

Stacey Sutay

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Subject: FW: Stock Option expensing

Jason,

I didn't know who to write to but I really wanted to share my 2 cents on stock option expensing rules, so I randomly picked your name from the e-mail list provided on the FASB website.

First, a little of my background: I'm an engineer with lots of stock options at a Silicon valley company, so I would definitely be hurt by any negative impact of stock option expensing on stock prices. However, I think the tech industry execs are being very short-sighted and greedy and finding every which way to lie about this issue. Since institutions and smart investors see through their smoke and mirrors, I think the main effect of any rules changes requiring stock option expensing would be better corporate accountability and better long-term health for high-tech companies. For me its a no-brainer. The executives who get outrageous compensation through stock options don't want their party to end (and they even thrive on the exaggerated boom and bust tech cycles, which have been driven in part by dishonest accounting, so they can get lower prices on their options).

These execs want us to believe that giving stock away (as options) for pennies on the dollar can be fully accounted for through earnings per share dilution. They're trying to convince us that giving away stock is not the same as giving away money, but it absolutely is!! It's the currency of the company. If they were to sell that same stock at market prices to the public, they would have the exact same dilution effect, but they would get full market value money for the stock, which would go into the company's bank. It could later (or even right away) be used to buy back that same amount of stock, thus canceling the dilution effect. In that sense, the per share value of the company is not altered by a market sale of stock, but with an option sale, the company has permanently given away the amount of the stock option price discount, which is now income to the employee.

Their last argument is that the stock might never have gone up if the employees hadn't been given the options as performance incentives. That may be true, but we'll never know, because the executives want to keep the accounting fiction going for as long as possible so they can reap unbelievable amounts of pay.

Enough said. Thanks for reading this.

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