

Mayann Gagnon
104 E 5th St
Ste C
Edmond, OK 73034-3832

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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 a small business, just starting out, we are extremely concerned over the proposed expensing of stock options. The loss of stock options could deliver quite a blow to the ability of American companies to attract and maintain the highest quality employee. This could create a ripple effect causing a decline in quality of products and services for these companies. It would definitely take away from our employees and their families. Where is the logic in this proposal?

Stock options are a legitimate business expense, already governed by laws. However, you cannot know the size of that expense until the options are actually exercised. However, the proposed FASB standard has this system backwards. The FASB would force companies to report the expense of a stock option before it is exercised. Personally I think we should leave predictions to the stock market analysts. We should base our accounting principles on real facts, not our best guess about what might happen in the future.

I hope you feel as I do 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 voted down in order to allow small business an opportunity to continue to flourish.

Sincerely,

Mayann Gagnon

