Letter of Comment No: 2670A

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From:

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Sent:

Wednesday, June 16, 2004 1:04 PM

To:

Director - FASB

Subject: Reference No. 1102-100 Expensing Stock Options

As a 30-year CFO veteran of many companies, I'd like to express my views that expensing stock options be modified...

1. The practice will "kill" stock options, or the widespread use of them, particularly in our technology industry.

- 2. Stock options are really worthless to start-ups and small companies, UNLESS there is significant growth of the company, which is a substantial risk. That's why we use them to provide incentives and rewards to performance. "Shares" are not necessarily "money."
- 3. I'd suggest the expensing be limited to key executives, or perhaps the largest recipients out of a class of awards; this gives visibility to bigger grants, and a penalty for abusing the system.
- 4. ESPP programs are intended to provide broad ownership to employees who might otherwise not acquire a company's stock; please exempt the expensing of the cost of this program. It's cost is incidental to the value of the program from an employee relations perspective.
- 5. The tracking and the mechanics of expensing stock options isn't consistent with "matching" anyway; vesting varies, many employees exercise and sell for small gains, and the "economics" of the plans is already considered in the approvals granted by shareholders when they approve the plans, from a dilution of their shares standpoint.

Please decrease the effects of the changes so that the whole "programs" are not thrown out for accounting reasons.

Jim Kerrigan CFO Lantronix, Inc. (LTRX)

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