

# NF Consulting Services



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May 6, 2004

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

**Letter of Comment No: 2519**  
**File Reference: 1102-100**

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

Dear Chairman Herz,

I am writing to express my serious concerns over the FASB's plan to mandate expensing of stock options. As a member of the small business community, I am afraid this will destroy most businesses ability to offer these stock options to its valued employees and therefore am asking that the entire plan be shelved.

In any successful business, but even more so in 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 exceptional salary increases. Given our current economic climate, that has been even truer over the past 5-10 years. However, with stock options, employers can reward exceptional performance by giving exceptional employees a larger share of the future they are helping to build. This type of economic reward system creates no strain on current expenses while giving employees the incentive to do even better.

The idea behind a stock option is very simple. An employee receives the stock at a certain value then, as the employee helps with the success of the company, the value of that stock will increase and the employee shares in the company's success. Mandatory expensing, as proposed by the FASB, would require a value be placed on a stock option before it has been exercised, when in fact the value of that option cannot be determined until it is exercised. This would be yet another roadblock for company finance and basically destroy the company's ability to offer stock options to its regular employees.

Although I understand this is just one of the many important issues you deal with on a daily basis, I do believe 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. If allowed to become the standard, mandatory expensing of stock options could effectively increase the jobless rate while destroying what little economic recovery we are currently enjoying. Please don't let this happen. Thank you.

Regards,

Keith Fisher