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**From:** Haitao Zhang [hzhang@qualcomm.com]  
**Sent:** Thursday, July 01, 2004 2:32 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

**Letter of Comment No:** 4159  
**File Reference:** 1102-100

Dear FASB Director,

I believe that company could properly account for stock option expense using a dilution basis, PROVIDED that they do NOT engage in a stock buyback program (or if they do they should properly account for the stock buyback as an expense in so far it is used to counteract the dilution caused by stock option issuance).

I will use an example to illustrate my points: if a company, through issuance of stock options, enlarges its share outstanding by 5%, then apparently the existing shareholders have their stake diluted by just as much, and dilution sufficiently accounts for the expense to the current shareholders. Now suppose the company then buy back the 5% of share with \$1 billion, then indirectly it costs the company \$1 billion for having issued the options in the first place. Therefore the company must either account for the options with dilution or when it stopped doing so through the buyback it must account for the cost of the buyback. Otherwise the company could engage in the cycles of stock issuance and buyback, at the expense of the non-grantee shareholders. If not properly accounted for, it constitutes a hidden transfer of company assets.

I hope this viewpoint has already been considered in your rulemaking process. If not, I hope this email can be of help to you.

Thanks,  
Haitao Zhang