

6/22/04

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

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

Dear Chairman Herz

Stock options help companies to reward their employees and create a team environment. A team environment is a proven tactic that motivates employees to work well in order to better the company. It is imperative that employers remain free to reward their employees in whatever way they feel is best. However, government intervention in the use of stock options is taking the freedom to use them as an incentive away from employers and the ability to save for the future from employees.

In the business climate where we operate today, there are strict practical limits on the amount of additional salary employers can offer their people in return for exceptional performance. Stock options allow them to reward exceptional performance by giving exceptional employees an increased stake in the company's success. Through stock options, employees are encouraged to earn a greater return for outside investors and for themselves. Mandatory expensing of stock options would cause a great many businesses to reconsider offering them in the first place and that would truly be detrimental to employees in the long run.

I hope that you can see this issue from the same perspective as a small business owner and/or an employee. I understand this is just one of the many important issues you deal with on a daily basis and I thank you for taking the time to read this. I do feel, however, that there are few policies as important as the mandatory expensing of stock options. This proposal needs to be shelved in order to allow employees to continue to enjoy financial success.

Warm Regards,



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cc: Senator Barbara Boxer  
Senator Dianne Feinstein