Letter of Comment No: 5775
File Reference: 1102-100

June 29, 2004

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

cc: George Batavick, Chair, SBAC

Dear Chairman Herz:

On behalf of the technology small business community, we write to you today in opposition to the proposed expensing of broad based employee stock option plans.

We want to thank you for creating the Small Business Advisory Committee within FASB. This recognition of the unique circumstances that small businesses face when complying with accounting standards and financial reporting is greatly appreciated. Ideally, the SBAC would have been formed and consulted prior to the release of the exposure draft, but we are pleased to see that the committee had its first meeting on May 11th.

Small businesses are the companies that are often times responsible for driving the nation's economy, and we strongly encourage you to consider how harmful this proposal will be. We also believe that the proposed valuation models will place an undue burden on small businesses.

Specifically, we ask you to consider the following:

> First, you claim that small business can use a "simpler, less costly intrinsic value method" to account for stock options. But in reality, this is anything but simple. Companies using your proposed method would have to recalculate the expense at every reporting period throughout the life of the option. The valuation and auditing costs associated with this recalculation are expected to be in the range of $100,000 per year.
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> Second, you claim that small companies do not have to use GAAP accounting. This is just not true. Any company not using GAAP financial reporting will undoubtedly be penalized by lenders. If FASB is asking companies to abandon GAAP you are undermining the importance of this long-standing accounting standard, and surely that is not your intent.

We appreciate your careful consideration of these issues.

Sincerely,

Aculight Corporation, Bothell, WA
Advanced Neuromodulation Systems, Inc., Plano, TX
Agilean Corporation, Bellevue, WA
Alvaka Networks, Huntington Beach, CA
ALZETA Corporation, Santa Clara & Sacramento, CA
ANADIGICS, Inc., Warren, NJ
Anaren, Inc., East Syracuse, NY
Anexus Pharmaceuticals, Inc., Foster City, CA
Aperum, Inc., Duluth, GA
Arbor Networks, Inc., Lexington, MA
Archangel II, LLC, Palo Alto, CA
ASSET Intertech, Inc., Richardson, TX
Aubrey Group, Inc., Irvine, CA
Auriga, Inc., Amherst, NH
Authentica, Inc., Lexington, MA
Authentidate Holding Corporation, Schenectady, NY
Avega Health Systems, Inc., El Segundo, CA
Bel Fuse Inc., Jersey City, NJ
Bottomline Technologies, Inc., Portsmith, NH
Broadband Innovations, San Diego, CA
Brocade Communications, San Jose, CA
BTU International, Billerica, MA
California Micro Devices, Milipitas, CA
Captiva Software Corporation, San Diego, CA
CareCentric, Atlanta, GA
Carrius Technologies, Inc., Richardson, TX
Centra Software, Lexington, MA
Ceva Inc., San Jose, CA
Chrome Systems Corporation, Portland, OR
Coinstar Inc., Bellevue, WA
CombiMatrix Corp., Mukilteo, WA
Configuresoft, Inc., Colorado Springs, CO
Cray Inc., Seattle, WA
Data I/O Corporation, Redmond, WA
DataPath, Inc., Norcross, GA
Dawntreader Ventures, New York, NY
Digimarc Corporation, Tualatin, OR
DIMA Ventures, Inc., Newport Beach, CA
DJS Marketing Group, Inc. (division of Authentidate Holding Corporation), Albany, NY
DocSTAR, Schenectady, NY
DPAC Technologies, Garden Grove, CA
Duraswitch, Mesa, AZ
Dynatronics Corporation, Salt Lake City, UT

EbIx, Inc., Atlanta, GA
EFJ, Inc., Washington, DC
eGain Communications, Sunnyvale, CA
Engineered Solutions, Sunnyvale, CA
Enterprise Management Associates, Boulder, CO
ePartners, Inc., Irving, TX
EthicsPoint, Inc., Portland, OR
Expandable Software, Inc., Santa Clara, CA
FieldCentrix, Irvine, CA
Giga-tronics, Inc., San Ramon, CA
GTSI Corp., Chantilly, CA
HireRight, Inc., Irvine, CA
Identix, Minnetonka, MN
ImTech, Inc., Corvallis, OR
Indyme Electronics, Inc., San Diego, CA
Innovation Advisors, Waltham, MA
Insight America, Inc., Broomfield, CO
Integrated Silicon Solution, Inc., Santa Clara, CA
Intelligent Systems Corporation, Norcross, GA
Interfuse Technology Corporation, Boca Raton, FL
Irvine Sensors Corporation, Costa Mesa, CA
IS Squared, Inc., Lynnwood, WA
Key Technology, Inc., Walla Walla, WA
Kinzan, Inc., Carlsbad, CA
Kopin Corporation, Taunton, MA
Logical Imaging Solutions, Inc., Santa Ana, CA
Marimba, Inc., Watertown, MA
Metrobility Optical Systems, Inc., Merrimack, NH
Microhelix, Inc., Portland, OR
MicroPower Electronics, Inc., Hillsboro, OR
Mindspeed Technologies, Inc., Newport Beach, CA
Miramar Venture Partners, Corona Del Mar, CA
Molecular, Inc., Watertown, MA
MSS Technologies, Inc., Phoenix, AZ
NeoMagic Corporation, Santa Clara, CA
Netegrity, Inc., Waltham, MA
NetQoS, Austin, TX
NetSapiens, Inc., Solana Beach, CA
NetSolve, Inc., Austin, TX
Neuro Resource Group, Inc., Irving, TX
New Enterprise Associates, Menlo Park, CA
nuBridges, Atlanta, GA
OnVia, Inc., Seattle, WA
Output Technology Corporation, Spokane, WA
Owens Design, Fremont, CA
Persephone, Inc., Menlo Park, CA
Pop Art, Inc., Portland, OR

Power Integrations, Inc., San Jose, CA
Qcept Technologies Inc., Atlanta, GA
Qsent, Inc., Portland, CA
QuickLogic Corporation, Sunnyvale, CA
RadiSys Corporation, Hillsboro, OR
Ramtron International Corporation, Colorado Springs, CO
Red Hat, Raleigh, NC
Revenue Technologies Corp., Atlanta, GA
RF Monolithics, Inc., Dallas, TX
S2 Systems Inc., Plano, TX
SAFLINK Corporation, Bellevue, WA
Schoolhouse Software, Inc., Rockland, CA
Secure Computing Corporation, San Jose, CA
SelfCharge, Inc., Redmond, WA
Sigma Designs, Inc., Milpitas, CA
Silicon Design Systems, Santa Clara, CA
SMS Technologies, San Diego, CA
Solid State Measurements, Inc., Pittsburgh, PA
SolidWorks Corporation, Concord, MA
Sonnet Technologies, Inc., Irvine, CA
Spatialight, Novato, CA
SpectraLink Corporation, Boulder, CO
Spoke Software, Palo Alto, CA
Star Trac, Irvine, CA
Start-Up Partners, Lake Forest, IL
Sternhill Partners, Houston, TX
TAEUS International Corporation, Colorado Springs, CO
TeleCommunication Systems, Inc., Annapolis, MD
Tensilica, Inc., Santa Clara, CA
The Norcross Group, Norcross, GA
ThermoTek, Inc., Carrolton, TX
Tripwire, Inc., Portland, OR
U.S. Techlab, Inc., Newport Beach, CA
UMD Technology, Inc., Portland, OR
Unify Corporation, Sacramento, CA
Valicore Technologies, Inc., Santa Ana, CA
Viewcast.com, Dallas, TX
Visionael Corporation, Palo Alto, CA
Webhire, Inc., Lexington, MA
WJ Communications, Inc., San Jose, CA
Worldwide Packets, Spokane, WA
You Software, Inc., Portland, OR
Zebra Imaging, Inc., Austin, TX
Zenodata Corporation, Louisville, CO
Zoom Technologies, Inc., Boston, MA