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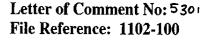
From: Matt Potter [mattp@delphiventures.com]

Sent: Thursday, June 24, 2004 2:38 PM

To: Director - FASB

Cc: Everyone @ Delphi; jcdowling@nvca.org

Subject: File Reference No. 1102-100





Dear FASB,

We wish to express our concern regarding your draft of the Amendment of FASB Statements No. 123 and 95. Delphi Ventures is a venture capital firm located in Menlo Park, California. Our funds are focused primarily on early-stage healthcare investing, including medical devices and biotechnology. Since our inception in 1988, we have worked closely with entrepreneurs to build successful businesses. Our extensive experience with these small businesses allows us to understand the negative impacts that many of our portfolio companies would confront upon adoption of your new rules.

We do not believe that the Black-Scholes or binomial methods can be properly applied to employee options, especially for a nonpublic entity. The proposed method of applying a volatility prediction based on a comparable public entity assumes that a "similar" public entity exists. Furthermore, companies that have comparable market values at one point in time may still vary greatly with regard to their employee vesting and contractual terms or other unique characteristics of employee options.

If a nonpublic entity elects to apply the intrinsic value method, we do not agree with requiring the entity to apply the method for the life of the option. Moreover, requiring an expense adjustment for each reporting period places a tremendous burden on the company to track, report, and audit the calculations. It can be confusing for the readers of the financial statements, especially in the example where a stock price decline results in the company reporting negative compensation expense for the period.

Our portfolio companies have limited resources, in terms of both dollars and personnel. In order to comply with and report based on these proposed requirements they will likely need to hire consultants to analyze and predict exercise behavior, calculate on option expense on a periodic basis, and audit the calculation.

The compliance costs that our nonpublic companies may incur and the confusion that the reports may create seem to outweigh any perceived benefits from this proposed expensing standard. We ask that you consider our comments as well as those from others within our industry and re-examine your proposal.

Sincerely,

Delphi Management Partners