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File Reference: 1102-100

From: Tom Whitaker [whitaker@atom-sci.com]
Sent: Friday, June 18, 2004 2:01 PM
To: Director - FASB
Cc: file@atom-sci.com
Subject: amendment of FASB Statements No. 123 and 95

Financial Accounting Standards Board
Director of Major Projects
File Reference No. 1102-100

June 18, 2004

Re: Proposed Statement of Financial Accounting Standards, Share-Based Payment, an amendment of FASB Statements No. 123 and 95 (the Exposure Draft).

Dear FASB:

I am writing to you as President of a small biotechnology company to express my concern with the stock-option expensing requirements described in the referenced proposed amendment. This proposal, if implemented, will have a negative impact on the future of the biotechnology industry in the United States and the ability of my company to attract future capital. I urge you to delay implementation of these requirements and to consider alternatives that would require enhanced disclosure of employee stock options.

Although my company is in biotechnology, let me point out that many small high-tech companies use stock options as an inducement to get and keep highly skilled workers. Many of these high-tech companies, especially biotechnology companies, have long start-up times that require significant capital investment for years before they become profitable. The proposed amendment would be especially detrimental to these companies. Furthermore, the proposed amendment seems overly complex and I can imagine similar companies coming up with totally different evaluations for their options' value.

While I strongly support reforms that will rein in the corruption discovered in corporate America in the last few years, I don't believe expensing stock options will help toward that goal. The main point should be whether stockholders are provided clear and accurate information. I contend that a requirement for enhanced disclosure of a company's stock options can adequately inform the stockholders without implementing a complex evaluation formula that will be subject to errors and manipulation and which unduly penalizes certain companies critical to the growth of the US economy. The need for reform is real but this proposed amendment targets entrepreneurial companies that were not part of the problem.

Sincerely,

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6/18/2004