ikon

Letter of Comment No: 6393
File Reference: 1102-100

From: Ken Wilcox [kwilcox@svbank.com]
Sent: Monday, June 14, 2004 12:58 PM

To: Director - FASB
Cc: 'jcdowling@nvca.org'

Subject: Comment on the expensing of Options File Reference No. 1102-001

To whom it may concern:

In response to the March 31, 2004 Financial Accounting Standards Board's Exposure Draft, the Share-Based Payment and Amendment of FASB Statements No. 123 and 95, we respectfully request the FASB to reconsider its position. In Silicon Valley Bank's view, the proposed treatment of stock options will hurt employees, companies and investors.

Silicon Valley Bank uses stock options and other equity benefits to attract and retain talented people here in Silicon Valley and around the country. We believe our employees are an important source of competitive advantage and that stock options provide a way to motivate a culture of ownership, alignment with shareholders and pride that distinguishes our employees in the market place. Requiring companies to expense stock options and Employee Stock Purchase Plans will force companies like ours to cut back on our broadbased equity compensation programs. Such cutbacks will severely limit opportunities for employee shareholders to benefit from the success of the company and send the message that employee ownership is too expensive to endorse.

For a number of years SVB has been voluntarily providing pro forma disclosures of the financial impact of option expensing for years. We believe investors have ample information from those disclosures to make investment decisions and we consider any further reporting requirements to be unnecessary.

We believe current valuation models do not value stock options accurately or fairly, and would actually reduce transparency in financial reporting, which the FASB is trying so hard to achieve. In the future only sophisticated financial professionals will be able to decipher financial statements and it will be more difficult for small investors to make educated investment decisions. In addition, the time and cost associated with implementing the exposure draft requirements are unreasonable due to the complexity of the valuation models and the timing of the exposure draft.

If the FASB does not reconsider its position and the impact its actions will have on broad-based employee equity plans for companies of all sizes, it should at least consider modifications such as excluding ESPPs from the proposal, limiting the expensing requirement to only the five highest-paid individuals of the corporation, simplifying the calculation scheme to be easier to implement and understand, and extending the effective date of implementation into 2006.

We strongly encourage you to consider our comments and the scores of others you are receiving from financial professionals and corporate employees before you make your final decisions.

Sincerely,

Ken Wilcox President and Chief Executive Officer

Greg Becker Chief Operating Officer

Tim Hardin Chief Operating Officer, SVB Merchant Bank

Jack Jenkins-Stark Chief Financial Officer Harry Kellogg Vice Chairman President, SVB Merchant Bank

Marc Verissimo Chief Strategy and Risk Officer

Derek Witte General Counsel

Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 (408) 654-7400

Ken Wilcox President and CEO Silicon Valley Bank 408-654-7488 kwilcox@svbank.com

This message contains information from Silicon Valley Bank, or from one of its affiliates, that may be confidential and privileged. If you are not an intended recipient, please refrain from any disclosure, copying, distribution or use of this information and note that such actions are prohibited. If you have received this transmission in error, please notify the sender immediately by telephone or by replying to this transmission.

This message may include indicative rate information relating to one or more products offered through Silicon Valley Bank, or affiliated broker-dealer, SVB Securities. Rates and yields shown are provided for informational purposes only, are not guaranteed, and are subject to market conditions and availability. Nothing in this communication shall constitute a solicitation or recommendation to buy or sell a particular security. Nations Cash Reserves, Nations Treasury Reserves, Nations Institutional Cash Reserves, SVB Securities Liquid Reserves, SVB Securities Institutional Liquid Reserves and SVB Securities Horizon Shares are offered through SVB Securities, a registered broker-dealer and non-bank affiliate of Silicon Valley Bank. Investments in these products require the involvement of a licensed representative of SVB Securities. Investment products offered through SVB Securities are not insured by the FDIC or any other Federal Government Agency, are not deposits of or guaranteed by Silicon Valley Bank or its affiliates, and may lose value.