

ikon

Letter of Comment No: 4030
File Reference: 1102-100

From: Greg Olear [golear@digital5.com]
Sent: Tuesday, June 15, 2004 2:15 PM
To: Director - FASB
Cc: jcdowling@nvca.org; Greg Olear
Subject: File Reference No. 1102-100

To whom it may concern:

The on-going debates as to the appropriateness of expensing stock options must come to a speedy conclusion leaving matters as-is! While anyone can argue that the historic method of reporting options leaves a charge off of the operating statement one must see the inherent difficulties in implementing a requirement that companies charge operations when issuing the options.

First, as a small private company, the measurement tools are not readily available to accurately charge such items as a "value" is dependant upon numerous factors, some objective and some subjective. Requiring such rigorous exercises from a typical small-staffed start-up is burdensome and will lead to either a) inappropriate levels of focus on the task (leading to higher year-end audit differences (and higher audit fees!)) and/or b) unrealistic expectations that an internal department can achieve an unbiased and "fair" estimate. The lack of independence will always drag on the conclusions of internal management.

Second, after requiring such burdensome behavior it is likely that fewer and fewer options will be issued, or the length of time in between grants will increase, or the timing of grants will be at or near measurable transaction dates to avoid interim valuations, each of which will defeat the motivational effectiveness of the granting of options.

Lastly, as time goes on and the charges are reflected and footnoted, I'm positive that the counter-analysis will begin: "If you ignore the option charge and compare our numbers, we're improving xxxxx." That is to say, the data will be carved out in the minds of the reader in an effort to eliminate unusual charges and get back to the heart of the operating statements.

I respectfully request that you stop the progress of this type of accounting requirement.

Regards,

Greg Olear, CPA
Vice President of Finance
Digital 5, Inc.
101 Grovers Mill Rd.
Suite 200
Lawrenceville, NJ 08648
Direct: (609) 759-4222
Private Fax: (775) 599-5702
golear@digital5.com
www.digital5.com

This e-mail message and any attachments are confidential and may be privileged. If you are not the intended recipient, please notify Digital 5 immediately by replying to this message or by sending an e-mail to info@digital5.com and destroy all copies of this message and any attachments. Thank you.

6/15/2004