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To: Director - FASB
Subject: File Reference #1102-100

Regarding proposed accounting treatment of stock options, I believe that the FASB is falling prey to the political whim of the day. Instead of asserting the positive role that stock options have played on stimulating the creation of new enterprises and the growth of our economy, the alliance of management and shareholder interests, and an efficient means of rewarding performance, my comments are toward the inconsistencies implicit in the proposal.

1. The proposal establishes a constant at a point in time based on a series of estimates for the numerator in the EPS calculation. The variability and judgment inherent in these estimates only serve to decrease the value of the financial statements as a means to compare performance amongst alternative investments. In addition, the inherent variability and judgment increase the risk to all reporting parties including management, the Board, and the outside accountants.
2. Continuing to use a denominator that continues to change over time in the calculation of diluted EPS is inconsistent with the fixed estimate used in the numerator. For the sake of consistency, the denominator should be fixed when the numerator is fixed which would equate to calculating the share equivalent dilution at time of grant. Unfortunately, this means that diluted EPS would be less meaningful over time.
3. The basic EPS calculation today serves as a "clean" basis for measuring earnings performance. To add a theoretical expense estimate that's subject to significant judgment only serves to reduce the usefulness of this measurement.

Unfortunately the actions to curb the abuses of a few can adversely impact economic growth and job creation. Comparing executive management compensation with that of certain actors, musicians, television reporters, lawyers, and professional athletes, makes executive management a tremendous bargain. They are who create jobs and economic growth.

Manny Perez de la Mesa

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