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From: Robert H. Turner [hturner@infiniroute.com]
Sent: Saturday, June 19, 2004 6:03 PM
To: Director - FASB
Cc: jcdowling@nvca.org
Subject: Ref. File No. 1102-100 Share-Based Payment, and Amendment of FA SB Statements No. 123 and 95

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June 19, 2004

Via E Mail

To: The Financial Accounting Standards Board (Reference File No. 1102-100)

From: InfiniRoute Networks, Inc.

The following are our comments on FASB's recent Exposure Draft, the Share-Based Payment, and Amendment of FASB Statements No. 123 and 95.

Selected Macroeconomic Considerations

1. FASB claims that only 3% of all small businesses use stock options. Of course, the relevant point is that within that 3% are the venture-backed companies that are responsible for creating 10 million jobs and over 11% of annual US GDP. My company, InfiniRoute Networks, Inc., is just such an entity. We have the strong venture backing necessary to grow and realize our business plan, inclusive of significant growth in employment, including the highly skilled professional and technical position required to maintain our technology and service lead in world markets. We rely on stock options as a critical part of motivating employees to take high-risk jobs. Also, options are a major element of the risk reward equation which helps us retain these key employees during the intense growth phases of our businesses' evolution. Additionally, we are continuously creating the intellectual property which keeps us ahead of competition in the world markets. It is the opportunity to share the lift in value created through the deployment of that employee created intellectual property which keeps our employees working the long hours required.

We are unlike many of the other companies which fall within the 97% you have implied which do not use options. Those companies, in our view, are largely self funded owner/family operated companies for which the use of options is not needed to incent, since equity partners are generally not wanted outside of the closed family group.

2. In our company, options make employees equity partners. Technology competitors India and China have specifically said no to expensing options, and China's latest 5 year plan calls for broad based employee stock options.

3. Expensing options will not address corporate governance issues or penalize management excesses.

Financial Reporting Considerations

1. The proposal generally calls for stock options to be expensed at grant date using either the Black-Scholes method or binomial methods, which are widely acknowledged to be problematic when applied to employee options. Those methods are useless for nonpublic companies. Now, FASB has determined that if a nonpublic entity decided it could not reasonably estimate the fair value of employee stock options (using Black-Scholes or binomial models), it could choose to use a modified "intrinsic value" method. Doing so requires recalculation of the expense every reporting period creating variable accounting treatment as the stock options are marked-to-market. Nonpublic companies should continue

to have their option values determined by their Boards and their auditors.

2. Using these methods will result in misleading and non-comparable financial statements. Each company will determine its' own variables for future volatility, option term and dividend yield.

3. Not including vesting periods in the determination of value overstates the value of an employee option and violates the principle of fair value.

4. Expensing options confuses a capital account transaction with a P&L event. Options do not create a liability for companies. Options do not affect revenue, cash, or impact company operations. The FASB proposal would, in effect, reflect a double dip, or double cost of capital, making future capital raising potentially less attractive and therefore impacting the ability to grow and create even more jobs which fuel our economy.

5. Current rules allow expensing and/or disclosure of the amount of expense in footnotes to the financial statements. This is the correct approach

About InfiniRoute Networks, Inc.

InfiniRoute Networks Inc. provides the first carrier-neutral fully managed Voice over IP (VoIP) service, seamlessly integrating and managing voice and IP routing for wireline, wireless and emerging carriers. Customers migrating their carrier-to-carrier interconnections to VoIP use InfiniRoute's solution to gain competitive advantages that include: greater access to global markets; lowered operating costs; reduced technology risk and faster time to market. InfiniRoute Networks Inc. was established in 2004 as the result of the merger between two private companies, IPDeliver and Proficient Networks. Established in 2001, Proficient Networks provided a platform that measures end-to-end IP network performance, responds quickly to automatically fix problems and prevents network congestion. Established in 2002, IP Deliver provided comprehensive VoIP network management services. IP Deliver's Global VoIP connectivity product will continue to be offered as part of the company's overall solution.

Sincerely,

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