



Letter of Comment No: 4955
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Chairman Bob Herz
Financial Accounting Standards Board, 401 Merritt 7
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On behalf of Data I/O Corporation and its employees, we write to you today in opposition to the proposed expensing of broad based employee stock option plans and especially the treatment to Employee Stock Purchase Plans.

We are a small business that manufactures electronic programming equipment for semiconductor devices. We have approximately \$25 million in revenues, 130 employees and now six quarters of profitability. We are a microcap public company traded on the NASDAQ SmallCap market (symbol DAIO). We currently have stock options issued to 91 (70%) of our workers and all of our employees are eligible to participate in our employee stock purchase plan. We strongly encourage you to consider how harmful this proposal will be to our company, our international competitiveness, and our employees.

First regarding our company, this proposal will hurt our entrepreneurial spirit and our profitability. We believe that the valuation models result in compensation charges far in excess of the value that our employees are likely to derive from the options (based on our history this is very significant as most options have expired underwater). We believe that the proposed valuation models will place an undue cost burden on other small businesses and us. The cost of this proposal is too high for small businesses like us that have scarce and precious resources that are being hit by overwhelming financial reporting and compliance demands. The leading software manufacturer for equity compensation, e*Trade's Equity Edge, which we currently use, will not even have a preview release that will support binomial model valuation and other FASB-proposed mandated accounting changes until fall. From the experts' briefings that we have had, and comments by our auditors, we are expected to have to take on substantially more complexity and gather extensive historical data at significant cost. Worse this will be an ongoing continuing cost burden.

This hurts our international competitiveness due to increased costs, difficulties attracting top technical talent, and lack of flexible incentives. This will not help our employee productivity; in fact, the likely scale back or elimination of using these equity incentives will discourage employees by removing a potential meaningful incentive. We already have to compete to get engineers in our neighborhood with companies like Microsoft and Boeing. Offering equity options to most employees and discounted stock purchases to all employees have been critical tools to attract employees that take a "risk" by joining Data I/O Corporation where they can be rewarded for making a meaningful contribution to the company's success. Finally, this will further bias the creation and movement of new jobs to be placed in our China and other subsidiaries where use of options is not typical. This will truly be a harm to American jobs and the culture of participation in the company's success for employees of High Technology firms and as a result, the investors in companies like Data I/O Corporation.

Specifically, we ask you to consider the following:

- 1) Do not pass this proposal. Find other ways to address the excessive executive compensation issues regarding stock options. The current footnote information provides enough information without impacting the face of the financial statements. The potential benefit of the enhanced information is not worth the cost. Keep alive the American entrepreneurial spirit and culture that stock options have provided such support for.
- 2) Specifically exempt stock purchase plan discounts from the proposal.
- 3) Should a proposal be passed, much more time is needed to allow companies to adopt the rules. The current proposal's complexity, uncertainty and cost burden is so high that we can't afford to do early preliminary analysis and reasonable transition planning. Also, develop useful and meaningful models that more accurately reflect the value of employee stock options.

We appreciate your careful consideration of these issues.
Sincerely,

Joel S. Hatlen
Vice President, Data I/O Corporation