Letter of Comment No: 6482
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Robert H. Herz, Chairman
Director of Major Projects -- File Reference No. 1102-100
Order Department, Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Dear Chairman Herz:

The change the FASB is proposing in the rule regarding the mandatory expensing of stock options is a serious mistake. To stay competitive, companies have to recruit top talent so their businesses stay fit and lean. The best candidates for employment wouldn't seriously look at a potential employer if they weren't offered a share in the future of the company in the form of stock options. Bright people who are able to pick and choose where to work expect a level of reward commensurate with the level of risk involved in working for a particular business. Stock options are instrumental in allowing companies to offer that level of reward.

The mandatory expensing of stock options shouldn't be put into effect if small businesses are going to be the driving force of the economy. It is simply illogical to expense a stock option before it is exercised by an employee. There is no way to determine the accurate value of the option beforehand and no adequate way to report its value. Mandatory expensing is metaphorically putting the cart before the horse. It doesn't take an accountant to figure out that this won't work.

Small business owners must have flexibility in how they run their enterprises. They must be allowed to compensate their employees as they see fit. The freedom to do this has bolstered the continued success of the small business in the United States. Mandatory stock options threaten this freedom.

Sincerely Yours,

Lee Ross