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Letter of Comment No: 5802
File Reference: 1102-100

From: Naren.Nachiappan@windriver.com
Sent: Thursday, July 01, 2004 2:31 AM
To: Director - FASB
Subject: File Reference No. 1102-100

Members of the committee:

I wish to register my opinion against the FASB draft plan to treat stock options as an expense.

There are many reasons why this plan is a poor one, but I will limit my arguments to the two which I believe are central to this issue:

1/ Financial reporting should be based on clear, tangible, incontrovertible data. The idea of expensing stock options fails this test, as there is no generally accepted, objective method to value options. Therefore this plan opens the door to more subjectivity and makes financial reports less useful to the investor.

2/ Clearly this is a barrier for companies that wish to have broad based stock options. That has an immediate and significant impact on employees like myself. I can say with certainty that a non trivial component of my incentive to work at Wind River is the stock option plan, and the expectation that my contribution will almost directly have a positive impact on the value of those options. Options capture some of the leverage of ownership without the need for a significant capital outlay, and give employees a much stronger commitment to the overall performance of the company - as it now has a direct impact on the value of their options. This is a simple but very important relationship and the ability of companies to use this should not be tampered with by FASB.

I trust you will take my views and those of my colleagues of a similar mind into account when considering the proposal.

Sincerely,
Naren Nachiappan