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From: Sent:

Dick Smith [dsmith@alliedmotion.com] Tuesday, June 22, 2004 3:55 PM

To:

Director - FASB

Subject:

Stock Option Expensing - File Reference No. 1102-100

Letter of Comment No: 4778
File Reference: 1102-100

Director of FASB

I am the CEO of Allied Motion Technologies, Inc., a small NASDAQ company. I am sending this message to you to request that you and the FASB reconsider the issuance of the new rule requiring the expensing of stock options. The expensing of stock options is going to result in financial results that are much less meaningful to shareholders and potential investors. There is no valuation technic that is reliable, consistent or comparable and the effect on companies such as Allied Motion Technologies, Inc. is that it will cause earnings to be subject to erratic swings due to the variables that go into the valuation models. These swings will not be reflective of the true operating results of the company. The shares issuable pursuant to stock options are already factored into the determination of earnings per share on a consistent and comparable basis. Requiring the expensing of options will have a double effect on the EPS reported by a company since the expense will go into the numerator and the dilutive effect of the shares will also go into the denominator of the EPS calculation. This is just plain wrong! The resulting erratic swings in earnings and the doubling up effect on EPS will not provide meaningful information to shareholders and the investment community but instead will be confusing and misleading. The objective of accounting rules should be to make reported results clearer and more comparable for readers. rule is clearly not going to accomplish this objective.

Because of the above stated factors, many U.S. companies are going to abandon the use of stock options. This is going to have a detrimental affect on the entrepreneurship, innovation and business development of many companies. Instead of making rules that take away incentives to employees, lets consider developing rules that provide or enhance incentives to employees that encourage their contribution to the success of the companies they work for. This will make U.S. companies more competitive in the Global market and will encourage companies to keep jobs in America.

For the sake of all of us, please reconsider the issuance of this rule.

Regards, Richard D. Smith CEO