Letter of Comment No: 5278
File Reference: 1102-100

June 22, 2004

Financial Accounting Standards Board 401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

re: Stock based compensation

Gentlemen:

The purpose of this letter is to urge you to delay mandatory expensing of stock options beyond 2005 for the reasons listed below. In the interim, continue to rely on Financial Accounting Standard No. 123, which provides publicly held companies with flexibility, but requires them to disclose the pro forma impact in the financial footnotes each quarter.

Reasons to delay mandatory expensing of stock options:

- 1. There doesn't appear to be a sound methodology for valuing the "expense" associated with stock options. There is consensus that the Black-Scholes valuation model is not suitable for this application and has the reputation for overstating expense and producing varied results.
- 2. The impact on innovation, economic growth, quality of life and employment is unknown. From everything I've read, heard and experienced, stock options are very important incentives that have to date, fostered and accelerated innovation. America's innovation has made it the envy of the world. Stock options motivate and make things happen. They foster close knit corporate cultures and the retention of experienced teams.

In short, I believe that you should take the time to fully understand and/or resolve the above issues because the stakes are high. It seems to me that the risk of moving too fast far outweighs the risk of delay on this matter. In the meantime, let FAS No. 123 do its job.

Sincerely,

Jann Allen Weaver, CPA Executive Vice President & Chief Financial Officer