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Via E Mail

To: The Financial Accounting Standards Board (Reference File No. 1102-100)

From: Mark H Goldstein, CEO, InStorecard Inc.

The following are our comments on FASB's recent Exposure Draft , *the Share-Based Payment, and Amendment of FASB Statements No. 123 and 95.*

Macroeconomic Considerations

1. FASB claims that only 3% of all small businesses use stock options. Of course, the relevant point is that ***within that 3% are the venture-backed companies*** that are responsible for creating 10 million jobs and over 11% of annual US GDP. These companies rely on stock options as a critical part of motivating employees to take high-risk jobs.

2. Options make employees equity partners. Technology competitors ***India and China have specifically said no to expensing options***, and China's latest 5 year plan calls for broad based employee stock options.

3. Expensing options ***will not address corporate governance issues*** or penalize management excesses.

Financial Reporting Considerations

1. The proposal generally calls for stock options to be expensed at grant date using either the Black-Scholes method or binomial methods, which are widely acknowledged to be problematic when applied to employee options. Those methods are useless for nonpublic companies. Now, FASB has determined that if a nonpublic entity decided it could not reasonably estimate the fair value of employee stock options (using Black-Scholes or binomial models), it could choose to use a modified "intrinsic value" method. Doing so requires ***recalculation of the expense every reporting period creating variable accounting treatment as the stock options are marked-to-market***. Nonpublic companies should continue to have their option values determined by their Boards and their auditors.

2. Using these methods will result in misleading and non-comparable financial statements. ***Each company will determine its' own variables for future volatility, option term and dividend yield.***

3. Not including vesting periods in the determination of value overstates the value of an employee option and ***violates the principle of fair value***.

4. Expensing options ***confuses a capital account transaction with a P&L event***. Options do not create a liability for companies. Options do not affect revenue, cash, or impact company operations. The FASB proposal would, in effect, reflect a double dip, or double cost of capital.

5. Current rules allow expensing and/or disclosure of the amount of expense in footnotes to the financial statements. This is the correct approach

About InStorecard
InStorecard's mission is to continually develop innovative and price-disruptive retail loyalty solutions that serve a broad range of retail businesses and are delivered as an application service.

Sincerely

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