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From: Sent: Paul Goeld [paulg@adiana.com] Friday, June 25, 2004 1:03 PM

To:

Director - FASB

Cc: Subject: 'mpotter@delphiventures.com'; 'jcdowling@nvca.org'

Public Comment: File Reference 1102-100

Letter of Comment No: 5306 File Reference: 1102-100

In FASB's Exposure Draft regarding the Amendment of FASB Statements No. 123 and 95, FASB determined that if a nonpublic companies like mine decided it could not reasonably estimate the fair value of employee stock options by using Black-Scholes or binomial models, we would need to use a modified "intrinsic value" method. Doing so requires the recalculation of this expense every reporting period creating variable accounting treatment as the stock options are marked-to-market. OUR COMPANY TAKES STRONG OBJECTION TO THIS NEW AND UNNECESSARY REQUIREMENT! This new requirement will be both expensive and difficult to implement. It has several very negative impacts: 1. Confusing financial statement presentation: Expensing unexercised options can create confusion because options may be subject to future expirations and cancellations. Such expensing will not only negatively impact the bottom line but also create unnecessary confusion to the readers to interpret such expense. Under the intrinsic value method, companies may incur negative compensation expense if the stock price experiences a large decline. 2. Misleading models: Option pricing models are often based on various assumptions and require various adjustments, which could provide less accuracy to the financial statements. 3. Additional cost: With limited resources, private companies such as ours will almost certainly incur costs to hire special consultants to conduct the calculation of option expense on a periodic basis. In addition, the audit cost will almost certainly increase due to the additional audit work needed to test such expense. For PRIVATE companies, this proposal is not only a complete waste of time and money... it CONFUSES our true financial position and does not give our investors one bit of additional insight into our company! I URGE FASB TO REJECT THIS NEW REQUIREMENT.

Paul M. Goeld President and Chief Executive Officer Adiana, Inc. 2684 Middlefield Road Redwood City, CA 94063