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**From:** Mike.Gay@Sun.COM on behalf of Mike Gay [R]  
**Sent:** Tuesday, June 01, 2004 3:16 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

**Letter of Comment No: 2998**  
**File Reference: 1102-100**

Ladies and Gentlemen,

I write to you today to express my very significant concerns (also known as personal panic) about the rush to "expense" stock options. See File Reference No. 1102-100. My concerns are:

1. The granting of stock options is not what one would normally consider an "expense".
2. Even if it is considered to be a part of "salary and benefits" what is there to expense? If, for example, I have the option to buy additional life insurance and I bear the whole cost of the insurance, that is an employee benefit but there is nothing for the company to expense. There are no out of pocket costs (except for administrative ones which are expensed regardless). Stock options are similar. The employee buys the stock from the company and sells it on the open market. Other than administrative costs, which are expensed regardless, there is no cost to the company. But, wait, you say. There is a lost opportunity for the company to benefit from that sale and the associated price appreciation itself. But lost opportunities are not "expenses". Further the company can take advantage of the opportunity to go into the market at any time and sell stock itself.
3. BIGGEST reason not to expense options. Workers and middle management will be the ones hurt by this. If expensing of options is implemented, stock options will go away except for the highest levels of management. It will, as usual, be the little guy who gets shafted. What possible benefit does that represent. Use footnotes, use tables, there are lots of ways to clearly disclose the existence of stock options and the potential for dilution. But, that's a balance sheet issue, not an "expense". Let's not throw the baby out with the bath water.

Thanks for considering this.

Sincerely,

Michael H. Gay