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Letter of Comment No: 5830 File Reference: 1102-100

From:

Edward Yau [edward_yau@hotmail.com]

Sent:

Wednesday, June 30, 2004 5:11 PM

To:

Director - FASB

Subject: FASB File Reference No 1102-100 - Expensing of Stock Options Comments/Concerns

Dear Chairman Robert H. Herz,

I am writing to express my concern in regards to the recent recommendations by the Financial Accounting Standards Board (FASB) on how companies should expense stock options. The stock options give working Americans in general a hope to share in the success of the companies. I, myself like others working very hard because I believe in stock options are a wonderful way to reward and keep highly motivated employees to be innovative, creative and productive. These are the necessary elements to make a company to become successful and a successful company can return values back to shareholders in the form of highly valued stock price. For example, in order for an employee to receive stock options, performance, productivity and customer satisfaction are some of the criteria required in today's very competitive working world (Silicon Valley vs. China, India, other countries). If all companies are required to start expensing stock options including ISO/NQ and ESPP in year 2005, many companies will find it very difficult to accurately report their earnings and because of this reason, many companies might abandon the attempt to issue stock options to employees in the future. This will definitely impact employees' motivation level to perform their best in workplace. In addition, I also do share the same general view points on the effects of expensing stock options from the following:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.
- U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be first, "do no harm".

Thank you for your attention and consideration,

Edward Yau

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