May 28, 2004

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

Robert H. Herz, Chairman Order Department, Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Letter of Comment No: 3178 File Reference: 1102-100

Dear Chairman Herz,

In many ways, small businesses are at a disadvantage to their larger competitors. Stock options are used by small businesses to help gain traction in the fight for the best possible employees. Without stock options, small businesses may loose their grip in the struggle for top notch recruits.

The idea behind a stock option is that an employee receives the stock at a certain value. As the employee contributes to the success of the company, the value of that stock will increase and the employee shares in the company's success. Mandatory expensing would force companies to value a stock before it is vested by the employee when in fact the value of that option cannot be determine until it is exercised. This would prove to be yet another stumbling block for company finance.

I am certain you will see the disadvantages of the mandatory expensing of stock options as small business owners across America see them. Expensing stock options would slow economic growth and halt the emergence of exciting new technologies and businesses. You would be infringing on how companies and employee agree on compensation. I implore you to oppose these unnecessary and burdensome measures.

Sincerely,

Andrew Fraser