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June 28, 2004

Mr. Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Mr. Herz:

On March 31, 2004, the Financial Accounting Standards Board (FASB) released its long-awaited Exposure Draft entitled "Proposed Statement of Financial Accounting Standards". If adopted, the Exposure Draft will require fair market expensing of employee stock options beginning in 2005. NCEITA opposes this action and urges Congress to pre-empt the adoption of the proposed regulations for the following reasons:

- Stock Options drive innovation. Broad-based employee stock options foster the culture of ownership and associated behavior in which innovation and risk-taking thrive. These two fundamentals of economic growth are critical to the economy and critical to the United States long-term competitive posture.

- A mandatory expensing standard could create unintended consequences on broad stock option plans. For example, if expensing were mandated, companies very well could cut back on all-employee plans, which would become much more 'expensive' for working families in America.

- Mandatory Expensing is not a Solution. Mandatory expensing would not provide investors more useful information.

- Mandatory Expensing would hurt the economy. Greater employee ownership is a trend that is good for the economy. Mandatory expensing would have a disproportionate effect on companies with broad-based stock option plans and thus,C potentially will reverse this trend.

While FASB notes that it is not their job to take into account the affect their actions will have on the economy, Congress can step in to avert the negative consequences mandatory expensing will have on the economy and on the innovation cycle. We urge you to consider these important points and work to stop these regulations that will not provide real solutions to the issues. Thank you for your time and consideration.

Sincerely,

Joan P.H. Myers
President & CEO