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From: Hsiaowen Kao [hkao@eg-group.com]
Sent: Wednesday, June 30, 2004 6:41 PM
To: Director - FASB
Cc: jcdowling@nvca.org
Subject: Reference File No. 1102-100

Letter of Comment No: 5793
File Reference: 1102-100

Dear Director,

We refer to the FASB's proposed mandatory expensing of broad-based Stock Options.

As members of the Venture Capital industry specializing in high technology companies, our grass-roots level experience completely validates the studies that show that offering stock options to the rank and file members of businesses increases the morale, motivation, productivity and therefore the performance of those companies, and in turn the industry and the overall economy.

This simple yet tangible means to provide incentives for average people to work hard and be creative has fostered a strong entrepreneurial spirit in the companies we have come into contact with, and has contributed significantly towards the massive success of the high-tech sector, and the innovations our country and the world, has benefited from in recent years.

We understand that the misuse of Stock Options by certain large corporations must be checked. However, mandatory expensing is not the answer. That avenue, if adopted, will seriously and adversely affect a hugely successful corporate culture, built upon the natural evolution of capitalistic values.

We urge you explore alternative means to achieve the core objectives of preventing the misuse of Stock Options, an endeavor in which you have our strongest support. Detailed footnote disclosure, restricting the amount of Stock Options that may be deposited into 401(k) plans, restricting the amount of Stock Options that can be paid to the top 3% of employees in a corporation, are examples of measures that would go towards achieving this.

It is our hope that you will preserve, enhance and in fact nurture this mechanism that rightfully rewards the true architects of successful businesses - one that has proven to ultimately provide better value for investors, the government, and the consuming public.

Hsiao-wen Kao,
President
The East Gate group.