GILEAD
Advancing Therapeutics.
Improving Lives.

Letter of Comment No: 4874
File Reference: 1102-100

June 28, 2004

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

Re: File Reference No. 1102-100, Proposed Statement of Financial Accounting Standards, Share Based Payment, an Amendment of FASB Statements No. 123 and 95

Dear Sir or Madam:

I am writing to express Gilead's strong opposition to the current FASB proposal requiring that the value of stock options to employees be expensed in financial statements. The proposed standard will have adverse consequences for most businesses and will reduce, rather than improve, financial transparency to our investors. I also believe that the theoretical and artificial value placed on options can only lead to major reductions in these critically important, broad-based employee incentive programs. This in turn will reduce the ability of American small businesses to recruit the individuals necessary to grow and compete with the dominating, multinational conglomerates and the government subsidized corporations arising in China and India.

Gilead is very much in support of thoughtful and reasonable approaches to corporate governance and accountability. In particular, we applaud efforts to provide higher-quality, transparent reporting that enables our investors to better understand our business. The current FASB proposal does not achieve these goals. Rather, it will reduce the ability of an average investor to understand a business by increasing the number and complexity of assumptions required to generate financial statements, while failing to accurately portray a business' true economics. Furthermore, it will disproportionately impact less-skilled investors to the benefit of those who have access to sophisticated research tools and resources. The current proposal will also result in significant fluctuations and unpredictability of our effective tax rate. As a result, we believe that expensing employee stock options based on the proposed methodologies will, in fact, further undermine the credibility of financial statements rather than improve investor confidence.

Gilead is a biopharmaceutical company dedicated to developing and delivering innovative therapeutics to advance the care of patients suffering from AIDS, hepatitis and influenza. We have become a leader in the global fight against HIV and AIDS through challenging our nearly 1,500 employees to make a difference at every level. Together, our employees have brought to the marketplace three important new medicines to treat HIV and chronic hepatitis B in a span of less than two years – a very significant achievement for any organization, and particularly so for a company the size of Gilead. Broad-based stock options have been a key recruiting and compensation tool for Gilead, enabling us to attract and retain the entrepreneurial employees who have made our novel, life-saving HIV medicines available throughout the world.

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For emerging companies in our sector, stock options have been and continue to be a vital employee recruitment and retention tool that provide workers the opportunity to enjoy equity ownership and the prospect of sharing in the company's future successes. Equity compensation is an appropriate reward for employees who make significant contributions to companies that, in the end, increase shareholder value. Our strong belief is that the FASB plan will particularly penalize companies that promote broad-based employee ownership, to the detriment of rank-and-file workers and the growth they help create. This will lead to a reduction in the number of new businesses formed and to a significant decrease in the creation of the new jobs that are vital to our nation's economy.

For these reasons, I strongly urge you to reconsider and not adopt the proposed accounting standards to mandate the expensing of employee stock options.

Sincerely,

John F. Milligan, Ph.D.
Executive Vice President and Chief Financial Officer