

Automatic Business Computing

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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

Letter of Comment No: 3725
File Reference: 1102-100

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

Dear Chairman Herz,

I feel strongly that the government should not tell small businesses how to compensate employees. Under the present rules, I can compensate my employees in the most advantageous manner for both parties. The proposed mandatory expensing of stock options is a serious mistake. Employee stock options are an important source of capital for American businesses and employees. Enforcement of corporate governance standards is easy to do without prohibitive procedures on issuing stock options. As usual, well intentioned government intervention will result in too much control on how employers compensate their employees.

If the FASB's intention is to clarify procedures, then there is no need to expense all stock options before they are exercised just to prove those options exist. The presence of outstanding stock options is clear to anyone who examines a company's financial statements as it is easily found in the footnotes of their financial statements. If the FASB, or anyone else, wants to know the number of unexercised stock options a company has outstanding, it is right there in plain print.

In other words, the complicated reporting requirements set forth in the proposed FASB standard are not only unnecessary, they are financially repetitive. Compensating their employees as they see fit is a freedom vital to small business owners. It has also allowed for the continued success of the small business in the United States. The mandatory expensing of stock options needs to be forgotten if small businesses are going to continue to be the saving grace of the U.S economy.

Regards,


Grant Shaw