

Stacey Sutay

Letter of Comment No: 1665
File Reference: 1102-100

Subject: FW: Feedback File #1102-100



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-----Original Message-----

From: Rob Senders [mailto:rsenders@banderacom.com]
Sent: Thursday, April 22, 2004 3:13 PM
To: Director - FASB
Subject: Feedback File #1102-100

I inadvertently sent you an email a couple of hours ago (didn't mean to hit send :-)) before I had a chance to clean up wording and grammar...this is a resend, slightly more readable.

As the CFO of a private venture backed company I am concerned about the administrative burden that will fall on very small, less sophisticated accounting departments to implement expensing of stock options. I find it humorous that FASB queried software companies selling stock option expensing software in an attempt to understand the cost of stock option expensing. Independent that this is asking the fox to watch the chicken pen, anyone who's implemented application software in the real world knows that training and implementation are 2-10X the cost of the software.

I would also add that Venture Capitalists have very little interest in non-cash related expenses-nearly all the investor reporting I do involves removing non-cash expenses to get to cash flows. Venture Capitalists have highly sophisticated financial models that take into account employee stock options in understanding their investments. The size of the "employee option pool" is a well understood and heavily negotiated part of a VC financing decision.

Previously I was VP of finance for a \$6B business within a large publicly traded technology company. My general sense in the public arena is that expensing stock options will result in more companies and stock analysts reporting and tracking "non-GAAP" income...reflecting the fact that investors (unlike FASB) don't view stock options as expense-except as dilution in EPS.

I fear general public reaction to specific corporate dishonesty and executive greed is driving accounting rules.

Regards,
Rob Senders
CFO, NetEffect Semiconductor, Inc.