



July 8, 2004

Via e-mail to sqbielstein@fasb.org

Ms. Suzanne Bielstein
Director of Major Projects
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 6496
File Reference: 1102-100

Re: File Reference No. 1102-100

Dear Ms. Bielstein:

On behalf of the National Restaurant Association, the leading association for the nation's 870,000 restaurant locations, we are writing to express our concerns with the Proposed Statement of Financial Accounting Standards, Shared-Based Payment, and Amendment of FASB Statements No. 123 and 95. We are concerned that this proposal will negatively impact consumers, businesses and the economy.

Under the proposal, employers would be required to expense the value of employee stock option benefits. In the restaurant industry, chain restaurant companies offer employee stock options to employees at both the corporate office and at the local restaurant level. In addition to serving as a positive employee retention benefit, offering employee stock options helps to encourage teamwork and productivity. We are very concerned that the cost of expensing employee stock options would restrict the ability of companies to offer this important benefit in the future.

Secondly, the proposal would require employers to use a troublesome methodology for determining the value of their employee stock option benefits. Employers would be required to use either the "binomial" expensing valuation method or the "Black Scholes" method. Numerous experts from within the accounting field have commented that although these models are typically used for valuing market-traded stock options, they would be ineffective at determining the fair value of employee stock options. Under the proposal, employers would be required to value employee stock options at the time they were granted. This method fails to take into account whether the employee ever becomes vested, nor will it reflect the companies stock performance during the time period that vesting would occur. Therefore, we are concerned that the use of either of these methods for valuing employee stock options could result in inaccurate or distorted financial data on a company's balance sheet. The impact on investment markets and the economy could be significant.

In addition, we are concerned with the impact the proposal would have on small businesses. Most small businesses, including small franchisee operations affiliated with national companies, would face difficulty applying these complex valuation models. Unlike larger companies, small businesses do not have the resources to afford the services of reputable accounting firms to assist them. We are very concerned that smaller businesses would face significant administrative and financial burdens in complying with the proposal.

In conclusion we urge FASB to reconsider this proposal, and to not take any action which discourages companies from offering stock option benefits to its employees.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven C. Anderson".

Steven C. Anderson
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Lee Culpepper".

Lee Culpepper
Senior Vice President
Government Affairs and Public Policy