Letter of Comment No: 5131

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From:

Dissly@aol.com

Sent:

Monday, June 21, 2004 4:43 PM

To:

Director - FASB

Subject: FASB's proposal to expense stock options and ESPP's

I have been a CPA and CFO for over 35 years.

Your proposal to expense stock options and ESPP's not only;

- (1) damages the U.S. competitive position as China and Taiwan are increasing their use of stock and stock options to achieve the levels of innovation which up to now the U.S. achieved through the use of stock Options. The passage of your proposal will effectively move the employees who innovate from the U.S. to China and Taiwan. Employees are going to move where they can achieve the upside for their innovation and
- (2) is just plain wrong from an accounting point of view. In the money employee stock options are already factored into the EPS calculatuion. Unless the stock price increases and the option vests, it has no "cost" to stockholders because the option is worthless. It is impossible to predict the futrue value of employee stock which are not tradable or transferable. Adding a guesstimate to the Statement of Operation(P&L) only makes sure that the reader of the the Income Statement will not be able to understand whether the company has an operational profit or not.

I can not believe that the FASB is proposing a system whereby the fluctuations of the stock market which has and will continue to be significate will increase or decrease the quarterly net income of a company.

Richard Dissly Chairman of the Audit Committee **Nextest Systems Corporation**