



Contacts:

Emily Mendell, National Venture Capital Association, 610-359-9609, emendell@nvca.org

For Immediate Release

**NATIONAL VENTURE CAPITAL ASSOCIATION EXPRESSES CONCERN
REGARDING SEC BULLETIN ON EXPENSING OF EMPLOYEE OPTIONS**

March 29, 2005, Washington, DC - The following statement is in response to the Securities and Exchange Commission's issuance of Staff Accounting Bulletin 107 on the Financial Accounting Standards Board's (FASB) accounting standard for stock options and is attributed to Mark Heesen, president of the National Venture Capital Association (NVCA):

"While the SEC bulletin has begun to address some of the issues that public companies will face in implementing this accounting standard, we remain very concerned for this country's small, privately-held companies who have been largely ignored in this process, but are tremendously impacted by its outcome."

"The NVCA has long asserted that FASB stock option expensing standard does not provide an accurate valuation model for small companies whose stock does not trade. Further, the FASB standard places an undue burden on young companies already dealing with increased regulatory compliance issues. The result is a very expensive, inefficient requirement that produces a useless number."

"There is a myth out there that small, private companies are not affected by these standards because they are not required to be GAAP compliant. Yet, in reality, any company that plans to grow and someday enter the public domain through a stock offering or acquisition must follow these rules as well. Unfortunately, the rules were not made with them in mind."

"We are hopeful that the SEC and other regulators will continue to focus on the complexities and challenges that small businesses will face in complying with the FASB standard and issue additional guidance in support of these companies. The risk of ignoring this critical sector of the US economy is extremely high."

About the NVCA

The National Venture Capital Association (NVCA) represents approximately 460 venture capital and private equity firms. NVCA's mission is to foster a greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the United States in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.