Stacey Sutay

Letter of Comment No: / 8
File Reference: 1102-100

From: Frederick Wright [fwright@SMITH-HOWARD.COM]

 Sent:
 Friday, April 02, 2004 8:08 PM

 To:
 Director - FASB

Cc: Michael DeWitt; Tim Agnew

Subject: Comment on Draft to require the expensing of Option Grants



InterScan_SafeSta mp.txt (296 B...

Dear Sir.

I am a Chief Investment Officer for an Investment Advisory firm with over \$100 million in assets under management. I have an MBA in which I took several accounting electives and I am also a Chartered Financial Analyst.

In my opinion the requirement to expense options is long overdue. I commend the FASB for their courage and determination to finally "do the right thing" despite pressure from certain lobbyists.

The following are my comments to your Exposure Draft. First, however, let me say that I think it is a very bad idea to limit expensing of options to the top 5 executives as some are currently proposing as a compromise. That could turn into a significant loophole and leave plenty of room for abuse. And I think the proposal to do an economic impact study is nothing more than a blatant attempt to implementation of the Proposed Statement.

My comments are as follows:

- * Issue 1: I agree wholeheartedly with the board's conclusion that the receipt of equity instruments or options in exchange for services should be recognized in the financial statements as compensation costs.
- * Issue 2: I agree with the board's conclusion that pro-forma disclosures are not an appropriate substitute for recognition of compensation costs.
- * Issue 3: I agree with your view that fair value is the relevant measurement attribute and grant date is the relevant measurement date.
- * Isue 4a: I agree that the guidance you provide is sufficient to ensure that the fair value measurement objective is applied with reasonable consistency.
- * Issue 4b: I agree with the Board's conclusion that fair value can be measured with sufficient reliability with an option-pricing model. I also agree with the Board's conclusion that a lattice model is preferable (but not immediately required) because of its added flexibility.
- * Issue 4c: I agree that the Board should not require a specific method of estimating volatility.
- * Issue 4D: I agree that the proposed methods give appropriate recognition to the unique characteristics of employee share options.
- * Issue 5: Yes. I agree that the intrinsic value method with remeasurement through the settlement date is the appropriate accounting treatment when it is not possible to reasonably estimate fair value.
- Issue 6: I agree.
- * Issue 7: Yes, I agree that compensation cost should be recognized over the rerequisite service period.
- * Issue 8: I believe that the guidance provided to estimate the requisite service period is sufficient.
- \dot{x} Issue 9: I agree with the accounting treatment for an award with a graded vesting schedule.
- * Issue 10: I believe the principles established in the proposed statement that guide the accounting for modifications and settlements, including cancellations of awards are appropriate.
- * Issue 11: I agree with your proposed method for accounting for income taxes.
- Issue 12: I believe the disclosure objectives are appropriate and complete.
- * Issue 13: Yes. I agree with the proposed transition provisions.

- * Issue 14: I agree with the Board's conclusion to allow an intrinsic value method for nonpublic entities, as opposed to the fair-value-based method.
- \star Issue 15: No, I do not believe that any of those alternatives should be extende to those public entities.
- * Issue 16: Yes, I agree with reflecting the excess tax benefits as financing cash inflows.
- * Issue 17: I have no strong opinion one way or the other.
- * Issue 18: Yes, everything appears understandable with a reasonable amount of due diligence.

Sincerely yours,

Frederick S. Wright Chartered Financial Analyst Chief Investment Officer Smith & Howard Financial Group 1795 Peachtree Street, Ste 300 Atlanta, Ga 30309 404-874-6244, 122

This communication represents the originator's personal views and opinions, which do not necessarily reflect those of Smith & Howard.

This message, and any attachments to it, is intended only for the individual or company to which it is addressed. If the recipient of this transmission is not the intended recipient, or the employee or agent responsible for delivering such materials to the intended recipient, you are hereby notified that you have received this e-mail in error, and that any use, any form of reproduction, dissemination, modification or disclosure of this e-mail message or its attachments other than by its intended recipient is strictly prohibited by the sender.

If you have received this e-mail in error, please return it, with any attachments, to the sender and destroy the copies in your possession.