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From: M. Jane & Howard Epstein [epstein4@erols.com]
Sent: Thursday, April 29, 2004 8:45 AM
To: Director - FASB
Subject: Expensing Stock Options

Letter of Comment No: 2020
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I've worked for 4 companies that offer stock options, and believe they are an important motivational tool for rank and file employees, and are well aligned to maximizing shareholder value. First, stock options have usually been awarded based on past performance success and expectations of future success. Second, the value of the options are directly aligned to the success of the company and is reflected in the stocks price which is beneficial to all stock holders.

I oppose the FASB proposal for expensing stock options for 3 reasons. First, stock options are an equity transaction and not an expense. Second, the valuation approach for the value of the stock option is unrealistically high. This approach will dis-incent my company from awarding stock options which I believe is not beneficial to the employees and to the stockholders. Third, because stock options are exercisable usually over a period that can be as long as ten years, then the expensing of stock options doesn't match current period expenses. One of the important features of the Black-Scholes model is that the options market have well defined exercise dates and within those dates the companies risk profile is more deterministic. Over a ten year period the risk profile can dramatically change.

I believe that the emphasis for FASB should be on ensuring that financial reporting isn't manipulated to improperly inflate the stock price. Metrics like earnings per share are impacted by the number of shares outstanding and will reflect the impact of exercising options on the stock price.

I recommend that the proposed recommendation for expensing stock options should not be adopted. Thank you for your time.

Yours truly,
Howard Epstein

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