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Letter of Comment No: 5801
File Reference: 1102-100

From: Dan Kossmann [dkossmann@outstart.com]
Sent: Wednesday, June 30, 2004 8:14 PM
To: Director - FASB
Subject: File Reference No. 1102-100

I am writing to comment on your Final Exposure Draft, Amendments to FASB Statements No.s 123 and 95.

I am a CPA and CFO of an emerging software company. I have been practicing accounting for 26 years. I am opposed to a change in accounting rules that would require the expensing of stock options for many reasons. I will summarize a few here;

1.) Over the years I have been increasingly troubled by the issuance of new accounting rules that stray farther and farther away from base accounting principles such as matching revenues and expenses, the cost basis. Rules which are long on theory and short on practicality. Rules that are extremely difficult to understand, implement and explain. These proposed new rules are the most egregious yet. Although theoretically more exact, these rules make financial statements less reliable, understandable and useful forcing practitioners, such as myself, to publish "pro-forma" statements to provide investors with what they are looking for.

2.) I agree with the fact that options have value that are ignored in the financial statements, however, there are a lot of things that add and detract value from an entity that are ignored in financial statements; customers, intellectual property, proprietary processes, real estate. Isn't it logical if we are going to charge the financial statements for stock options that we would account for the value of a customer each time one is attracted?

3.) Any proposed method of valuing options incorporates market conditions. Something that is completely out of the control of the companies management. If approved, the proposed accounting rules would incorporate into a company's P&L an expense item that

Can not be managed.

Thank you for considering my input.

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