Southland Micro Systems Inc



Letter of Comment No: 2604 File Reference: 1102-100

May 6, 2004

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

Dear Chairman Herz:

Stock options allow companies to offer their employees a direct stake in the growth that those employees are asked to create. They are creating wealth for themselves as well as wealth for the company and its investors. Self-interest is a powerful motivator and stock options give employees a clear self-interest in the future success of their company.

Broad-based employee stock plans have converted stock options from a 'perk' for the privileged few to a very successful incentive and reward system for employees at all levels in corporations. Mandatory expensing of stock options would jeopardize many companies' ability to offer stock options to all employees. This would be a blow to the productivity growth of those companies and a huge disappointment to millions of employees whose stock options gave them a direct stake in helping their companies succeed.

The mandatory expensing of stock options would be a huge mistake. Small business owners cherish the flexibility to compensate their employees as they see fit. This is a freedom that has allowed for the continued success of the small business in the United States. The mandatory expensing of stock options needs to be rejected if small businesses are going to continue to be the main employer and driving force of the economy.

Thank you for taking the time to read my letter and I hope you agree that mandatory expensing of stock options is not an acceptable solution.

Sincerely yours.

John Meehan