Letter of Comment No: 5516 File Reference: 1102-100

June 30, 2004

Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116 Telephone (203) 847-0700 Fax: (203) 849-9714

To Whom It May Concern:

I am writing on behalf of Thomas Weisel Venture Partners to register our opposition to the FASB Exposure Draft, Proposed Statement of Financial Accounting Standards, Shared-Based Payment, an amendment of FASB Statements No. 123 and 95, released on March 31, 2004. In its statement, FASB proposes a "fair value based" method for accounting for employee stock options (ESOs). Although the intent behind accounting for stock options has some merits, we believe that the FASB's proposed solutions overlook serious flaws at a fundamental as well as a practical level.

To evaluate businesses at a fundamental level, investors need to be aware of both a company's operating characteristics and its equity structure. Requiring companies to expense ESOs, however, muddles their income statements with details related to equity structure and will ultimately mislead investors by double-counting the impact of what is effectively an exchange of equity that has no bearing on the company's ability to generate profits. Furthermore, widely used models for valuing options, such as Black-Scholes, are meant for fully vested options in public companies with known volatility (Beta). Extending such option pricing models to account for unknown factors including employee vesting and volatility of privately held companies is highly complex and may yield results which are more confusing to investors than current disclosure. Under FASB's current proposal, companies who expense options that expire out of the money or never get exercised have no means for recovering these accounting costs.

On a practical level, expensing ESOs creates a disincentive for companies granting options and ultimately impacts productivity. Granting options allows companies to attract and motivate employees by making them equity partners in the business. This practice has proven to be an effective model for the emerging growth sector of the economy and has been the genesis for a tremendous amount of growth in the entrepreneurial community. FASB's current actions threaten to limit the use of employee stock options that have played a key role in driving economic growth and fueling new job creation. Furthermore, expensing ESOs will create a significant competitive disadvantage for US-based companies that will increasingly compete with Chinese and Indian companies in the global technology markets that are increasing

their use of ESOs as a form of compensation without adversely affecting their reported operating performance.

In conclusion, we recommend that FASB enhance its current rules related to option grants with greater consistency and detail. Doing so will allow investors to maintain a clear view of company financials while gaining additional visibility into the company's equity structure. In addition, the continued use of stock options will promote new company formation, create more jobs and aid the emerging growth sectors of the economy.

Thank you for your time and consideration.

Regards,

Dave Crowder

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