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Chairman Robert H. Herz:

Thanks go to you and the FASB for taking a serious look at the reporting practices of the corporate institutions of America. There is little doubt that improvements in making corporate officers more accountable and ensuring the accuracy of reported the financial status is warranted. However, I caution that the recent proposal of requiring businesses to list stock option grants as an expense will not improve either of the issues previously mentioned.

Stock Options Motivate Employees

Broadbased stock option plans encourage employees to perform at a high-level. Employees that get to participate in such plans are driven to make the company more profitable because it directly influences their financial success. They are more willing to manage cost, innovate, produce and look out for the customer as they all lead to better stock performance and therefore contributing to their personal financial reward. Thus, stock options actually strengthen the interests between stock holders and employees.

Stock Options Don't Encourage Fraud

Some might say that stock options significantly encourage fraud and is the reason the FASB has made its proposal but I find it an extremely weak argument for expensing stock options. Even if companies were to account for stock option grants as an expense, it does not address the root cause of the fraud. Ultimately the corporate executives are incented one way or another to "grow the company" by driving its stock price upward. This cause and effect relationship will not change with expensing of stock options as officers and indeed stock holders will find other vehicles of compensation for the leaders of the corporation that are still based on stock value.

Expensing Stock Options Hurts Entrepreneurs

Stock options are a very common benefit provided by startup companies in an attempt to attract top talent in hopes of making the company successful. Because these startup companies often cannot provide the benefits that established can in order to keep costs low they offer significant numbers of stock options as a potential future payoff to offset the risk those potential employees will be taking. Innovation is the foundation of American business and I doubt anyone would disagree that the only area America truly leads in anymore is innovation and ideas, except perhaps agriculture. We have already taken great pains to ensure that manufacturing jobs long-term will migrate over seas and now even many of our high-tech high-paying jobs are as well. If we eliminate one of the aspects in which our corporations can compensate people I fear it will eventually lead to the demise of American leadership in innovation...and where will that leave the economy at that point?

Expensing Stock Options is "Double Taxation"

If corporations are required to report stock options as an expense then they will effectively be "taxed" twice for each option since stock option grants currently affect cost by diluting the stock as each grant pool is administered. Furthermore, expensing a stock option that potentially is never executed makes little sense given there was no cost or benefit ever recognized.

I could go on to repeat the many reasons that others have already presented so well an eloquently but I wanted to share the main reasons why I oppose the suggested legislation. Please consider mine and the comments of others with diligence. I truly fear that expensing of stock options will have a negative effect on the ability for U.S. corporations to compete and yet still provide no added value to the average investor.

Thanks for your time and I know you and your team, as I, are only trying to build a better America.