Dear Colleague,

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Letter of Comment No: 5827
File Reference: 1102-100

From: Kingston Duffie [kduffie@fnfr.com]
Sent: Wednesday, June 30, 2004 6:39 PM
To: Director - FASB
Cc: jcdowling@nvca.org
Subject: FASB-letter.doc

Comments on employee stock option changes

June 30, 2004

Directors
Financial Accounting Standards Board
director@fasb.org

Dear FASB Directors:

I am writing to convey my reservations with the FASB proposed changes to accounting for employee stock options (File Reference No. 1102-100).

As an executive involved in high technology companies which make extensive use of employee stock options to attract, motivate, and align employees, I am concerned that the proposal would:

- diminish financial statement transparency since complex rules and discretionary judgments will be required to determine option values for private companies.
- reduce financial statement consistency across companies, particularly when different private companies will adopt different approaches to valuing employee stock options.
- make financial statements less reliable over time, as the "instrinsic value" method necessitates periodic recalculation of employee stock option expenses as stock options are marked-to-market.
- impose significant additional accounting and auditing costs on small companies, estimated by the NVCA at $30,000-100,000 per year for private companies.
- lead to stock options becoming more expensive for companies to issue, potentially jeopardizing a key driver of entrepreneurial activity on the economy.
- erode our entrepreneurial economy at a time when competition has become truly global and other nations are actively promoting new technology companies.

I hope the FASB can give additional consideration to these issues before moving forward with any changes in employee stock option accounting.

Sincerely,

Kingston Duffie
CEO
The Fanfare Group, Inc.

cc: jcdowling@nvca.org