



**Decision Options, LLC.**

Letter of Comment No: 2251  
File Reference: 1102-100

May 5, 2004

Michael Tovey  
Practice Fellow  
Financial Accounting Standards Board  
401 Merrit 7, Norwalk, CT 06856

Dear Michael:

I am the founder of Decision Options, a firm focused on valuation of private assets using advanced economic principles such as real options analysis. After several years of research, we have created a general purpose valuation software, DoOptima (patent pending), that is being used by companies in many industries including pharmaceuticals, biotechnology, high technology, manufacturing and energy industries. DoOptima employs a numerical technique called risk-neutral stochastic simulation and dynamic programming to solve complex problems in investment decisions that involve different types of options and cash flows.

We recently applied our expertise and technology to create user friendly software for the valuation of employee stock options (DoESO), consistent with the proposed FASB amendment on share-based payment. The software is capable of reflecting the various constraints on employee stock options such as early exercise and vesting requirements as well as term structures in interest rates, volatility and dividends. Because it is created on a general purpose engine, most other constraints (such as black outs) can also be easily incorporated. Additionally, population based statistics such as price path dependent conditioning can also be applied. We believe that the software will allow companies to closely value the stock option grants incorporating all known and predictable information in a very user friendly fashion.

The proposed amendment is exciting as we have always believed that stock options are part of compensation and should be adequately reflected in the financial statements. We believe that it will not only increase transparency for investors but also enhance the understanding of employees of the value of their option grants. We have come across multiple situations where employees did not appreciate the value given to them although the company believed such grants enhanced incentives and performance. It is our belief that the valuation will actually help the company realize the productivity benefits it was seeking through such grants.

The cost of implementing the proposed change is trivial compared to the benefits. For example, our software will require only a few minutes of data input (once parameters are created from history or other sources) to create a value for the option grant. We are also building in features that will help companies process any historical information to create the parameters needed for valuation.

We really appreciate an opportunity to be part of the upcoming round table discussions on the subject. We can provide expertise and insights in the area of valuation, tools and implementation. We are especially interested in contributing to the discussions on fair value measurement. The technique we employ can be shown to be equivalent to lattice methods but offer more flexibility, allowing a variety of assumptions and constraints. We hope that the proposed amendment will not constrain the methods companies can employ to reach the fair value as long as such methods are consistent with economic and mathematical principles.

Sincerely,

A handwritten signature in cursive script that reads "Gill Eapen".

Gill Eapen  
Founder and Principal  
Decision Options, LLC