Letter of Comment No: 2806 File Reference: 1102-100

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From: Gert Caspritz [Caspritz@tvmvc.com]

Sent: Thursday, May 27, 2004 3:28 PM

To: Director - FASB

Cc: 'icdowling@nvca.org'

Subject: File Reference No. 1102-100/ The Share-Based Payment, and Amendment of FASB Statements No. 123 and 95

The proposal referenced above generally calls for stock options to be expensed at grant date using either the Black-Scholes method or binomial methods, which are widely acknowledged to be problematic when applied to employee options. However, for nonpublic entities, FASB has specifically *disallowed* the current standard (known as minimum value) by which private companies could calculate an option value without the volatility input required for public companies. Now, FASB has determined that if a nonpublic entity decided it could not reasonably estimate the fair value of employee stock options (using Black-Scholes or binomial models), it choose to use a modified "intrinsic value" method. Doing so requires *recalculation of the expense every reporting period creating variable accounting treatment as the stock options are marked-to-market*.

Variable acounting is something that every company goes at lenghts to avoid since it only creates confusion among shareholders and distorts the true fianncial situation of a company. FASB's proposal is ill designed, confusing, unnecessary, and burdensome. From a pure accounting perspective, the valuation methods proscribed will not result in a better depiction of a company's economic health or more transparent financial statements. On a macroeconomic level, I do not believe that FASB has given any consideration to the negative impact an expensing rule will have on the nation's economy. Options are the currency to attract talent to hightech startups in lieu of the expensive cash provided mostly by venture capitalists. The cost of implementing these inaccurate valuation methods will be a much greater burden on startups and nonpublic entities than on public entities. FASB's proposal if enacted as proposed will ultimately undermine stock options as a tool that has successfully aligned the interests of shareholders with employees and which has been critical in our ability to foster the companies that have driven the nation's economic growth.

I urge you to recosnider the proposal and withdraw it in its entirety

sincerely

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