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September 7, 2007

Securities and Exchange Commission
Attn: Nancy M. Morris, Secretary
100 F Street, NE
Washington, D.C. 20549-1090

Re: **File Number S7-14-07**, Exemption of Compensatory Employee Stock Options From Registration Under Section 12(g) of the Securities Exchange Act of 1934

Dear Ms. Morris:

We are submitting this letter to respond to one of the requests of the Securities and Exchange Commission (the "SEC") for comments on the SEC's proposed exemption of compensatory employee stock options from registration under Section 12(g) of the Securities Exchange Act of 1934. The proposed exemption is discussed in Release No. 34-56010 (the "Release"). We appreciate the opportunity to comment on the matters discussed in the Release.

This firm represents many private companies that issue compensatory employee stock options. These companies typically want to compete with public company counterparts in the arena of equity compensation and to share the fruits of equity ownership between the private owners and company employees. These companies, however, have been reluctant to grant stock options to more than 500 persons due to the burdens of the registration requirements of the Exchange Act. They would definitely benefit from the SEC's proposal, except for the problem highlighted below. We believe that our suggestions below would solve that problem without undermining the intended benefit and protections of the proposed exemption.

On page 17 of the Release, in Section II, A, 2, the SEC raised the question "[s]hould the exemption cover all compensatory employee stock options issued under all employee stock option plans of a private, non-reporting issuer?" We believe the answer to that question should be "no".

The restrictions on resale contained in proposed Rule 12h-1(f)(1)(iv) and (v) are very specific and, in many (if not most) cases of existing stock option plans, previously issued and outstanding options will not meet the specific requirements of the proposed rule. Existing option plans can be amended or new plans created so that all future option grants comply with the new rule; however, outstanding options at the time the rule becomes effective cannot be unilaterally amended by the issuers to impose different restrictions. As described in the Release, it appears that an issuer with non-compliant options outstanding will not be entitled to the benefit of the new rule even as to newly granted compliant options until all of the previously outstanding options expire,

terminate or are exercised (a process that could take many years, as many options are granted with ten year terms).

We suggest instead that the exemption only apply to those options meeting the conditions of the exemption in proposed Rule 12h-1(f). All non-conforming options would continue to be subject to the 500 holder test to the same extent as they are today. Options satisfying the conditions of the exemption would simply not be added to the amount of options otherwise comprising the class of equity securities for purposes of Section 12(g). Alternatively, the proposed rule could apply to all options granted after the effective date of the rule.

We appreciate the opportunity to comment on the proposal. We would be pleased to discuss our comment with you at your convenience. If you have any questions, please contact Walter J. Mostek, Jr. at (610) 993-2233.

Very truly yours,

Drinker Biddle & Reath LLP

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