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Letter of Comment No: 3255
File Reference: 1102-100

From: Glenn Osaka [gosaka@reactivity.com]
Sent: Friday, June 04, 2004 7:50 PM
To: Director - FASB
Cc: jcdowling@nvca.org
Subject: File Reference No. 1102-100

I am writing to you representing the concerns of my company, investors and employees. Reactivity, Inc. is an early stage, venture backed start up company that is working hard to establish a new presence in the information security industry. We have observed with great concern, the proposed treatment of stock options as an expense and feel that this direction will create a number of problems for us.

As I know you are aware, stock options have been a critical component to the recipe for technology and business innovation in the U.S. and specifically in Silicon Valley. We feel that the proposed changes to the treatment of options will serve to undermine and damage the process that has worked so well for a number of years. Stock option grants are critical to our company's ability to attract and retain the best and brightest talent needed to accomplish the herculean task of starting a new business, particularly in these difficult times.

The new proposed accounting standards serves to create problems for us without adding substantial value. The problems we will largely incur are in the cost of the administrative effort and expense associated with compliance and audit. The methods proposed are inherently complex, difficult to implement and inaccurate at best. I realize that this proposal is being made to increase financial transparency of the operations of both public and private companies. While there may be some benefit to investors in public markets, there is no substantive value to private companies and to our investors. Again this is all burden with no benefit.

I strongly encourage you to reconsider the potential damage that this new draft proposal will have, particularly on companies like ours. We believe that we have a strong technology, a strong business plan and great opportunities. Adding these new standards to the demands of running our business will do nothing but damage our ability to be successful.

Best regards,

Glenn Osaka
President and CEO
Reactivity, Inc.

6/7/2004