

Karen Salmansohn

From: Len Tatore
Sent: Friday, January 17, 2003 10
To: Karen Salmansohn
Subject: FW: Options are Not Expenses

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-----Original Message-----

From: Michael Koss [mailto:mjkoss@koss.com]
Sent: Friday, January 17, 2003 10:47 AM
To: director@fasb.org
Subject: Options are Not Expenses

I strongly object to the notion that Stock Options are considered an expense to a Corporation.

Since when does writing a check to a Corporation in exchange for stock constitute a business expense? This is entirely misleading.

It is bad enough that the IRS requires ISOs to be taxed to the individual without tax benefit to the corporation when they are exercised and held by the individual. Now FASB wants to make Options appear even more sinister by proclaiming them a business expense?

What's next??? How about deeming a shelf registration and the money raised in an IPO an expense...after all if the company simply waited a few years to do the same IPO it could have received more money for each share sold.... so using your logic the difference between the early IPO and any contemplated future IPO must be an expense to the corporation during the early offer!!!....This is the same logic you are applying to options and it does not make sense.

I am certain that FASB has no intention of creating windfall paper profits to corporations on options that are suddenly underwater when markets crash and prices fall or do you? Why even think about calling Options expenses...the notion is totally misleading.

Options are not expenses. The dilution of shares relating to options is already reflected in the EPS calculation...that is all that matters.

Thanks Much
Michael J. Koss
President and CEO
Koss Corporation