

**Stacey Sutay**

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**Subject:** FW: Expensing Stock Options

-----Original Message-----

**From:** Robert Barbanell [mailto:rbarbanell@verizon.net]

**Sent:** Wednesday, April 07, 2004 1:24 PM

**To:** Director - FASB

**Subject:** Expensing Stock Options

Sir:

I'm responding to the invitation in today's Wall street Journal to respond to your published statement advocating the expensing of stock options. **I'm wholeheartedly in support.** I decry the previous interference by Congress and others which injected themselves into this issue. I hope this time financial logic and investor transparency will top political pandering.

I am a director of two NYSE-listed companies. Further, I'm the Chair of the Audit Committee of one of them and a Committee member of the other. I have served on other boards as well. I'm attaching a resume for your information.

There can be no serious dispute for the assertion that stock options are an element of compensation. Even the executives and companies which object to expensing them so acknowledge. Indeed, the single consistently cited argument from the objectors invariably contends that option grants are vital for securing and retaining executives and other personnel to developing and emerging companies. This contention underscores that options are compensatory and are required because their use is the form of payment most affordable by the employer and of greatest interest to the recipients. As Warren Buffet asks: if they're not compensation, what are they?

I have spent important time and effort understanding and valuing options and warrants. I co-authored a study and presentation to the IRS on valuing (nonmanagement) options/warrants in 1963, some eight to ten years before the Black/Scholes papers were published. We came to a range of values not materially dissimilar from those derived via Black/Scholes. While I'm not in agreement with the use of the Black/Scholes model for management options, there are reasonable and acceptable methods for deriving realistic, sensible values.

I support the notion that investors and shareholders are entitled to see expenses taken into account on a current basis. The cost shows up sooner or later through dilution of shareholder value upon exercise. Much better to know about the expense upfront rather than having it sneak up indirectly at some unpredictable future time.

Robert Barbanell