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Letter of Comment No: 2571

File Reference: 1102-100

From: Kim Davis [kim_davis@idgventures.com]

Sent: Tuesday, May 18, 2004 7:25 PM

To: Director - FASB

Subject: Share-Based Payment, and Amendment of FASB Statements No. 123 and 95 (File Reference No. 1102-100)

Dear Director,

I am writing you to about the recent FASB final Exposure Draft, *Share-Based Payment, and Amendment of FASB Statements No. 123 and 95*

As a general partner at a West Coast Venture capital firm, I believe the FASB share-based payment proposal fails on multiple levels. From an accounting perspective, the valuation methods proscribed will not result in a better depiction of a company's economic health or more transparent financial statements. On a macroeconomic level, it seems to me FASB has underestimated the negative impact an expensing rule will have on the nation's economy -- especially in high tech. It is imperative that we do everything we can to encourage Americans to be entrepreneurs and start companies.

For a small start-up the process involved in implementing FASB's proposed private company valuation methods will be for expensive and time consuming. In addition, the current proposal will ultimately undermine stock options as a compensation tool that successfully align the interests of shareholders, managers, employees, and customers. This alignment has encouraged the growth of small companies which has in turn driven US economic growth. As a compensation tool, nearly 100% of venture backed high growth startups use stock options. I urge you to reconsider your proposal, and to modify it to preserve the ability of stock options to foster entrepreneurship in small, private start-up companies.

Sincerely,

Kim

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