Letter of Comment No: 5697

File Reference: 1102-100

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From: rwhamm@comcast.net

**Sent:** Wednesday, June 30, 2004 12:42 PM

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To: Director - FASB

Subject: Reference Number 1102-100

Ref: Expensing of Stock Options

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Dear Chairman Herz,

I am writing to strongly urge you to reconsider the pending requirement to expense all employee stock options. Having worked in Silicon Valley for the past 12 years, I can personally attest to the role of stock options as a key force in driving innovation and progress in the high tech industry. As an employee, I have found the additional upside potential of stock options to be a great motivation to work harder and longer. While I have not "stuck it rich" off of my stock options over the years, they have bolstered my family's quality of life. In fact, the gains from my stock options at various employers over the years has been a big part in allowing my wife to pursue her career as an elementary school teacher, which is a benefit to society that goes far beyond my family.

Having also been a manager (not executive) for many of my years in the Valley, I can also attest to the irreplaceable role of stock options in recruiting, motivating and retaining employees. If I were to be unable to offer stock options as part of the compensation package for my employees, I would incur a serious drop in productivity and quality of output. Employees need something beyond their paycheck as motivation to constantly work better and as something to keep them aligned with a company's goals and interests. Without stock options, it will be nearly impossible to foster the sense of group unity, personal ownership and goal alignment that pervades today's corporations. Mandatory expensing of options will simply cause most, if not all, corporations to simply drop their employee stock option programs or only give them out to executives which would further disenfranchise and demotivate employees. All of this will ultimately make for smaller business growth and lower profitability thereby impacting the very group this rule is intended to protect – investors. For these reasons, mandatory expensing of stock options will have an extremely chilling effect on the high tech industry (and American corporations in general) and I predict will even lead to the demise of a fair percentage of smaller companies.

Do not hobble corporate America with this unnecessary and destructive requirement.

Regards,

Robert Hamm