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To: Director - FASB

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Subject: Letter of opposition to mandated stock-option expensing - File Reference No. 1102-100

This letter is in response to proposed accounting standards that would require companies to record employee stock options as a business expense. Being a small venture-backed technology company, I am concerned that with this mandate, we will not be able to utilize stock options as a tool for attracting top employee talent any longer. The expense and cost of implementation and administration of stock-option expensing would be a burden to small companies who are resource-constrained resulting in stock option grants being discontinued or severely limited. With competition for skilled workers heating up, these proposed standards put many small companies at a hiring disadvantage. Employees see stock options as a valuable benefit that motivates them and their peers to work hard for the success of the company; without this benefit, employees are just working for a pay check with no additional upside. This severely limits a company's ability to offer additional upside to it employees.

Pro forma disclosure of stock option activity and expense should be a suitable alternative. This disclosure allows financial statement readers to see the effect of stock option grants, but does not hurt the company's financial position or take away an important employee benefit. Companies should be open to expanding this type of disclosure to prevent the negative consequences of mandated stock-option expensing. Many analysts have said that if stock-option expensing is made mandatory, they will "look through" those numbers to determine companies' financial health. The smaller companies without analyst coverage will not be protected on this same basis.

Another concern is the debate over techniques used to value stock options. How can expensing stock options make financial statements more accurate if there are widely varying valuation methodologies in use? I would think these variations would make financials statements inaccurate and cause confusion amongst readers whether they are savvy investors or interested employees.

In summary, I think mandated stock-option expensing would be a huge disservice to many companies (and ultimately the entire economy), but especially smaller companies who use stock options as an important employee benefit to motivate employees and attract top talent.

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