Letter of Comment No: 4013

File Reference: 1102-100

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From: Rick Rowe [rrowe@safeviewinc.com]

Sent:

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Monday, June 14, 2004 10:53 PM

To:

Director - FASB

Cc:

Nirav Desai

Subject: Opinion on Options

Sir or Madame,

Attached is a letter commenting on our thoughts on the expensing of stock options. I trust you will find our opinion important as you decide this important issue.

Regards,

Rick Rowe

CEO, SafeView, Inc. 469 El Camino Real, Suite 110 Santa Clara, CA 95050 408-307-0775 Cell 408-961-3701 Office www.safe-view.com

SafeView

June 14, 2004

Via e-mail: director@fasb.org

Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re۰

Proposed Amendments to FAS 123 / File # 1102-100

Dear Sir or Madam:

In response to the Financial Accounting Standards Board Invitation to comment on accounting for employee stock options, I am writing to you as the President and CEO of SafeView to express opposition to the proposal as currently drafted. SafeView is a privately-held emerging growth company, focused on physical security screening systems and with expected revenues of \$1 million in 2004 and \$10 in 2005.

I believe the proposed amendments to FAS 123 would have the strongest impact on privately held, emerging growth companies by substantially increasing the complexity and cost of financial reporting and limiting equity ownership and overall compensation for employees. Both consequences will make it harder to raise capital, retain talented employees, and position the company for long term growth.

Cost Impact. Both methods recommended by the FASB for valuing options are highly subjective and complicated to implement, particularly for private companies with no underlying public stock performance and limited funds to hire the financial experts required to determine accurate valuations. Depending on the assumptions, the value of private company options can vary widely. In the case of an option that becomes "underwater", the company will have expensed a compensation expense that did not exist, with the employee receiving no benefit and result in an overstatement of earnings. This volatility in earnings could negatively impact bank financial covenants, investor reporting, and vendor relationships, or anyone who relies on the company's financial statements.

Hiring and Retention Impact. SafeView heavily relies on stock options to recruit and retain talented employees incentivized to build value for the company. Emerging growth companies, such as ours, may choose to limit the use of stock options to minimize earnings volatility. A decision to cut back stock-based compensation will reduce our ability to recruit talent from mature companies. Further, the effect may lead to elimination of options for lower level employees in order to ration for senior executives, potentially lowering productivity across all levels of the organization.

While the need to reform corporate accounting and compensation oversight is critical, I believe this standard does not support fair and objective financial reporting, particularly for emerging growth companies. I urge the FASB to reconsider its position and withdraw the proposed changes to FAS 123.

Sincerely,

Richard L Rowe President and CEO rick@safe-view.com 408-961-3701