

ikon

Letter of Comment No: 3032
File Reference: 1102-100

From: anagaran@altera.com
Sent: Tuesday, June 01, 2004 8:20 PM
To: Director - FASB
Subject: File Reference No. 1102-100, Comment on FASB Stock Option Proposal



InterScan_SafeSta
mp.txt (296 B...

Dear Mr. Robert Herz:

I am writing in reference to FASB's invitation to comment on its exposure draft, "Share-Based Payment," an amendment of Statements No. 123 and 95. Stock options and ESPP are an essential part of the incentive and compensation package for employees of a company. Note that options and stock purchase plans are not only given to the top executives, but to all employees across the board. This is particularly true in tech companies. This has been the reason for the high productivity of tech companies in the U.S., since getting any gains out of these benefits is closely tied to the performance of the company. Requesting companies to expense these benefits would result in these benefits not being given to the employees. This would do more damage to the economy than good. Moreover expensing stock options and stock purchase plan would inaccurately portray the financial strength of a company.

Moreover effective models to expense employee stock option do not exist. Models available now, are more for quantitative analysis of short term publicly traded options. Using such existing models just because they are available, without thought to how they are relevant to the employee stock option scenario, in my opinion is not a good idea.

Companies already have to disclose all stock options and stock purchase plans. Any interested person can calculate the company's liability using this disclosure. Moreover the employee stock option and ESPP plans are approved by the stock holders. Given these facts, I do not see any reason behind FASB pursuing these changes, except as a knee jerk reaction to recent accounting scandals (which in no way was due to ESPP and stock options given to the rank and file employees of a company.)

Sincerely,

Ajay Nagarandal
ALTERA
600 Park View Dr
Santa Clara, CA 95054