



August 26, 2004

Letter of Comment No: 6530
File Reference: 1102-100

Ms. Suzanne Q. Bielstein
Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

RE: Exposure Draft: Proposed Statement of Financial Accounting Standards, *Share-Based Payment*, File Reference No. 1102-100

Dear Ms. Bielstein:

PacifiCare Health Systems, Inc. appreciates the opportunity to comment on the Exposure Draft, *Share-Based Payment*. We strongly support the adoption of this Exposure Draft. PacifiCare believes that it is important to have a consistent and comparable approach in which share-based compensation is reflected in the financial statements of all companies. Share-based compensation is a cost of doing business and we believe that these costs should be visible to shareholders and appropriately reflected in the financial statements. In addition, we believe that the Exposure Draft should have minimal compliance issues for publicly traded companies, as the current accounting rules already require corporations to provide investors with an estimate of their stock option expense in the footnotes of company's financial statements. PacifiCare has already made the transition to the expensing of share-based instruments with minimal difficulty. We do not feel that proponents of delayed implementation of the exposure draft have provided sufficient justification to permit inconsistent and potentially misleading financial reporting to continue.

Therefore, PacifiCare strongly supports the overall approach proposed by the Board in the Exposure Draft, as well as the timing of the implementation of the Exposure Draft. Since the compliance issues for public companies should be minimal, as indicated above, the effective date of this Exposure Draft should remain as proposed, fiscal years beginning after December 15, 2004 for public entities. Timely adoption of the proposed Exposure Draft will then resolve the current net income reporting differences that exist between companies that have elected to expense stock based compensation and those that have not.

Thank you for the opportunity to comment on this Exposure draft and for considering our views on this topic. We look forward to the implementation of this Exposure Draft with the effective date as it is currently proposed.

Sincerely,

Howard G. Phanstiel
Chairman of the Board and Chief Executive Officer