

Chess Inc

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Robert H. Herz, Chairman
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

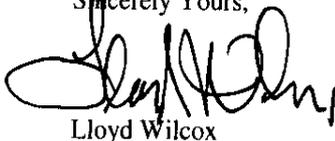
Dear Chairman Herz:

My hope is that you can see the proposed mandatory expensing standard put forth by the FASB from the same perspective as a small business owner. This new standard threatens the ability of small businesses to offer stock options. Small businesses are disadvantaged compared to their larger competitors in many ways. Stock options are the best means small businesses have to attract the first-rate employees that they need to stay competitive. Remove stock options from them as a recruiting tool and small businesses loose the struggle for top notch recruits.

The stock option concept means that the employee receives the stock at a known value. As the employee contributes to the success of the company, the value of that stock increases. The employee shares in the company's success with the increase in the price of the stock. The important part of the equation is that the value of that stock option cannot be determined until it is exercised. Mandatory expensing would require a value be placed on a stock option before it has been exercised. This is contrary to sound accounting procedures and will be bad for the bottom line.

While I am aware that this is just one of the many important issues you deal with on a daily basis, I do feel that few are as important as the mandatory expensing of stock options. It will negatively impact the business prospects and livelihood of small business owners as well as their employees nationwide. This proposal should be voted against so that small business can continue to grow and prosper. Thank you very much for taking your valuable time to read this.

Sincerely Yours,



Lloyd Wilcox