

ikon**Letter of Comment No: 6428**
File Reference: 1102-100

From: Bryant Kaminaga [bkaminag@hotmail.com]
Sent: Saturday, July 03, 2004 2:51 AM
To: Director - FASB
Subject: File Reference No. 1201-100

Hello. I would like to comment on the recent discussion on how to account for options granted by companies. As I was pondering the concepts provided in APB 25 and FAS 123, it occurred to me that perhaps the valuing and expensing of options is improper. One of the basic, basic rules I recall from general accounting is that gains or losses cannot be self generated by a company through the use of its equity. As equity is the ultimate value of a company, any such self valuation would be inaccurate and improper. As options are in essence, equity generated by a company, valuing it and expensing it would essentially break that rule as it would eventually flow through the P&L and be recorded as a loss-like item.

I do appreciate the theory that providing such options to employees of a company in essence, is a form of compensation--and that such compensation needs to be recorded as an expense to the company. Economic value has been provided to employees for their services. However, unlike wages, or pensions, options cannot easily be determined by real value dollars that was paid on a cash basis. I do agree that some expense value must be given on this idea of "compensation", just not the inaccurate future value estimate of some time-value component of a derivative. A more accurate estimate in my mind would be to see what the impact would be to an outside investor. As a non-employee investor on the "Street," any options provided to an employee would only impact me through the dilution of the weighted average shares. When those options vest and are exercised, it will increase the outstanding float, and reduce my portion of the company's earnings. That appears to be the only real impact. The calculated value of the option would make no sense from an outsider's standpoint, as it's not a real economic asset like cash or notes that was given up.

Those are my ideas on the matter. Thank you for your time.

[Check out the latest news, polls and tools in the MSN 2004 Election Guide!](#)