

April 2, 2004

Director of Major Projects – File Reference No. 1102-100
Financial Accounting Standards Board
401 Merritt 7
Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 1102-100

Dear Sir:

As an individual investor, I applaud the FASB for undertaking this project.

When businesses award employee stock options without hedging them in the marketplace, they are gambling against the company's success, and doing so with shareholder's equity. When they make such awards, two distinct scenarios can occur. First, the company may achieve its objectives, in which case the options will be exercised. The company then issues new shares for its obligation, thus diluting shareholder equity by the proportion of new shares issued. The second scenario that can occur is that the business does not achieve its objectives, and the options expire worthless. This obviously hurts shareholders as well. Either way, shareholders lose.

The ideal solution would be for the issuing company to hedge the options when they are issued by entering into contracts with similar terms and durations in the financial marketplace, or by buying the underlying securities in the marketplace and holding them in treasury to satisfy obligations when the options are exercised. This way, the business would remove the financial risk of its own success; when the business meets its objectives, both the employees and shareholders win. Such practice would be straightforward, transparent, and accountable; and stands little chance of widespread adoption.

Because it presents the best workable solution to the issue of valuing employee stock options appropriately, I wholeheartedly support the FASB's proposal as written. With regard to Issue 4 specifically, I believe that the FASB should specify the model (or models) to be used to determine fair value of stock options, and that verifiable, historical data be used as parameters of such model. Managements are, and should be, biased in their view of their companies' future prospects, and therefore are not adequately suited to make realistic judgments about the value of such equity futures contracts. Additionally, when managements are granted latitude in determining which models and parameters to use in valuing equity futures obligations, they are naturally inclined to select the models

and parameters which cast themselves in the best light. By prescribing the specific models and parameters to be used, the FASB would further its objective of making financial statements consistent and comparable between organizations.

Thank you for developing this proposal, and for soliciting public comment.

Sincerely,

Bob Fulmer