

Stacey Sutay

From: David Spurr [dspurr624@comcast.net]
Sent: Thursday, April 01, 2004 7:34 AM
To: Director - FASB
Subject: File Reference 1102-100

Dear Sirs,

As an investor that reads Financial Statements, It is my desire that any payment to an employee is recognized as an expense on the income statement, and a cash outflow on the cash flow statement. I am not an accountant, but I am an investor. The financial statements provide me with a way to evaluate the company and their business prospects.

In the money stock option grants (Exercisable at 15 stock at 35) should be expensed based upon the market price of the equity, treated as a compensation expense and also a cash outflow. It should reflect the decision the company makes to compensate it's employees with stock rather than cash at that point in time - as of the date of the grant.

Any attempt to predict or imply/factor future price changes in the value of the equity or the value of the options should not be allowed to be worked into the financial statements. It is fiction - not reality. Valuation should be left to each individual investor. FASB should insure that Statements provide the best information to the investor.

Out of the money grants are more difficult - (Here's a radical concept.....) Outlaw out of the money grants altogether (Exercisable at 35 - Stock at 15). Please don't attempt create formula to value of these things. It's not going to reflect reality

Propose to eliminate out of the money grants altogether and require that the company provide restricted stock awards instead.

This would solve the valuation problem and simplify the issue. This would force Companies to step to the plate and make a commitment to their employees. If they want to motivate employees, what better way than to actually provide them with stock/ownership in the business. Make the restricted stock awards vest over five years, in an attempt to retain the employees. If they balk at restricted stock then pay them with cash, deferred compensation plans etc.

There are other ways other than stock option grants to motivate employees. Companies will say that this the only way that they retain talent.

If someone offered 20k shares in restricted stock awards that would vest over five years - that would motivate someone just as much as stock options. Don't get suckered into the argument that stock options are the only way. Out of the money grants help to disguise reality.

Good Luck ;).

Thanks ,

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