

**Stacey Sutay**

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**Subject:** FW: Exposure Draft No. 1102-100 Share Based Payments

May 12, 2004

Financial Accounting Standard Board  
401 Merrit  
Norwalk, CT 06856-5116

RE: Exposure Draft No. 1102-100 Share Based Payments

Dear Sirs or Madam:

I am a trained professional who works in the high tech industry. I received my Masters degree in Accounting from UW Oshkosh, WI in 1983. I am writing in response to the Board's invitation to comment on the above mentioned exposure draft. In the exposure draft, the Board has a resolution to mandate that corporations include in their financial statement the costs associated with the issuance of stock base compensation. I disagree with your conclusion and truly believe the implementation of it will fill financial statements with inaccurate and subjective measures.

First and the fore most reason is that the costs of employee stock option are already properly accounted for in FAS 128 through the use of diluted EPS. And FASB 123 footnotes provide the disclosure data necessary for the investors and analysts.

Second, Employee Stock Option (ESO) is not a revenue to the recipient at the date of grant, hence not an expenses to the issuing corporation. It is no question that an ESO has some value to the recipient; however, it is not convertible to cash at the grant date. Its value is contingent upon the future performance of the issuer's stock and the vesting period. In addition, unlike publicly traded shares or options, an ESO award does not includes the ability to sell and receive the remaining time value in an open market environment. The employee will only realize the actual cash value of the option on the date the option is exercised after it is vested. General Accepted Accounting Principles only allow recognizing revenues or gains, as it is realized or realizable. Therefore, the receipt of an option, whose value is not realizable until it is vested and sold, should not be recognized under GAAP as revenue. By the same logic, the grant of such an option should not result in an expense to the granting company.

Finally, a mandatory expensing standard will not give investors accurate or reliable information. On the contrary, it would significantly distort companies' financial statements, making it impossible for investors to compare the financial picture of companies and penalizing rank-and-file workers as companies phase out options to avoid distortion of their balance sheets and investor confusion.

I sincerely hope that FASB abandon its position on the proposed exposure draft. Instead, continue the current statement 123, which has proven to be a workable and effective means of providing investors precise information about employee stock option while avoiding misleading expense charges on company income statement.

Sincerely,  
Hwei-Jean Huang 