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June 30, 2004

Director of Major Projects
File Reference No. 1102-100
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5166
Norwalk, CN 06856-5116

Letter of Comment No: 6417
File Reference: 1102-100

Dear Director:

Please be advised that on June 30, 2004, the Utah Business Coalition formalized its opposition to the Financial Accounting Standards Board (FASB) Exposure Draft entitled "Proposed Statement of Financial Accounting Standards" dated March 31, 2004. As a result, we strongly oppose the recommended standards and urge FASB to delay their implementation in the interest of additional study.

Business associations expressing their opposition to the Exposure Draft include: Utah Manufacturers Assn; Salt Lake Area Chamber of Commerce; Utah Information & Technology Assn.; Utah Chapter of the National Federation of Independent business (NFIB); Utah Retail Merchants Assn.; Utah Hospitals & Health Systems Assn.; Utah Petroleum Assn.; Utah Life Sciences Assn.; and, Utah Bankers Assn.

The business associations which make up the Utah Business Coalition represent thousands of companies which employ ten of thousands of Utahns. The associations represent large and small employers, public and private companies, and employees who currently benefit from employee stock option programs and those who hope to some day.

In short, we support an on-going effort to make information regarding dilution as accurate, prominent, and investor-friendly as possible. However, it is our belief that adoption of the Exposure Draft will not provide more useful or more accurate information to investors. Suggested valuation methodologies for expensing stock options uniformly fail to accurately determine aggregate value of those options. Methodologies were developed to value short-term tradable stock option, neither of which is applicable to employee stock options. Moreover, the methodologies include a number of subjective components susceptible to manipulation year to year resulting in neither consistent nor useful information for investors.

The Utah Business Coalition asks you to seriously consider the negative effects of the March 31, 2004 Exposure Draft would have on Merit and thousands of other American companies. We reiterate our opposition to the plan and hope you will consider our objections.

Sincerely,

Greg A Fredde

Greg A. Fredde
Resolution Opposing Mandatory Expensing of Employee Stock Options
The Utah Business Coalition

Business Coalition Opposed to Mandatory Expensing of Employee Stock Options

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.

We, the undersigned organizations and our members are opposed to the March 21, 2004 Exposure Draft and strongly urge Congress to pre-empt the adoption of the proposed regulations for the following reasons:

Stock Options Drive Innovation
Broad-based employee stock option plans – offering options to many employees rather than a few – foster the culture of ownership and associated behavior in which innovation and risk-taking – two fundamentals of economic growth – thrive. The drive that ownership creates is not only the heart of the American dream; it is the key to the innovation and competitiveness on which our country's economy is built.

Mandatory Expensing in Not a Solution
Mandatory expensing does not provide investors information that is either more useful or more accurate. The regulatory proposal for mandatory expensing — based upon the lattice model formula — is inappropriate for two reasons.

- First, lattice model was developed to value short-term tradable stock options. Employee stock options are neither short-term, nor tradable. They vest generally over a 5 year period, and their ultimate value is both contingent and speculative.
- Second, the lattice model formula includes a number of subjective components that would allow for manipulation, resulting in financial information that is neither consistent nor useful for investors to evaluate potential investments.

Mandatory Expensing Would Hurt the Economy
Mandatory expensing would have a disproportionate effect on companies with broad-based stock option plans, reversing the trend of greater employee ownership that has led to innovation, risk-taking and entrepreneurship. These companies have been the driving force behind our economy.

The Appropriate Role of Congress
In its response to Congress, FASB stated that it is not its job to take into account any effects of its actions on the economy. Congress has the responsibility to assess and avert the consequences of mandatory expensing. The negative effects on the economy resulting from mandatory expensing must be justified by compelling reasons. The regulatory proposals do not provide any justification, and they do not provide solutions to the issues cited by the proponents of expensing.

Utah Manufacturers Assn.

Salt Lake Chamber of Commerce

Utah Information/Technology Assn.

National Fed. of Indep. Businesses

Utah Retail Merchants Assn.

Utah Hospitals & Health Systems Assn.

Utah Petroleum Assn.

Utah Life Sciences Assn.

Howard Headlee

Utah Bankers Assn.