KPMG LLP
757 Third Avenue
New York, NY 10017

Telephone 212-909-5600
Fax 212-909-5699
Internet www.us.kpmg.com

July 7, 2006

LETTER OF COMMENT NO. 1

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position FAS 123(R)-e, "Amendment of FASB Staff Position FAS 123(R)-1"

Dear Technical Director:

We appreciate the opportunity to respond to the proposed FASB Staff Position FAS 123(R)-e, "Amendment of FASB Staff Position FAS 123(R)-1." We agree with the Board's proposal that modifications made to awards currently held by nonemployees through an equity restructuring or business combination which do not increase the value of the instrument to the holder or when not made in contemplation of such an event should not result in the awards becoming subject to other GAAP.

We understand the intent of FSP FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R)," to be to retain the recognition and measurement provisions of FASB Statement No. 123 (revised 2004), *Share-Based Payment*, for awards earned entirely for employee service. We believe that the proposed amendment to FSP FAS 123(R)-1 is consistent with that intent; although we find the currently-proposed wording to be somewhat confusing.

We acknowledge that paragraph 53 of Statement 123R states that an exchange of equity instruments or change in their terms in conjunction with an equity restructuring or a business combination is a modification. However, paragraph 54 of Statement 123R acknowledges that such exchanges or changes in the terms which are value-neutral to the holder are modifications without an accounting consequence. Accordingly, we believe that the amendment proposed by FSP FAS 123(R)-e is reflective of the intent underlying paragraphs 53 and 54 of Statement 123R and FSP FAS 123(R)-1.

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If you have questions about our comments, please contact Mark Bielstein at (212) 909-5419, Paul Munter at (212) 909-5567 or Jeff Jones at (212) 909-5490.

Sincerely,

KPMG LLP