

**From:** MP [pellegrinmd@mailcan.com]  
**Sent:** Wednesday, June 02, 2004 8:03 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Dear Director,  
I don't understand how options are an expense to a company.

A company doesn't have any capital expenditure for issuing options and doesn't have any debt for options that have been granted. A company doesn't have any debt when options are exercised. The employee pays for exercised options - not the company.

This ruling seems illogical to me.

However, if lack of accounting sense prevails please consider the following:

I believe in this day and age of computing technology that we have the ability to measure more accurately than prior times.

Only those options that have vested and have any cash potential to be exercised i.e. vested.

There are many options granted that do not currently have exercise potential. It is not fair or accurate to "penalize" companies to expense these.

Surely, these numbers can be accurately measured.

What should be the price of vested options?

They should be priced at current exercise price at pre-designated dates in the past.

Therefore, all values and counts are known and there is no need to estimate with poorly contrived models such as the Black-Scholes or binomial methods.

Options expirations could also be taken into account as well. Expensing based on Grant Date seems extremely unjust and does not take advantage of available, more sensible measurables, i.e. not expensing options at all.

Quite frankly, I'm sick of options and their intent. I would much rather have stock incentives and not option incentives. Give me a reward now for something I do now while still incentivized in the well-being of my company. To me, options are somewhat insulting. They send the message, "We are giving you the chance to reap rewards for your value to the company. Also, you get to have to purchase your reward." I would much rather get the message "Here is a reward for your value to the company".

However, opinion about stock options aside, I request that you use the sensible accounting practices and not expense options at all. If options must be expensed, don't estimate - there is no need and most of the time it is wrong. Estimations inevitably are unfair to some stakeholders, either the company or the employees.

Sincerely,  
Mike Pellegrino