George Hall
141 N 9th St
Lincoln, NE 68508-1311

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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

Dear Chairman Herz:

As much as a company would like to, competitive realities stop them from rewarding their top performers with huge salary increases. But stock options provide an alternative way to reward the best employees with a benefit that in some ways is even better than a salary increase. A stock option is a form of reward that the employee can access when he or she needs it most, and when it is worth the most.

Stock options are a legitimate business expense, but there is no way of knowing how much that expense will cost until the options are actually exercised. The proposed FASB standard has it totally backwards. FASB would force companies to report the expense of a stock option before it is exercised. I feel we should leave these predictions to the stock market analysts. We should base our accounting principles on the real facts, not our best guess about what might happen in the future.

I am confident that you will see the disadvantages of the mandatory expensing of stock options the same way small business owners across America see them. Expensing stock options would hinder economic growth and stop the emergence of exciting new technologies and businesses. You would be infringing on how a business owner and employee agree on compensation. I strongly advise you to help fight these unnecessary and burdensome measures.

Sincerely,

George Hall