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Letter of Comment No: 2672

File Reference: 1102-100

From: jholtz@stamps.com
Sent: Friday, May 21, 2004 1:10 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. As a CPA in California and a member of the high-tech industry I am disappointed and very concerned about the proposal that the Board is considering. While stock options provide a compensatory element which has the characteristics of an expense, it is not an expense. Accounting 101 requires something to be booked when it is measureable. I've spent considerable time with stock option valuation in the past and even the leading models like Black-Scholes are ultimately just tools based on various estimates that are the inputs (I worked with Roger Ibbotson in developing a web based Black Scholes model for the average individual. It can be found at <http://www.holtz.biz/options/>).

Given stock valuation for public companies can vary from day to day, it is unreasonable to assume that an option could be an expense.

If the Board is truly worried about the comparability with non-stock option companies, then they should focus on increasing the disclosure requirements, providing pro-formas, etc. but not altering historical GAAP income. This is extremely troubling and problematic.

While I understand what the goal is, the method to accomplish the goal is wrong. In addition, the Board cannot sit in an ivory tower and not consider the real economic impact they will have. The high tech industry is driving productivity. At the precarious point we currently are in the economic cycle, adopting this proposed change would most certainly extend the hurt that the high-tech sector and the rest of the economy are suffering. Remember for each high-tech worker hurt, it in turns hurts all the place they shop, eat, buy gas, purchase clothes, etc.

If the board is truly interested in improving GAAP, please find an alternative means to accomplish that.

Thank you for your time and consideration.

Sincerely,

Jay Holtz
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