



VENTURE PARTNERS

Letter of Comment No: 4384
File Reference: 1102-100

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Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
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Re: File Reference No. 1102-100 – FASB Exposure Draft entitled Share-Based Payments, and Amendment of FASB Statements No. 123 and 95.

Dear Sir or Madam:

OVP Venture Partners leadership role in venture capital in the Northwest began in 1983. Since that time, our firm has backed over 70 companies. To date, 22 have had successful IPOs and 22 have been acquired. We maintain a Northwest focus and a national footprint, with the majority of our companies located in Washington and Oregon.

Without exception, experts will agree that start-up companies create literally tens of thousands of jobs. Stock option plans provide these companies with an attractive incentive to captivate the finest talent and the most dedicated employees whose very future is so closely associated with the success of their company.

It is our opinion that the proposed guidelines will have a significant negative impact upon the ability of start-up companies to attract these employees. Further, the costs associated with the implementation of the proposed rules should not be disregarded. Undoubtedly, smaller firms will be required to contract with a variety of consultants in order to satisfy these regulations. It is extremely difficult for any start-up to absorb costs driven not by the market, but by regulation. It is an atmosphere which squelches innovation.

The proposed valuation method will significantly penalize the high-tech sector, because these companies award stock options to such a wide range of employees and stock prices can be extremely volatile. These companies thrive on employee ownership. Employee ownership has proven to improve productivity, which in turn inspires innovation. This is the driving force in our economy.

There is a very real concern that the proposed valuation methods will produce inaccurate and unreliable results. This will undoubtedly distort transparency and comparability of financial information. Potentially, the ramifications of inaccurate valuation could cripple a company.

This proposal would assign a value to an option at the time of grant and mandate a charge for that amount over the vesting period of the option. It would seem this violates the

fundamental principle that, in order to associate a charge with an item, the item must have some realizable or attributable value. When granted, these shares do not have any such value because they are not transferable and are not exercisable for significantly measurable periods of time. Grants are always subject to contingencies and their future value is highly speculative.

It is important to consider that many companies grant options which expire or are cancelled and are worthless to the recipient. In this situation, a company would incur expenses for options never exercised.

Because the implementation of these proposed guidelines could lead to significant non-cash expenses appearing on a company's income statement, a company which seeks to reward employees for increasing shareholder value with equity compensation awards will be at a disadvantage in the eyes of investors. This is particularly difficult to a private company that does not have freely tradable stock or a readily available means to evaluate the critical variables, not the least of which is stock volatility.

It is critical to not dismiss the greater value of stock option programs to our larger economy. Granting stock options provides immeasurable benefit to the average worker. Initial review of these regulations indicate that fewer companies will grant fewer options to fewer employees. These reductions most likely will occur among rank and file employees, who drive a significant portion of consumer spending. The full impact on our economy may be difficult to measure.

Sincerely,



Charles P. Waite, Jr.
General Partner