

**ikon****Letter of Comment No: 4011**  
**File Reference: 1102-100**

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**From:** Loren G. Peterson [LGPeterson@symbiontics.com]  
**Sent:** Monday, June 14, 2004 4:55 PM  
**To:** Director - FASB  
**Cc:** jcdowling@nvca.org; Daniel J. Broderick  
**Subject:** Reference File No. 1102-100

Mr. Robert Herz  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: File 1102-100

Dear Bob:

My name is Loren Peterson. You may recall that we worked together in the National office of Coopers and Lybrand in the mid-1980s. I am writing regarding the FASB's proposal "The Share-based Payment and Amendment of FASB Statements Numbers 123 and 95." Although I recognize the importance of the FASB's intended goal of improving the transparency of a company's economic health, I believe the proposed methods of measurement and reporting will not help accomplish this. Worse, I believe it will ultimately have a negative effect, both in the short- and long-term, on the financial health of all technology companies, especially non-public ones.

As the President and CEO of a small, privately held biotechnology company, Symbiontics, Inc., I am responsible for a multitude of operational and financial challenges as we attempt to grow our company into a profitable operation that creates significant value for its shareholders. Key to conquering these challenges is the support of a motivated employee team that has a vested interest in the company's success. This motivation and ownership is, in large part, made possible through the granting of employee stock options. Unfortunately, it is my belief that the proposed FASB changes regarding stock option accounting will significantly diminish a company's ability to compensate employees through stock options due to the logistical, operational, and financial problems that will result from the proposed FASB change.

My argument against the proposed changes is three-fold:

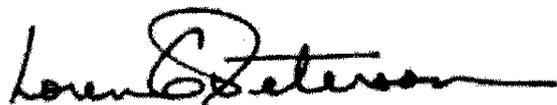
- First, the proposed valuation methods to be used to measure compensation do not accurately do so, especially for private companies, and rely on potentially ambiguous variables. The Black Scholes and Binomial models for valuing stock options assume that a ready market exists for these securities and that options can be freely liquated at any time, and that price volatility can be measured in a meaningful way. This is simply not true for private companies.
- Second, the logistical costs and efforts required to properly account for stock option plans places an unfair burden on smaller, private companies. This burden results from the not inconsequential cost of implementing this proposed accounting rule and continuing to measure its impact on what would otherwise be simple, straight-forward financial statements, leaving less capital and fewer resources for innovation and growth. If innovation slows, markets will concentrate and stagnate around established technologies.
- Finally, the proposed change will have a significant negative effect on how companies are valued in private and public markets. This valuation deflation that will result from the implementation of this accounting standard will make financing more difficult. As private and public financing becomes more difficult, innovation and growth, key to the success of technology companies such as Symbiontics, will be stifled.

6/15/2004

Message

I strongly urge the Financial Accounting Standards Board to alter the proposed stock option accounting rules. Though the ultimate goal of the changes is admirable, the proposed method falls significantly short of the intended goal, while threatening key components of the United States economy. The losers will be small, technology companies such as the one I manage.

Sincerely,

A handwritten signature in black ink, appearing to read "Loren G. Peterson". The signature is fluid and cursive, with a long horizontal stroke at the end.

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