

From: kimpetersonevans@yahoo.com
Sent: Wednesday, June 02, 2004 7:35 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. I am an in-house attorney in California and I am writing to express my concern over FASB's proposed rules that would force companies to expense stock options on their income statements. I believe that forcing companies to expense options is wrong for many reasons, two of which are as follows: (1) companies already provide comprehensive disclosure regarding stock option grants in their income statements; (2) stockholders have control over the rate of dilution insofar as they now have to approve of stock option plans and any increases in shares reserved for issuance; and (3) there are serious shortcomings in the valuation methodologies used to value stock options, which would lead to distortions in income statements, not clarity. For example, in my company, if we had expensed options in fiscal 2003 using the Black-Scholes method, we would have recorded an additional compensation expense of over \$85 million, \$24 million of which relates to stock options that were under water on the last day of our fiscal year.

Sincerely,

Kim Evans
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