

Letter of Comment No: 5002
File Reference: 1102-100

June 23, 2004

322 Castilian Way
San Mateo, CA 94402

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Attention: Director of Major Projects, File Reference 1102-100

Dear FASB,

I am writing to provide brief comments on the proposed accounting standard that would require expensing of employee stock options. I am the chief financial officer of a public company, but provide these comments as an individual and not on behalf of the company for which I work.

In summary, I believe in and agree with the concept that companies should account for value which is provided to their employees. I also believe that in order for companies to account for this value, it must be measurable with a reasonable level of accuracy. For the majority of public companies, I do not believe that the value of stock options is measurable, so I oppose the proposed standard. While values can be calculated for employee stock options using various pricing models and assumptions, the values represent no more than a theory that is based on many assumptions.

For large, established companies with stable earnings, these theories about stock valuations are probably not too far off the mark, and I believe there is a reasonable argument for accounting for the value of stock options, as some have begun to do. However, the vast majority of public (and private) companies do not fall into this category. By requiring income-statement accounting for employee stock options, the FASB would be forcing most companies to record a highly variable theoretical charge as if it were a true measure of value that has been exchanged to the employees. I am confident that any subsequent comparison of the actual valuations that have been exchanged (excluding the more predictable large established companies) would show that few of the theoretical valuations would be close to the estimates.

Income statement accounting for employee stock options would imply that there is a reliable measure of value for employee stock options. This type of accounting will decrease the actual and perceived value of future financial reports by:

- weighting the theoretical value of options equally with objectively measurable values that currently form the foundation of accounting
- increasing the complexity of disclosures that are necessary to understand the numbers that are included in the reports

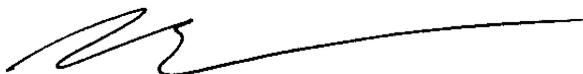
The value of employee stock options is already fully disclosed in financial statements. While the disclosures are among the more complex of all footnote disclosures, this is appropriate given the complexity of the calculations that are necessary to generate the information. Including stock option charges in the statements themselves will decrease the accuracy of each company's financial statements and probably decrease the willingness of most financial statement readers to rely on the financial statements which contain this information.

Please do not compromise our reliable U.S. accounting standards by decreasing the accuracy of reported financial results with unreliable theoretical option valuations within the most fundamental measure of corporate performance, the statement of operations.

Future recording of stock option expenses is not a solution to counteract past corporate abuses from a small number of public companies. Complete and accurate disclosure is necessary, and I believe this is where your focus should be. The employee stock options standard should focus on ensuring that consistent, best-available information is provided for financial statement users. Because best-available information for employee stock options remains far from where any third parties would value the same consideration, it should not be included within the financial statements themselves. As a CFO for a company that has been in prior need of funding, there are a number of times I have wished that I could have sold company stock options for consideration similar to the valuation which models provide for employee stock options.

Again, I urge you to please ensure the continued reliability of U.S. generally accepted accounting principles by not introducing the compromises that would be made by requiring financial statement accounting for employee based stock options. If you would like to discuss this further, please contact me during business hours at 650-562-1477.

Very truly yours,



Matthew M. Loar