Karen Salmansohn

From:

Director - FASB

Sent: To: Friday, January 31, 2003

Karen Salmansohn

Subject: FW: File Reference 1102-

Letter of Comment No: 11

File Reference: 1102-001 Date Received: | -3/-03

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

From: Chamberlain, George [mailto:George.Chamberlain@neartek.com]

Sent: Friday, January 31, 2003 9:36 AM

To: Director - FASB

Subject: File Reference 1102-001

I am writing to oppose the expensing of options on a company's income statement.

I have been a CFO or senior financial executive for 37 years, for both small private and public companies (MCAM, MAPX) and large companies (DEC).

In my view, it is improper accounting to charge the profit and loss statement with the cost of options. (Since the cost does not belong on this statement, the method of calculating the cost is a red-herring, and is irrelevant.)

The real cost of options is the additional dilution in earnings per share which occurs as the number of potential shares increases.

This is a cost to the existing stockholders, not to the company. These stockholders have indeed delegated to the company, through their approval of option plans, the authority to issue additional shares, and to cause the dilution.

Allowing or causing the cost of options to appear on the profit and loss statement will further confuse investors, by obfuscating their ability to understand the operations and efficiency of the company.