

Stacey Sutay

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

From: Peg2coll@aol.com [mailto:Peg2coll@aol.com]

Sent: Monday, November 25, 2002 6:56 PM

To: fasbcomments@fasb.org

Subject: expensing options,bonuses

Letter of Comment No: 22
File Reference: 1101-SCU
Date Received: 11/26/02

RE: Expensing Employee Stock Options

TO: John C., Larry E., FASB, or any interested party

Use Option Shares Accounting.

An option share is a real share that is owned by the corporation.

It is included in Shares Outstanding. It is an asset, valued at the latest

closing market price. It is an inventory item that moves from Available Option Shares to Allocated Option Shares when an option or bonus is granted (A bonus is an option with a zero option price and the vest date

equal to the grant date). When the option vests, the share is expensed.

A typical CEO bonus could be granted, vested, and expensed on the next Board Meeting date. A performance option could be granted today and vested after the fiscal year end. A normal work incentive option could be granted today and vested after 3 or 4 years. All options can be valued at market price and expenses are much more predictable. Option Shares Accounting inhibits option abuse by forcing the numbers to be front and center. This fixes most of the problems with the intrinsic value based method of expensing options.

(The contrarily named fair value based method creates a dense fog.

The author is probably making car payments on a 2005 Oldsmobile.)

(Statement 123 was crafted by the FASB to appease proponents for the two disparate methods. Thy name is Standards, not Choices.)

The expenses for all options and bonuses need to be pin-pointed. One sentence just about covers it: When the option vests, expense the amount

of the latest market price that exceeds option price, adjust at quarter-ends and settle when the option is exercised. This new method of expensing is easy, low cost, accurate, just and succinct. Ask an analyst.

Comments are welcome at peg2coll@aol.com

especially leads on a JAVA interview for our unemployed son.

Thanks. Hank Thompson

Orange, CA