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Naturally Independent

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Chairman Robert H. Herz
Director of Major Projects— File Reference No. 1102-100
Order Department, Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Letter of Comment No: 4378
File Reference: 1102-100

Dear Chairman Robert H. Herz:

I can't believe that the government wants to, once again, interfere with the free enterprise system! In my opinion, the FASB's proposal to mandate the expensing of stock options is proof that their logic has flown out the window! Without adding anything in the way of new corporate governance protection, the FASB's accounting standard on stock options would inflate the cost of employee compensation plans for every company that uses stock options. There is not one single good reason to declare stock options as an expense as soon as they are issued, especially when the end result could very well be to eliminate stock options as a broad-based employee benefit. That would be a terrible loss to American economic growth and harm the future financial plans of employees every where. Please don't let that happen.

The principle idea behind stock options is that an employee receives the stock at a certain value. Then, as the employee works toward the success of the company, the value of that stock will increase and the employee shares in the company's success. Mandatory expensing, as proposed by the FASB, would require a value be placed on a stock option before it has been exercised, when in fact the value of that option cannot be determined until it is exercised. There is no worse request that the FASB could make of us than to start guessing at what our costs will be at some point in the future that hasn't yet been determined! I find it ironic that they are asking us to do the very thing that created the Enron and WorldCom disasters, don't you?

That is why I am confident that you will see the disadvantages of the mandatory expensing of stock options as small business owners across America see them. Expensing stock options would hamper economic growth and halt the emergence of exciting new technologies and businesses. You would be infringing on how a business owner and employee agree on compensation. I strongly urge you to help fight these unnecessary and burdensome measures.

Regards,



Kathleen Knop