Stacey Sutay

From:

FASB Comments

Sent:

Monday, March 17, 2003 9:09 AM

To: Subject: Stacey Sutay FW: options expensing

----Original Message-----

From: alan kaplan [mailto:alankaplan1@comcast.net]

Sent: Sunday, March 16, 2003 10:16 AM

To: FASB Comments Subject: options expensing

I have long used a method for calculating the expense of options which I believe to be quite satisfactory.

The key is that I assume the options (less forfeitures based on employee turnover) WILL be exercised, at the expiration date.

Presumably, this assumption gives a LOWER BOUND on the value of the option, since it eliminates the choice of the option holder as to whether to exercise.

Under this assumption the value of the option can then be analyzed as a loan of money, the price of the stock, for the term of the option.

Adjustment is made for dividends not received.

Despite calculating a lower bound, I come up with higher costs than the Black-Scholes model.

Alan Kaplan

1

Letter of Comment No: 39
File Reference: 1101-SCU
Date Received: 03/17/03