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Letter of Comment No: 5762 -
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From: Edward Mathias [Edward.Mathias@carlyle.com]
Sent: Wednesday, June 30, 2004 5:21 PM
To: Director - FASB
Cc: jcdowling@nvca.org; Bob Grady
Subject: File Reference Number 1102-100

Dear Mr. Herz,

I am writing in response to the Financial Standards Accounting Board's ("FASB's") exposure draft regarding Share-Based Payment, which includes the FASB's proposal to require the mandatory expensing of incentive-based stock options for both public and privately-held companies.

I strongly oppose FASB's proposal to require expensing of stock options as it encounters a large set of problems. The proposal in current form compromises some of the fundamental principals of accounting and becomes an instrument to inhibit macroeconomic growth. Employees and shareholders benefit from FASB's current treatment of stock options in that interests are aligned to fuel innovation and increase productivity and shareholder returns. Expensing stock options would only serve to dismantle this relationship. Additionally, startups and non-public entities will bear more of the brunt of FASB's proposal. Private companies will find it harder to attract and recruit top-flight talent, which would be particularly damaging to US job creation. This is particularly concerning considering that venture-backed companies are responsible for creating 10 million jobs and over 11% of annual GDP.

At its very fabric, stock options reward the risk taken that is required for innovation. Without it, innovation will suffer. The political process of FASB's proposal is misdirected and wanders from an original intent to prevent executive excess and malfeasance.

Thank you for the opportunity to voice my opinion and comment on a very important topic. I strongly oppose FASB's proposal.

Ed Mathias

Managing Director

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