## ikon

From: Director - FASB

Sent: Wednesday, July 07, 2004 1:52 PM

To: ikon; Karen Salmansohn

Subject: FW: Expensing Stock Options

Letter of Comment No: 64/9 File Reference: 1102-100

----Original Message----

From: Frank Brooks [mailto:fbrooks@wischip.com]

Sent: Wednesday, July 07, 2004 1:43 PM

To: Director - FASB

Subject: Expensing Stock Options

Dear Sir:

I am the CFO of a small, private start-up company in Silicon Valley. We rely heavily on stock options as compensation and incentive for our employees.

I am writing to express my concern about the FASB's stance on expensing stock options. I have taught accounting over the years, and the idea of expensing stock options makes no sense to me whatsoever. It is not an operating expense; it is not a cost of goods sold. It is a "manufactured" and highly imprecise expense meant to somehow reflect the impact of stock options on the market valuation of the company expensing the options. I truly appreciate the FASB's efforts in defining reporting standards for corporations, but your stance on expensing options seems contrary to your good work in the past. Surely a better way of showing the impact of stock options on a company's valuation is a simple disclosure as to the dilutive impact on the outstanding shares of the company that grants options. It would be far easier and far more precise for those looking at companies' financial statements to discern the impact of options on the value of a company that way than to try to figure out what is being done artificially to companies' earnings. I am truly at a loss to understand why you would rule that options must be expensed as opposed to simply being disclosed.

I honestly do not believe the impact of the FASB's ruling will severely impact stock option plans. I do however feel that the ruling is plain wrong and counter to what good accounting is all about, a true and consistent reflection of a company's performance. The accountant in me is perplexed and appalled at this proposed rule.

Sincerely,

Frank Brooks

VP Finance & CFO

**WIS Technologies**