Relational Analysis

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Letter of Comment No: 3137
File Reference: 1102-100

May 25, 2004

Robert H. Herz, Chairman
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:

I am deeply concerned about the FASB's plan to require mandatory expensing of stock options.

The top talent that companies have to recruit to keep their business healthy would not look at them if they couldn't offer those recruits a stake in the future of the company through stock options. Personally, I have been attracted to companies that offer stock options. Companies ask potential employees to take a risk by joining them and it is only logical that bright people will expect a level of reward commensurate with the level of risk. Stock options allow companies to offer that level of reward.

Surely FASB's membership must understand that you don't know how much a stock option costs a company until somebody actually exercises that option. This is a fundamental principle of accounting. Mandatory expensing of stock options would force U.S. companies into a wasteful guessing game. In its zeal for corporate reform, our FASB seems to be leaving logic behind.

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

Sincerely Yours,

Sam Youngman