Karen Salmansohn

From: Director - FASB

Sent: Saturday, February 01, 2003 11:2

To: Karen Salmansohn

Subject: FW: MP&T Director-File Reference

Letter of Comment No: 246
File Reference: 1102-001
Date Received: 1-31-3

----Original Message----

From: Eric Stang [mailto:estang@lexarmedia.com]

Sent: Friday, January 31, 2003 8:23 PM

To: Director - FASB

Subject: MP&T Director-File Reference 1102-001

January 31, 2003

MP&T Director-File Reference 1102-001 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

To Whom It May Concern:

When Lexar Media began six years ago, we had just an idea and a plan. Today, we are a public company traded on NASDAO under the symbol LEXR. For our fiscal year ending on December 31, 2002, Lexar Media reported revenues of \$174 million. In fact, our revenue increased over 136% from \$73.6 million in just the previous year.

More than anything else, I attribute Lexar Media's success to our highly talented and highly motivated employees. Our people are and need to be the best available. And they need to work with exceptional commitment and focus. Otherwise, it just wouldn't be possible to build a new company such as Lexar Media, from the ground up, and in competition with larger established, financially stronger competitors. We have to have this edge to compete.

I would like you to consider these questions: how is it we are able to establish this edge? How can we convince employees who have no job security, possibly below market average salaries, and no company funded retirement plan, to join Lexar? The answer: stock options. We give people the opportunity to share in the rewards of their efforts!

It is not just the engineers, marketers and sales force that receive stock options at Lexar Media. We pride ourselves in being among the 60% of high-tech companies that make stock options available to all employees, from the receptionist that greets our customers at the front door to the warehouse clerk who ships our products to our customers through the back door.

Without stock options, our relatively small company would not be able to compete as effectively with the likes of Sony, Fuji, Olympus, Toshiba and the many other competitors we face. We are opposed to the expensing of stock options for the following reasons:

- It would force us to severely curtail our ability to grant options, and therefore destroy our primary competitive edge. 1)
- We already report our earnings on a fully diluted basis, reflecting the impact of the stock option grants we make on earnings performance.
- Black Shoals or other means of valuing stock options can be quite confusing and erroneous in their results, and do more harm than good.

4) The expensing of stock options does not lessen the potential for corporate misconduct or accounting irregularities.

Most of all, Lexar Media is a publicly traded technology company that is growing rapidly with the help of our very talented people. Without stock options, I have no doubt Lexar Media and the many other expanding higher firms in America will suffer in their ability to attract talent and lose their competitive advantage to foreign competitors.

Sincerely, Eric Stang President & CEO Lexar Media, Inc.