



Letter of Comment No: 4817
File Reference: 1102-100

Director of Major Projects
File Reference No. 1102-100
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

June 29, 2004

This letter presents comments of IDEXX Laboratories, Inc. in regard to the Exposure Draft – Share-Based Payment: An Amendment of FASB Statements No. 123 and 95. We believe that the proposed statement is incomplete and should not be finalized until following items are appropriately addressed and there is ample time for those companies who issue stock options to prepare and inform the investing community as to the impacts on their respective financial statements:

- **Option valuation:** No valuation model for options (e.g. the Black-Scholes or lattice models) is considered to be reliable, consistent or comparable. Stock options are very different from market-traded options. It is impossible to create an accurate value, and expensing based on available methodologies would in fact undermine the credibility of financial statements. As a result, the financial statements with the proposed accounting treatment will have less credibility than current statements.
- **Pro Forma Disclosure:** The proposed statement would not allow pro forma disclosure of the impacts of stock option expense on net income and earnings per share. The current approach allows readers of financial statements to evaluate the impact with and without expensing stock options. This facilitates the interests of investors and other readers who wish to compare operating income from one period to the next, without the effect of a major change in accounting principle.
- **Tax Treatment:** The proposed tax treatment of stock options is unfair in that in situations where tax deductions exceed book expense, the excess benefits are recorded as additional paid in capital, but in the reverse situation, the deficit is charged to the income statement. In addition, the treatment of the

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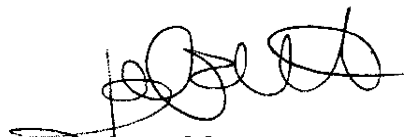
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individual aspects of each option is cumbersome and will cause significantly increased costs to administer the plan without any benefit.

- **Software to Value Option Expense:** Software currently used to track and report stock option expense will not be sufficient to report under the proposed statement. The proposed statement will be finalized late in 2004 with little time to appropriately prepare and forecast expense and the related tax impacts or to obtain, test and implement procedures and controls over the software and processes established to develop the accounting information. This will cause uncertainty in the financial markets with no apparent benefit.

We believe that this exposure draft has not been thoroughly evaluated and issues have not been appropriately addressed. Further, once the issues are resolved, we believe that the Financial Accounting Standards Board should provide sufficient time for companies to fully evaluate the impacts and software providers should have sufficient time to provide solutions to report on the new standard.

Sincerely,



John R. Morton

Division Vice President and Controller