Karen Salmansohn

From: Stephen Conley [sconley@optonline.net]
Sent: Monday, February 10, 2003 7:23 PM
To: Robert Herz
Subject: expensing of stock options ++

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Hi,

I saw you on TV last week discussing the expensing of stock options. While not an accountant, a simple solution to the issue has not received much public attention. Specifically, require companies to purchase an equal number of shares on the market over a specific period of time (1,3 or 5 years). This would permit companies the flexibility to finance labor costs through variations in its stock price without diluting shareholder value or misrepresenting reported earnings. They could even plan ahead, setting aside low cost stock purchases for use against option grants in forthcoming years. These purchases would account for the expense. The company could choose the best timing. (Adjustments would have to be made for earningless companies such as biotechs that rely heavily options on attract talent but lack cash to buy on the open market.)

Hope this suggestion helps. Just wanted to pass it along to the appropriate persons for further consideration. It may give every party to the issue a bit of what each needs.

All the best.

Your Westport neighbor,

Stephen Conley