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May 25, 2004

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: 3139
File Reference: 1102-100

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

Dear Chairman:

In a successful business, especially a small one, the need to invest in the future often means a company does not have a surplus in current operating funds that will allow them to reward exceptional performance with salary increases. With stock options, employers can reward exceptional performance by giving employees a larger share of the future they are helping to build. I have used stock options for partners and employees, and it creates no strain on current expenses. It also gives them the incentive to do even better.

The financial community has never been able to accurately predict the future. Yet the FASB, through its proposal for mandatory expensing, is asking them to start. There is simply no way the value of a stock option can be determined until the employee exercises that option. Since stock prices vary from day to day, how can the FASB expect a company to put a value to these stock options?

I hope that you can see this issue from the same perspective as a small business owner. I understand this is just one of the many important issues you deal with on a daily basis and I thank you for taking the time to read this. I do feel however that there are few policies as important as the mandatory expensing of stock options. It severely affects the business prospects and livelihood of small business owners and their employees across the country. This proposal needs to be shelved in order to allow small business an opportunity to continue to thrive.

Sincerely,



Dean Whatley