Andrew Simon
[redacted]

February 3, 2026

The Honorable Paul S. Atkins
Chair, U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Dear Chair Atkins,

I am writing as an individual investor to propose a modernization of how public companies report executive compensation. As a shareholder who reads proxy statements and financial reports, I see a longstanding disconnect between the current accounting rules and economic reality.

For years, investors like me have had to navigate a confusing patchwork of disclosures. On one hand, companies are forced to record permanent expenses for stock options based on theoretical models, even if those options never vest or remain underwater through their expiration. On the other hand, the true, mark-to-market value of what an executive actually earns is buried in complex supplementary tables.

This system confuses investors, distorts Net Income, and fails to reflect the true volatility of modern equity compensation. With the recent implementation of the "Pay Versus Performance" (PvP) rules, the Commission now has the data to fix this.

Under current GAAP (ASC 718), companies must expense stock options based on a "Grant Date" value using the Black-Scholes model. As an investor, I see two major failures in this approach:

1) Phantom Expenses: If an option grant is "underwater" and expires worthless, the company cannot reverse the expense. The Income Statement permanently reflects a potentially significant cost for a benefit the executive never received. This violates the basic common-sense principle that an expense should match a real economic cost.
2) Information Overload: I am currently presented with three conflicting "Pay" numbers: the Summary Compensation Table (theoretical value), the PvP Table (actual value), and the

Realized Pay (tax value). It is often unclear which number accurately represents the dilution I am suffering as a shareholder.

I respectfully urge the Commission to use its statutory authority over both financial reporting and disclosure to achieve the following:

1. Exempt Stock Options from Income Statement Expensing (Override ASC 718)

The Commission has the ultimate authority under the Securities Act to determine accounting standards. I request that the Commission direct the Office of the Chief Accountant to allow issuers to reflect Stock Option dilution in the Diluted EPS denominator and footnotes, rather than as a non-cash expense in Net Income. This would correct the "phantom cost" distortion where companies are penalized for options that may never vest.

2. Amend Regulation S-K Item 402 to Mandate "Actually Paid" Disclosure

In exchange for removing the expense, amend Regulation S-K to require that the Summary Compensation Table report the "Compensation Actually Paid" (Mark-to-Market) value of these awards.

> Why: This ensures that while the "expense" is removed from the Income Statement, the true economic value transferred to the executive is prominently disclosed to investors in the proxy.

3. Sunset the separate "Pay Versus Performance" table (Item 402(v))

Since the CAP metric will now be the primary headline number in the Summary Table, the separate 402(v) table becomes redundant. The SEC should eliminate this duplication to reduce the reporting burden on issuers and simplify the proxy statement for investors. The objective of Item 402(v) can be achieved more simply by requiring a single 'CAP vs. TSR' line graph, rather than a dense secondary table.

4. Explicitly Permit Negative Numbers

Amend the rules to allow the "Total Compensation" column to register as a negative number.

> Why: True transparency requires symmetry. Under a mark-to-market model, compensation value fluctuates. If a CEO's unvested equity declines in value significantly, the compensation formula mandates a negative adjustment. A reporting "floor at zero" artificially inflates the pay figure by ignoring these downward adjustments, effectively hiding the alignment between executive payouts and shareholder returns.

We have lived with the "Grant Date" error for too long. You already have the infrastructure to calculate the correct number (CAP). It is time to elevate that metric to the primary disclosure and relieve American businesses of the burden of theoretical, non-reversible expensing.

This change would make financial statements easier for Main Street investors to understand and more reflective of the true relationship between pay and performance.

Sincerely,

Andrew Simon

Individual Investor

CC: Office of the Investor Advocate