

**Len Tatore****Letter of Comment No: 1680**  
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**From:** Donald B Littlefield [dblittlefield@comcast.net]  
**Sent:** Friday, April 23, 2004 12:02 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Chairman Robert H. Herz, board members and staff:

Thank you for accepting and considering my comments regarding the expensing of corporate stock options granted to employees of a corporation:

The treatment of employee stock options as an accounting expense, disregards three fundamental issues:

**First**, employee options are not freely tradable. How do you value something that has no market? How do you put a price on something that is not for sale? The answer is that you cannot. It is only possible, but would be bad public policy, to guess at the value of such options.

**Second**, employee stock options are subject to lengthy vesting periodstypically four or five years. If the employee changes jobs before their options vest, they are forfeited, retaining no value to the employee and costing the company nothing for having made the option grant.

**Third**, employee stock options will be exercised only if the stock price rises above the option strike price. At best, it is only possible to guess at what a future stock price will be. To accurately predict a stocks future price requires pure luck.. Look at the impact of past industry, local, national and world events on the actual market price of stocks. What the price of a stock is at one moment can change significantly in only a few minutes, hours, or passing of just a few days. We cannot predict the future.

This FASB exposure draft is sure to be greeted with relish by our competitors in Asia and beyond. Entrepreneurs in China, Singapore and India will not just continue to focus on software development or other low-tech industries. They will create global economic powerhouses there which will be listed on those stock markets. In its latest five-year economic plan, the Chinese government explicitly calls for broader use of stock options to attract and retain key talent in China.

It is ironic that a communist country, the People's Republic of China, is encouraging the wider use of stock options, while in the U.S. the FASB wishes to make option grants to employees much more difficult and expensive. This FASB proposal will harm the ability of Americans to innovate and drive our nation towards second tier status.

Thank you for considering my comments.

Sincerely,  
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