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Richard Golladay
1500 Bay Road #1454 ✓
Miami Beach, Florida 33139
305-695-0033
Richard_Golladay@bellsouth.net

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Financial Accounting Standards Board
Attn: Chairman Robert H. Herz
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 10
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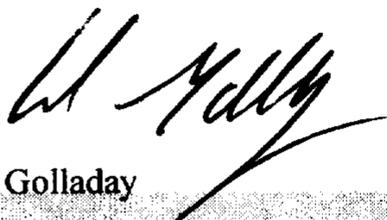
Dear Mr. Herz:

I am pleased that companies will have to begin expensing stock options in the second quarter of 2006. Under current accounting rules, the expense of issuing stock options is not recorded in the financial statements. Since eighty per cent of executive compensation is received by exercising stock options, eighty per cent of executive compensation is not recorded. If eighty per cent of wages and salaries expense were not recorded, it would be considered fraud. Therefore, it is important to record the expense of issuing stock options on the income statement in order to maintain the integrity of both the accounting profession and the financial statements. However, I do not believe that the Black-Scholes method should be used to calculate options expense because it is only an estimate. I believe that options expense should be calculated as the difference between the strike price of the option, and the repurchase price of the stock. This is a more accurate way to calculate the expense of issuing stock options, because this amount is the actual amount of money that comes out of retained earnings to repurchase stock that is issued to executives as a result of exercising stock options. Currently, companies issue stock options to executives, and then repurchase the stock through stock repurchase plans in order to combat the dilutive effect that stock options have on earnings per share. Therefore, the difference between the option strike price and the repurchase price of the stock is the most accurate way to calculate the expense of stock options, because this is the difference between what the company received from issuing the stock (strike price), and what the company paid to repurchase the stock on the stock market. As an example, if an executive exercises a stock option with a strike price is \$10.00 per share, then the company will receive \$10 upon exercise of the stock option. When the company later repurchases this share of stock in the stock market for say \$30, then the difference of \$20 should be charged as stock option compensation expense on the income statement because this is the net amount that the corporation paid out of retained earnings to issue and repurchase the stock.

However, since the repurchase price of the stock is not known at the time the option is exercised, I believe that the difference between the strike price of exercised stock options, and the current market price of the stock should be recorded on the balance sheet as a liability until the stock is repurchased. When the stock is repurchased, the difference between the strike price and the repurchase price should be expensed on the income statement, and the corresponding stock option liability should be reduced on the balance sheet.

This would be the most accurate way to calculate the expense of issuing stock options to executives, because my method does not rely on estimates. Instead, the net amount of money that was paid out of retained earnings to issue and repurchase stock that was issued as a result of stock option grants would be recorded.

Sincerely,



Richard Golladay
C.P.A.

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