

Mr. Robert Herz  
Financial Accounting Standards Board

Re: File 1102-100

My name is Paul A. Sobotka, MD, and I am writing to you today in regards to the proposed "The Share-based Payment and Amendment of FASB Statements numbers 123 and 95." Though I understand FASB's intended goal of improving the transparency of a company's economic health, I believe the proposed methods of measurement and reporting will only lead to increased confusion and ultimately have an immediate and long-term negative effect on the financial health of all technology companies, especially non-public entities.

As a member of the senior management team at CHF Solutions, I am responsible for a multitude of operational and financial challenges as my team and I attempt to grow this company into a free-standing profitable operation, employing hundreds of people. Key to conquering these challenges is the support of a motivated employee team that has a vested interest in the company's success. This motivation and ownership is made possible through the use of employee stock options. Unfortunately, it is my belief that the proposed FASB changes regarding stock option accounting will greatly diminish a company's ability to compensate employees through stock options due to the logistical; operational, and financial problems inherent in the proposed FASB change.

My argument against the proposed changes is three-fold:

- First, the valuation methods proposed are inaccurate and subject to potentially ambiguous variables. The Black Scholes and Binomial models for valuing stock options make a variety of disputable assumptions, including that options can be freely liquated at any time and circumstance, and that corporate volatility can be defined in a meaningful way. This, is simply not practical in the real world
- Second, the logistical costs and efforts required to properly account for stock option plans places an unfair burden on smaller, private companies. This burden results in increased expenses and energies for non-core business, leaving less capital and resources for innovation and growth. If innovation slows, markets will concentrate and stagnate around established technologies.
- Finally, the proposed change will have a dramatic short-term and significant long-term negative effect on how companies are valued in private and public markets. This valuation deflation will be driven by the inadequacies in the proposed valuation methods and will make financing more difficult. As private and public financing becomes more difficult, the innovation and growth (key to technology company success) will be stifled.

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In closing, I strongly urge the Financial Accounting Standards Board to reconsider altering the current stock option accounting rules. Though the ultimate goal of the changes is admirable, the proposed method falls significantly short of the intended goal, while threatening key components of the United States economy.

Sincerely,

Paul A. Sobotka, M.D., F.A.C.P., F.A.C.C.  
Chief Medical Officer, CHF Solutions Inc.  
Brooklyn Park, MN 55428