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Letter of Comment No: 4026 File Reference: 1102-100

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From: Charles P. Stetson [CStetson@peifunds.com]

**Sent:** Tuesday, June 15, 2004 12:11 PM

To: Director - FASB

Subject: File Reference No. 1102-100

## Gentlemen and Ladies:

As an investor in private equity since 1978, I find the final Exposure Draft The Share-Based Payment and Amendment of FASB Statements No. 123 and 95 very problematic both generally and specifically as it relates to private equity.

The general objection that I have to the Exposure Draft is the expensing stock options is double counting on the income statement with respect to fully diluted earnings per share. This is unnecessarily punitive to companies, particularly smaller growing companies that need to hire top executives.

With respect to private companies, valuation of options is extremely difficult since options are not transferable and there is no public trading of the company's stock. The bionominal models are arbitrary and inaccurate. I object to introducing such an arbitrary process into financial statements with a result that the financial statements are unnecessarily distorted and inaccurate and thus misleading to investors.

I do not understand why such complicated and administratively burdensome rules and regulations would be applied for such terrible result to the financial statements. I am also troubled by the fact that apparently India and China do not expense options, thus putting the U.S. at an unnecessary disadvantage.

The bottom line is that these two proposals will significantly and unnecessarily impair American's economic growth and productivity. Of equal concern is that financial statements will be distorted and misleading to investors.

This proposal should be dropped in its entirety. If this is not possible, at the least then, private companies should be exempted.

Sincerely,

Charles P. Stetson, Jr. Managing Director

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