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Letter of Comment No: 2465
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From: Hennen, James [JHennen@VascularSolutions.com]
Sent: Monday, May 17, 2004 12:27 PM
To: Director - FASB
Subject: FASB 123 Proposal

Stock options give employees at all levels a stake in the success of our companies. They encourage the hard work and entrepreneurial spirit that fuel innovation, increase productivity and boost shareholder returns.

I have personally seen the motivating effects of employee stock option programs. Owning options makes me feel like I have a real stake in the success of my company and increases my dedication and long-term commitment to my work. Stock option programs are also good for shareholders because employees are rewarded only if our company's stock value increases. In the past, my stock options have enabled me to improve my quality of life in meaningful ways. Even when my options are "underwater," I feel personally tied to the success of my company.

Our company (Vascular Solutions) competes with larger companies for our employees such as Medtronic, St. Jude and Boston Scientific.

We need to offer stock options to our employees to differentiate ourselves from these larger corporations. New ideas from our employees turn into medical products that help people. Without stock options, the employees we are competing for will go to the larger companies because they can pay them more. The entrepreneur spirit in large corporations is not the same as it is in small companies. The current FASB proposal for expensing stock options will severely limit the number of options we can grant. I feel this new proposal will further reduce the number of new companies and new ideas. It is already very difficult and expensive to run a small public company with all the increased costs of directors and officers insurance, product liability insurance and general business insurance. In addition to the increase costs of insurance we are incurring additional costs for all the new compliance legislation such as the Sarbanes-Oxley Act. I feel that the mistakes of a few large corporations such as Enron are costing us dearly and increasing the barriers of entry for new businesses with great ideas.

The Stock Option Accounting Reform Act would require a study of the impact on the economy and innovation prior to expensing options for rank-and-file workers. However, it would mandate expensing of stock options awarded to top executives of large companies. As a result, the legislation will not needlessly jeopardize the benefits provided by broad-based stock option plans.

There is a real need for a comprehensive study, outside the exclusive domain of the accounting profession, because current valuation proposals would create a highly distorted picture of the real economic effects of broad-based stock option grants and thereby create more confusion for investors.

Many technology companies grant options to the vast majority - and often to 100 percent - of their employees. If options are required to be treated the same as a cash expense, companies would drastically reduce the number of people who receive options, probably restricting them to the most senior executives.

I am against the new proposal and I hope you listen to the view point of all business leaders.

Sincerely,

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