

Stacey Sutay

Subject: FW: Expensing of Stock Options

-----Original Message-----

From: jim jolly [mailto:jimjlosaltos@yahoo.com]

Sent: Thursday, June 05, 2003 8:54 PM

To: Robert Herz

Subject: Expensing of Stock Options

I am a retired Human Resources executive and spent 30 years in high technology companies in Silicon Valley, ranging from a major semiconductor manufacturer to small, privately held, venture backed telecommunication firms that never went public. I am completely behind your efforts to make option expensing a requirement of publically traded companies. I have recently retired and am dependent on dividends and capital gains for a majority of my retirement income, and have some concern about the possible negative impact option expensing might initially have corporate earnings, and thus their stock prices. However, I am willing to take that "risk" for what I perceive to be the greater benefits that will follow from option expensing.

I managed the compensation (including executive levels) programs for several high technology companies during my career and can honestly say that the greed and avarice of many corporate executives has left me very disillusioned with many of America's major firms and their CEOs. The lavish grants of stock options has been a major element of this, and what I have found particularly offensive is the repricing of stock options when they fall "underwater" as the market fluctuates periodically. I hope you can hold your ground and pass this important new regulation, which I think will go a long way towards making the much needed improvements in Corporate governance and business ethics. I also hope it will force more companies to deal with outrageous levels of executive compensation and begin to reward employees in the lower echelons and narrow the ridiculous differentials that have developed in the executive versus lower paid employee compensation levels.

I cannot understand how these companies can argue that it will hurt them in their ability to attract, retain and motivate employees if everyone has to abide by the same set of rules. They will all be measured by the investment community on a similar yardstick, and strong companies should still command a premium stock price. Thanks for your efforts in this. By the way, I have voted my stock proxies in every company that I am a shareholder in to expense options when that has been on the ballot and I am very pleased to see that several of these measures have passed.

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