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From: kboyd@austinventures.com
Sent: Thursday, May 27, 2004 10:43 AM
To: Director - FASB
Cc: jcdowling@nvca.org; kpaschall@austinventures.com
Subject: File Reference No. 1102-100

The following is sent on behalf of James Clardy, CEO of Nascentric, Inc.:

My name is James Clardy and I am the CEO of Nascentric, Inc. which is funded by venture capital investors who have invested $5.2M in a Series A financing round. We anticipated raising approximately $15M additional dollars in two (2) more financing rounds over the next three (3) years.

In my opinion, if the accounting standard proposed by FASB is adopted, I believe it will result in several harmful consequences for my company, including a substantial reduction in the value of the company's financial statement, increased administrative costs, reduced competitiveness, and possibly the termination of employee stock option programs. It would impair the ability of my company to succeed and possibly cripple the entrepreneurial engine that drives a substantial portion of America's competitiveness in the world economy. Below you will find a more detailed outline of what I believe to be major issues with the proposed program.

1. Substantially reduced value of financial statements

   Specifically with respect to private companies, the investors and creditors pay minimal attention to earnings per share performance. Their collective focus is on cash – cash balance, cash generation, cash consumption and the cash required for the company to reach self-sufficiency. Consequently, I do not see how the expensing of stock options will provide any value to the capital and resource allocation decision processes of the private companies, its investors or creditors. In fact, the reporting requirements will only make the financial statements less helpful in assessing the company's performance since it will be more difficult to model cash.

2) Increased administrative costs

   The administrative effort and expense associated with the proposed standard compliance is meaningful. The proposed methods for stock option expensing will require significant effort and cost to perform an audit and will undoubtedly consume management time ensuring the methodologies are applied correctly and the results are interpreted appropriately.

3) Reduced competitiveness

   Many of the companies in Asia that do now, or will in the future, compete with my company, do not have to deal with the confusion and cost associated with expensing stock options. This gives those companies a decided advantage in an ever more global marketplace, especially when it comes to hiring the best people.

4) Possible termination of employee stock option programs

   I am concerned about pressure from investors, particularly on public companies, to significantly reduce the use of employee stock options to reduce the associated expense. This could make

technology companies, and particularly young technology companies, less attractive to talented people as an employer, which is bad for entrepreneurism in America.

In addition to being CEO of Nascentric, Inc., I am on the Board of directors of five (5) other companies, one of which is a public company. These companies all were financed by venture capital funds and all of them heavily depend on stock option programs to obtain and keep talented people as employees. Due to the fact that cash is so critical in start-up situations, employee's salaries are generally substantially below the norm for the level of talent required to make the company successful. The major attraction for these employees is the stock option program.

I appreciate you taking the time to review, read and digest the information presented above, and should you have any questions or concerns please feel free to contact me at 512-485-1934.