Karen Salmansohn

From: Sent: To: Subject: Len Tatore

Friday, January 17, 2003 7:50 AM

Karen Salmansohn

FW: Expensing of Stock Options

Letter of Comment No: Defile Reference: 1102-001
Date Received: |- | b - 03

----Original Message----

From: Ralph McRae [mailto:RMcRae@LBIX.com] Sent: Thursday, January 16, 2003 6:56 PM

To: 'director@fasb.org'

Subject: Expensing of Stock Options

We strongly disagree with any requirement to expense stock options.

The principal reason for our objection is that the so-called 'expense' has absolutely no practical relation to or bearing upon the income statement of the company. It is a completely artificial mechanism that changes with the fluxuations of the stock market. At the same time, stock options, properly granted, are an incredible tool to attract and keep good people and incentivize management. Causing companies to expense them will undoubtedly provide a disincentive to companies to grant them.

Simply because option grants have been abused by some does not mean that other companies should suffer under a rather bizarre and inconsistent practice of expensing something that is not an expense.

There is more than adequate protection to shareholders and other stakeholders by complete financial statement note disclosure of stock option positions.

Sincerely

Ralph D. McRae Chairman & CEO Leading Brands, Inc.