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

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

Dear Chairman Herz:

Some companies use stock options as an alternate form of compensation for its employees. If the government gets involved in this important means of compensation, it is no different from imposing a new tax or regulation on business. This interference will cost small businesses a lot of money.

Stock options reporting is obviously one of those areas that is working well, so why tamper with it? Companies now have the choice to report outstanding options as expenses or simply report the existence of those options in their annual financial statements. This information is disclosed in the footnotes of accounting reports of these companies. Requiring all companies to 'expense' all options before they are exercised would not only be repetitious, but also financially incomprehensible.

I hope that you can see this issue as a small business owner does. 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. It severely affects the business prospects and livelihood of small business owners and their employees across the country. This proposal needs to be shelved in order to allow small business an opportunity to continue to thrive.

Sincerely Yours

Ratrick McNenny