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To: Board members, stock compensation distribution

From: D. Willis

DAVID E. SKAGGS  
2ND DISTRICT, COLORADO

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June 30, 1994

Mr. Dennis R. Beresford  
President  
Financial Accounting Standards Board  
PO Box 5116  
Norwalk, Connecticut 06856

OWB 7/1

Dear Mr. Beresford:

I'm writing to express concern over the potential impact of the Financial Accounting Standards Board's (FASB) proposed regulations on accounting for the issuance of stock options.

While I recognize that FASB has proposed these regulations in an effort to provide more complete information to prospective investors, many members of the high-technology industrial community -- a community that plays a major role in the economy of the State of Colorado -- insist that these standards will wreak havoc with their companies and their workers. These are companies which, for the most part, provide stock option plans to all employees, not just a select few at the top of the organization.

Forcing these companies to recognize a "cost" in granting stock options in this way would serve no useful purpose, would be more disinformative than informative, and would damage companies' reported financial position even though their actual financial position may be improved. Potential investors, who may want access to this information because of the possible dilution of share value that stock options may present, would not be served by seeing the company's profits reduced by recognizing the costs of such options -- options which may in fact never be exercised.

Since the real concern is the dilution of the relative position of other shareholders that occurs if options are exercised at under market prices, the purpose behind FASB's proposal would be better served by requiring companies merely to disclose in an appropriate format that options have been issued. FASB's proposal that options also be recognized in financial statements would make these statements neither fairer nor a more accurate reflection of a company's financial condition. Moreover, if the promulgation of FASB's regulations does indeed have a disproportionate adverse impact on one segment of the business



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community -- such as high-tech companies -- it would suggest that your effort to provide for the neutrality of financial statements might not work as intended.

I support wholeheartedly your stated mission (as reported in your March 21 letter to The Wall Street Journal) of "establish[ing] . . . standards . . . for the guidance and education of the public . . . ." I also appreciate the independence of the Board. I encourage you, however, to listen with an open mind to the views of all people whose livelihoods may be, however inadvertently, jeopardized by your actions.

Thank you for your attention to this matter.

Sincerely yours,

  
David E. Skaggs