Patrick Foley

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Letter of Comment No: 4839 File Reference: 1102-100

May 24, 2004

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

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

Dear Chairman Robert H. Herz:

There has been a lack of salary increases of late in most businesses for the last 10 years. Even with a limited ability to boost salaries, stock options have allowed businesses to reward excellent work and help our people build savings for the future. This type of reward makes practical sense for most companies, their people and their outside shareholders.

It is simply ridiculous to expense a stock option before it is exercised by an employee. Until that time, there is no actual way to determine the accurate value of the option. Mandatory expensing is exactly like requiring you to pay a credit card bill before you have had a chance to charge anything on it. One does not have to be as smart as an accountant to be able to figure that out.

The mandatory expensing of stock options is a grave mistake. Small business owners value the flexibility to compensate their employees the way they see fit. This is a freedom that has allowed for the continued success of the small business in the United States. The mandatory expensing of stock options has to be shelved if small businesses are going to continue to grow and maintain the power to be the engine of the economy.

Sincerely,

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