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Letter of Comment No: 3644
File Reference: 1102-100

From: Fred Muhlenberg [Fred.Muhlenberg@Sun.COM]
Sent: Wednesday, June 02, 2004 7:29 PM
To: Director - FASB
Subject: File Reference No. 1102-100

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I am writing this letter to express my opposition to to the FASB proposal to mandate companies to record stock options as expenses.

I am of the opinion that options represent a liability, not an actual expense. An expense is incurred at the time of exercise, not the time of granting. Exercise options are an expense but this is derived at the time of exercise.

Clearly, companies ought to be required to list their liabilities and options should fall under this. But to require actual expensing at the time of a grant is ludicrous. At the time of a grant, I am not even vested in my options. This takes 5 years. A lot can happen between now and then. Take the last 5 years for example.

My recommendation is that companies be required to list the currently vested options as a liability. They should also be required (if not already) to record the options exercised.

Price matters here so data points could include the number of options grouped in $1, $5, or $10 dollar increments. Provide the information for disclosure and let the market decide how best to use the information. Maybe there should be some set-aside monies for options -- much like a pension fund. I don't know. However, I am sure that option should be addressed as a liability, not an expense.

-Fred Muhlenberg

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'One thing at a time and that done well'