Why Expensing Stock Options is a bad bad idea

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.

6) As an employee of a high tech firm stock options were a determining factor in selecting a high tech career, if you expense stock options— that drive and initiative goes away—and you run the risk of driving technology into the ground along with good will and creativity.

DO NOT EXPENSE OPTIONS !!!