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

**Letter of Comment No: 4774**  
**File Reference: 1102-100**

RE: File Reference No. 1102-100

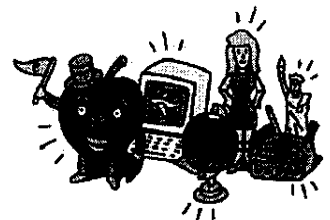
Dear Members of the Board:

eBay appreciates the opportunity to comment on the Exposure Draft "Share-Based Payment and amendment of FASB Statements No. 123 and 95" (ED). We commend the Board on its thorough and thoughtful approach to providing guidance in this difficult area of financial reporting.

We have studied the ED and debated its guidance internally and with outside advisors. Our primary concerns with the proposed statement center on the valuation methodologies outlined in the current ED. We believe that, because of the shortcomings of existing valuation methodologies, implementation of the ED in its current form will adversely affect the consistency, comparability and transparency of financial statements.

We recommend that the FASB take into account our concerns, as detailed below, prior to issuing final guidance in this area. Until these concerns are addressed and resolved, we strongly recommend deferring the effective date of the proposed statement. In our view, the issues raised below are significant and can only be properly addressed by providing additional implementation guidance within the ED or limiting the ED to enhanced financial statement disclosures.

It is widely acknowledged (including within the ED) that closed-form models such as Black-Scholes-Merton do not fully capture and reflect the characteristics of many share options or similar instruments. While lattice models are better able to reflect most of the unique characteristics of share options, they too have significant deficiencies -- the largest being the subjectivity in their application. While we commend the Board for the valuation guidance provided in paragraphs B13 through B30 of the ED, that guidance does not eliminate the significant judgments inherent in lattice models.



One of the most significant areas of judgment is that of projected share price volatility over the expected life of the share option. The lattice models require, in effect, that companies forecast their future stock price over the performance or vesting period, as well as predict employees' exercise behavior over the same time period. While more mature companies may use an objective measure of historical experience, this methodology is inherently flawed, as past performance is frequently not indicative of future performance. Younger and less mature companies that lack sufficient historical data could consider information obtained from benchmarking comparative companies and consider factors unique to their company's market circumstances. However, the significant judgments involved in this exercise would make it highly unlikely (if not impossible) to expect similar companies to develop similar estimates, thus eliminating the consistency or accuracy benefits of the proposed standard.

In addition to volatility, companies would likely evaluate the wealth of other variables that can be incorporated into a lattice model differently. For example, the management teams of two otherwise identical companies, even with the assistance of outside expert valuation firms, would likely reach different conclusions about which share option features should be incorporated into a lattice model. In addition, different management teams would most likely predict a number of variables differently, such as the impact of changes in the economy on employee exercise behavior. These challenges would thus result in significantly different valuations and significantly different corresponding income statement charges for both the stock compensation and income taxes.

Differing judgments will lead to materially different valuations and, in turn, the inability of financial statement users to constructively compare financial information between and among companies. To overcome this expected lack of comparability, sophisticated investors with the requisite resources and skill will develop models to analyze and isolate the distorting impact of share-based payments accounting and develop pro forma income statements that exclude these compensation expenses and income tax effects. Smaller, less sophisticated investors would be less able to evaluate the impact of these charges and would consequently be disadvantaged in their ability to make sound investment decisions. This unintended consequence of the proposed ED will likely cause companies to expand their earnings release and other disclosures to include this supplemental information, thereby proliferating the use of pro forma disclosures.

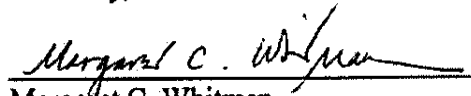
For these reasons, we believe that, until a valuation technique is developed that is sufficiently objective such that it can be consistently applied by all affected companies; the Board should defer the effective date of this proposed standard. Today's prevailing option valuation techniques would likely impair the consistency and comparability of financial statements and would likely cause confusion for many financial statement users. Blending the highly subjective share-based payments expense with the less subjective, cash-validated expenses would impair the transparency of financial statements.

In the event the Board proceeds with the ED in its current form, we recommend that the Board explore the inclusion of guidance allowing separate disclosure in the income statement of the share-based payments charge and related tax effect as well as separate

disclosure of EPS with and without the effect of the share-based payments effect. We believe this level of disclosure would help restore the transparency in financial statements and would provide an equal footing for investors to understand reported financial results.

In conclusion, we believe that moving forward with the proposed standard in its current form will impair the consistency and comparability of financial statements between periods and between companies and undermines the goal of financial statement transparency. After its consideration of these concerns, if the Board concludes that an estimate of the value of share-based payments must be included in the financial statements, we believe that the impact of these estimates should be prominently disclosed in the financial statements to maintain transparency for financial statement users. We appreciate your consideration of our comments on this important matter.

Sincerely,



Margaret C. Whitman  
President, Chief Executive Officer



Rajiv Dutta  
Senior Vice President, Chief Financial Officer



Mark J. Rubash  
Vice President, Finance and Chief Accounting Officer