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Letter of Comment No: 2495 File Reference: 1102-100

From:

jim.haden@jdsu.com

Sent:

Monday, May 17, 2004 3:17 PM

To:

Director - FASB

Subject:

File Reference No. 1102-100, Comment on FASB Stock Option Proposal



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Dear Mr. Robert Herz:

I am writing in reference to FASB's invitation to comment on its exposure draft, "Share-Based Payment," an amendment of Statements No. 123 and 95. FASB believes that stock options and Employee Stock Purchase Plans (ESPP) are compensation costs that should be reported as an expense on a company's financial statement, and has issued proposed rules that mandate expensing beginning in 2005.

I do not see stock options as an expense. Expensing options would not add clarity to financial statements, and would actually give investors a misleading picture of a company's financial performance. Furthermore, the estimated value of options is already disclosed in companies' financial statements. The estimated value of options, shows up eithor as an expense or in a footnote to the income statement. This is appropriate treatment. Technology companies, especially, need options to compete with startups for technical talent. The options are a valuable retention plan.

FASB would require companies to estimate the value of their options by using a very complex formula, either the Black-Scholes or a binomial option valuation model.

Valuation models are unproven. These valuation models were developed to price very shortterm, publicly traded options which are exercised on expiration, and these models do not work for employee stock options.

FASB should reconsider this proposal as it could significally reduce the ability of US companies to compete with foreign run companies.

Sincerely,

Jim Haden 80 Rose Orchard Way San Jose, CA 95134