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Letter of Comment No: 3207  
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**From:** Marti Rice [Marti@srslabs.com]  
**Sent:** Monday, June 07, 2004 5:47 PM  
**To:** Director - FASB  
**Subject:** Expensing of Stock Options

Attached please find a letter signed by all our Senior Executives regarding expensing of stock options. Thank you

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**Marti M. Rice**

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6/8/2004

May 28, 2004

Loretta Sanchez  
47th District (D)  
1529 Longworth House Office Bldg  
Washington, DC 20515

Loretta Sanchez  
12397 Lewis St  
Suite 101  
Garden Grove, CA 92840

Dear Congresswoman Sanchez,

As business executives that have been involved in the direction of a small business for an extended period of time it has come to our attention that there are necessary changes to be made in order for businesses to succeed and the economy to grow. I am specifically referring to the Stock Option Accounting Reform Act of 2003 (S 1890/HR-3574).

We feel that Employee Stock options are crucial to the success of any company, and they motivate everyone to work harder. If companies are forced to expense all employee stock options, companies will no longer be able to grant them to the majority of employees. This would negatively impact morale, productivity and innovation. Broad based stock option plans enhance productivity; increase shareholder value and benefit employees. Broad based plans should be encouraged, not eliminated.

Further, expensing stock options is bad accounting. The potential dilution of each investor's share of company ownership is the real cost of employee stock options. This cost is already reflected in "diluted earnings per share" estimates in company financial statements.

In essence there is no absolutely accurate, reliable and consistent way to value employee stock options. My colleagues and I believe that investors will not be well served by the misleading "guesstimates" produced by current option valuation formulas.

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Tom Yuen, Chairman and CEO

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Janet Biski, C.F.O.

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Phil Maynard, C.L.O and E.V.P

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Ted Franceschi, E.V.P.

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Alan Kraemer E.V.P

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David Lanthier, V.P.

Cc:Director@fasb.org

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