

June 29, 2004 ✓

Robert H. Herz, Chairman
Order Department, Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Letter of Comment No: 5090
File Reference: 1102-100

Director of Major Projects—File Reference No. 1102-100

Dear Chairman Herz,

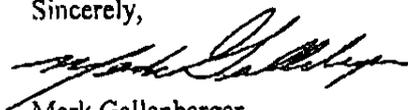
It is fairly common knowledge that broad-based employee stock option plans help to develop employee dedication while allowing those employees to provide for their financial futures. Those are the main reasons why I am dedicated to the use of stock options as incentive programs for employees. They are also the primary reasons as to why I oppose the FASB's attempt to mandate the expensing of these stock options.

Under current accounting standards, anyone who wishes to can look up a company's outstanding stock options in the company's annual financial statement. Obliging companies to declare stock options as expenses before they are exercised will not improve the transparency of corporate finance, but it will create an unnecessary reporting burden on companies and distort the accuracy of their financial reporting in the process. Additionally, I would argue that stock options are already being accounted for on the income statement in the EPS calculation in the form of shareholder dilution

I am concerned for what sort of other problems mandatory expensing of stock options would create. For example, expensing stock options will also have a negative effect on other employee compensation programs such as profit sharing. Profit sharing cash bonuses will be reduced (or eliminated in many cases), because of the reduction of net income due solely to stock option expensing. This impacts ALL employees, including non-option holders.

Where I can fully appreciate the fact that you receive requests to deal with many important issues daily, I hope you will agree with me that this issue needs to be addressed quickly. This policy is a threat to the livelihood of millions of employees. Therefore, I implore you to prevent this standard from ever taking effect. Thank you for your consideration on this issue.

Sincerely,



Mark Gallenberger
Vice President and CFO
LTX Corporation