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Letter of Comment No: 2665
File Reference: 1102-100

From: Yong Jiang [yjiangw@yahoo.com]
Sent: Thursday, May 20, 2004 9:41 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I am writing to you to express my concern for the proposal of expensing stock option in the US and I would like to ask you not to support this proposal. Followings are my opinions on the proposal.

- 1) Stock options have served as a significant tool to drive American high tech leadership, innovation and job creation. If implemented, FAS 123 will likely bring an end to broad-based employee stock option plans inside the United States.
- 2) U.S. companies need broad-based employee stock option programs to compete with other countries on a global basis. Other countries, including China, do not expense stock options.
- 3) These broad-based employee stock option plans not only enhance productivity but also benefit shareholders by better aligning employee and shareholder interests.
- 4) Stock options do not meet the definition of an expense because they do not use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Employee stock options are not freely tradable, are subject to forfeiture if an individual leaves the company, and are therefore impossible to value.
- 5) The FASB exposure draft will require companies to somehow come up with a value -- however inaccurate-- and force companies to put inaccurate information on the financial statement. The financial statements will actually become less valuable to the individual investor. Overall expensing options will likely lead to further inaccuracy and financial engineering in corporate filings, which will not be beneficial to shareholders.

Thank you.

Yong

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