Ms. Lynn Tatore,

When your office contacted me a few weeks ago about attending the June 24, 2004 roundtable in Palo Alto, it was brought to my attention that you wanted a position statement. I've been working on answering your questions located in the Notice for Recipients section of your Share Based Payment exposure draft, but unfortunately, I'm not done. Needless to say, I'm a strong proponent of your efforts to make the share-based payment standard an accounting reality. The formal FASB standard is long over due and should have been implemented years ago. I truly believe that the lack of accounting discipline was a major contributing factor to the stock market bubble.

When it comes to options, Silicon Valley will only be happy with options having a value of zero, anything else is not acceptable to TechNet, the Silicon Valley trade group. The Black-Scholes options' pricing model is time tested, elegant, and accurate. It is an excellent tool for valuing the price of an option. It's amazing how many of these firms against using the Black-Scholes for expensing options are using it to buy back options out-of-the-money options. Chairman Alan Greenspan says options "should be expensed," and the argument that they can't be accurately valued is "flat wrong." Chairman William Donaldson of the SEC strongly supports the expensing of stock options and has written members of the House and Senate to let the FASB do its job.

Senator Boxer laments "we can't stand by and let accountants wearing green eyeshades decide who is going to get the American dream." Senator Boxer would rather have Silicon Valley CEOs decide our accounting principles, so it's assured that Silicon Valley CEOs live the American dream, off the backs of shareholders. Not expensing employee stock options destroys transparency and shareholder value, fleecing the pockets of all investors.

One author laments, employee stock options are "a vehicle of fantastic riches for an elite few." CEOs have made windfall profits from employee stock options, while investors in the Tech 100 lost \$0.96 on the dollar from the markets peak until the boom's end. Investors have been stripped of returns by stock options. Why should we stop the CEOs from making egregious lavish salaries, roughly 531 times that of an average worker?

Over 500 companies and 1/3 of the S&P 500 companies voluntarily expense stock options, as of this writing. Last year the expensing of stock options passed in 26 shareholder resolutions. Some of the companies where shareholders voiced their opinion in favor of stock option expensing and won: Delta Air Lines, Apple Computer, Veritas Software, Fluor, Calpine, PG&E, Georgia Pacific, U.S. Bancorp, Thermo Electron, J.C Penney, and Kohl's. This year in four high profile proxy votes the expensing of stock options passed. At HP the expensing of stock options passed by 30.8% over those against expensing. At IBM expensing accumulated 54% of the votes. Proponents of expensing tallied 57% of the votes at Texas Instruments and 54.5% of the votes at Intel. Expensing of stock options lost at all of these companies last year. Investors demand that stock options be expensed.

The proponents of expensing employee stock options are not saying eliminate options, we just demand fair accounting for investors and pay for performance. Our entire capitalist system benefits with fair and transparent accounting. Capital will be more efficiently invested in companies that deserve their valuations, improving our economy, so in the long-run we will surpass countries that deceive their investors, because our scarce resources are more efficiently allocated.

Sincerely,

6/8/2004

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