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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: 3798
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Dear Chairman Robert H. Herz:

As you well know, the economic situation for the past few years hasn't been the best, and many employers are looking for alternative ways to reward employees that would not involve an increase in wages which businesses cannot afford. That is why this latest move by the FASB to expense stock options upon delivery makes no sense to me. Why would any company want to go through the extra accounting headache of trying to figure out what the cost of the stock will be once an employee chooses to trade it in? It makes no sense.

Consider this issue from basic accounting principles. The FASB?s mandatory expensing of stock options will be more expensive to companies, create additional bookkeeping nightmares and ultimately harm the employees. This practice will force companies to report expenses before the money is even spent, and will not be spent until the employee exercises that stock option.

The mandatory expensing of stock options would be a serious error in judgment creating financial disasters all over the nation. That is why this proposed standard needs to be shelved if small businesses are going to continue to be the main employer and engine of the economy. Thank you.

Regards,

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