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June 30, 2004

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

Re: Accounting for Stock Options

Distinguished Board:

I am writing to oppose your theoretical proposal to expense stock options in the GAAP income statements.

While your accounting goal is honorable, it is also flawed. Whether using the Black-Scholes method or Binomial/Trinomial/Multinomial methods, the calculated answers will generate a very wide spectrum of results. The calculated answers will vary so greatly, that profit and loss results among companies will not be accurately comparable. I believe the profit and loss results will vary so greatly that investment analysts and sophisticated investors will immediately and automatically adjust the stock expense amounts out of the GAAP profit and loss statements.

Use of any of these methods will also wreak havor for the ordinary (unsophisticated) investors. The average investor will not understand these theoretical charges. These investors will not understand why many of the companies included in their 401K portfolios are generating large losses. These investors might very well panic and sell-off all such investments even though none of the economics for any such companies have changed.

On a theoretical basis, I believe any expense/accrual recorded on the GAAP books should be measurable within a reasonable range of accuracy. Unfortunately, I have not seen/heard of any methods that produces stock option expense within such a reasonable range of accuracy. I am afraid the FASB efforts to generate theoretically correct financial statements will result in a large loss of confidence in the GAAP financial statements. Recording stock option expense based upon poor measuring methods at best will cast a shadow over all the revenues/liabilities/expenses that are recorded based on more reliable and accurate methods of measurement.

"If it ain't broke, don't fix it." I believe the best theoretical and practical answer is to continue the disclosure of stock option expense in the footnotes to the financial statements. The GAAP financials will retain credibility while footnotes will inform the

sophisticated investors that might have an interest on the possible impact of stock options.

Yours truly,

Michael M. Cully