



June 7, 2004

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

Letter of Comment No: 3211
File Reference: 1102-100

Re: File Reference No. 1102-100

Dear Director,

I am writing to express my strong concerns with the recent decision by FASB regarding the disclosure and accounting for stock options.

It seems that while some of the rationale for the decision is valid, the implementation of a cure for the worthy concerns about full disclosure is far worse than the disease. Expensing stock options is not a cure for the variety of manipulations that have occurred in financial statements over the last few years. Instead it puts a heavy cost burden on small companies that are already at disadvantages to large public corporations that have resources available to allocate to such non-value additive work.

While I trust the intentions of FASB were not to penalize small businesses, the effect of that decision is very real and very damaging. Most damaging is the ability to attract and retain the very best employees. Individuals make decisions on where to work based on many factors, but it is unarguable that many people join startup companies because they have the chance to get ownership in the company and a potential reward from increasing value in the organization. If that were not available, the decision to join smaller, more innovative companies is reduced as they are more likely to join a "safer" large corporation that does not provide the same equity upside.

Stock Options are used to provide ownership to employees, and thus are not expenses but rather changes in equity positions among shareholders. This should not be incorporated into the income statement, and certainly not at the time of issuance given all of the uncertainties related to those options. The methodologies stipulated require an understanding of the fair value of a privately held stock, and the possible volatility in that stock value. Also to be considered is an analysis on when and how many options may be exercised in any given period. The variables involved in those exercise decisions are many, complex and often personal. In essence, we are being asked to make assumptions on risks and volatility that simply reduce the transparency of the financial statements.

We are an early stage venture capital firm with a portfolio of 14 companies. These companies are all private, and have limited revenues given their stage of development. They are also coming up with novel solutions to such issues as digital rights security, personalized customer

Sloan Ventures, L.L.C.

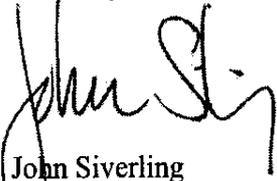
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marketing, genome amplification, personalized medicine, speech recognition, specialized drug production, transgenomics, SNP detection, and others. Some of these companies may help find cures for disease, or lead to earlier detection of cancer. They may improve the communication between people or securely manage critical information in ways we cannot today. These small companies and others throughout the U.S. drive the innovation engine of our economy. These new rules will reduce that innovation, will lead to the demise of more small companies, and reduce the increases in our standard of living that these new innovations help to drive.

I urge you to reconsider the position taken by FASB and support the legislation currently pending to increase disclosure for the top officials of a company and delay any other decisions on expensing stock options until a more equitable and less controversial means is available to value the options. The legislation, S.1890 / H.R. 3574 provides effective control over top executives and potential conflicts but recognizes that small businesses do not, and should not be buried with rules in which they could not possibly comply economically.

Sincerely,



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