

**ikon**

---

**Letter of Comment No: 4183**  
**File Reference: 1102-100**

**From:** Tom Staab [TStaab@inspirepharm.com]  
**Sent:** Thursday, June 17, 2004 11:22 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100 - Stock Option Expensing

Dear Sir,

I am writing to express my view on the current exposure draft requiring the mandatory expensing of stock options. I think the exposure draft is premature and will penalize certain employee groups and industries, and smaller companies more harshly than others.

Stock options give employees at all levels a stake in the success of our companies. They encourage the hard work and entrepreneurial spirit that fuel innovation, increase productivity and boost shareholder returns. The proposed exposure draft will drastically change the landscape of compensating employees, especially those in the smaller company and technology arena. Many technology companies grant options to the vast majority - and often to 100 percent - of their employees. If options are required to be treated as an expense, companies would drastically reduce the number of people who receive options, probably restricting them to the most senior executives.

I believe that further research needs to be done in regards to valuation techniques, impact on certain industries, impact to general long-term compensation strategies (especially in smaller companies), as well as the overall impact on the economy. In addition, the FASB needs to give companies adequate time to explore long-term compensation alternatives and the impact of pending expensing requirements after definitive conclusions are reached. Ample time needs to be given to companies to evaluate compensation alternatives, valuation methods as well as the individual impact of proposed GAAP under the company's current compensation strategy after clear and unambiguous guidance is issued by the FASB. The mandatory expensing of unvested stock options in 2005, when definitive and unambiguous guidance will not have been published in final format at least 12 months in advance of required compliance, is counterintuitive.

In my opinion, there is a real need for a comprehensive study and clear guidance from the the accounting profession because current valuation proposals would create a highly distorted and diverse picture of the real economic effects of broad-based stock option grants. In this day and age, I believe the accounting profession should strive to make guidance less ambiguous and open to manipulation. In addition, there should be ample time for companies to understand and implement guidance with clarity and the the appropriate resources so as not to create more confusion for investors.

Sincerely,

Thomas R. Staab, II  
Chief Financial Officer  
Inspire Pharmaceuticals, Inc.  
4222 Emperor Boulevard, Suite 200  
Durham, NC 27703