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**Letter of Comment No: 3262**  
**File Reference: 1102-100**

**From:** Patterson, Arthur [apatterson@accel.com]  
**Sent:** Friday, June 04, 2004 8:20 PM  
**To:** Director - FASB  
**Cc:** jcdowling@nvca.org  
**Subject:** Employee Stock Option Expensing - Reference No.1102-100  
**Importance:** High

Mr. Robert H. Herz  
Chairman, Financial Accounting Standards Board  
401 Merrit 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

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Dear Mr. Herz:

I am writing in opposition to the proposed expensing of stock options outlined in the FASB Exposure Draft entitled "Share-Based Payment, and Amendment of FASB Statements No. 123 and 95".

I have been in venture capital since 1971. During that time I have participated in the development of hundreds of new technology companies. I have been a Director of about two dozen technology companies which have gone public. I have also managed institutional portfolios of publicly traded growth company stocks.

Shareholders value per share is based on the free cash flow per share. This is diluted/lowered by the issuance of options. Public disclosures of such dilution is critical information for investors and the security analysts who advise them. This information is already provided.

The theoretical option value calculations which FASB proposes (binomial, Black-Scholes or intrinsic value) are of no use to shareholders and potentially highly misleading. Such speculative "valuing of options" will only increase the "value" of security analysts by further increasing the fog around the Company's reported numbers. These speculative option "values" could also be used to justify still higher and more ridiculous compensation packages for CEO's because the "Compensation Consultants" will use the "low option values" of companies going nowhere to justify more cash compensation and larger share option grants packages to be "competitive" with executives building growth companies where options are "potentially" worth more if these executives deliver as promised.

Thank you for your attention.

Sincerely,

Arthur C. Patterson  
Founding Partner

Copy to: Jennifer Connell Dowling, NVCA

(Copy sent via U.S. Mail simultaneous to this email)

6/7/2004