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From: Parekh, Abhay [aparekh@Accel.com]
Sent: Thursday, June 24, 2004 8:07 PM
To: Director - FASB
Cc: jcdowling@nvca.org; Sedlock, Tracy
Subject: Expensing of Stock Options

Letter of Comment No: 5287
File Reference: 1102-100

To: the Director of the FASB

Fr: Abhay Parekh – Accel Partners

Re: Opposition of Stock Option Expensing

Dear Sir,

I write this letter not as a venture capitalist, but as an individual who has had the good fortune to have experienced “high technology” from many different vantage points – as a PhD student at MIT, researcher at Bell Labs and IBM, a faculty member at U C Berkeley, a successful silicon valley entrepreneur and CEO, an executive at Inktomi (a publicly traded infrastructure company) and finally as an investor in early stage companies. In each of these highly competitive environments the single biggest reason that highly motivated and talented individuals strive unrelentingly to succeed is *a system to incentives that rewards excellence far in excess of mediocrity*. Such a system encourages everyone to be their best and to take the necessary personal and professional risks to be successful. Executives with secure careers give them up to join startups in Silicon Valley. Engineers from all over the world flock to the US to take advantage of the possibility of incredible socio-economic mobility. Scientists spend lifetimes at our country’s great universities knowing that they will discover more there than anywhere else in the world, and that these discoveries have the best shot at being commercialized and to make the largest societal impact.

Yet our system of incentives is as fragile as it is powerful. Stock options, while they make look like an accounting artifact to some, actually are central to our wonderful and internationally unmatched system of rewarding those who make a difference with their ideas, hard work and entrepreneurial talent. Take away stock options and you take away the dream for millions of people ready to go through extraordinary lengths to push themselves to greatness. They will still remain productive but no more than they would be anywhere else in the world. The notion that stock options are exclusively used by top executives to unfairly line their pockets is demonstrably false – it has been the most effective tool in all of American industry in spreading the wealth generated by a company’s success to all of its employees, while preserving their incentive to continue to strive hard.

In forcing private high technology to expense stock options you will not prevent crooked but creative CEOs from finding other ways to line their pockets. What you **will guarantee** is that fewer stock options will be issued to talented technical employees, many of whom would never risk the security of their families without the potential of a huge payoff at the end. More importantly, you will grind to a halt an incredible engine of innovation and social mobility that is actually our best defense against the trends of outsourcing and offshoring, both of which threaten to take millions of jobs abroad in the coming years.

I hope you will consider these points carefully before pushing through legislation which might look to individuals not associated with high technology companies as reasonable and clean from an accounting perspective, but that in reality will jeopardize a thriving, functioning and essential segment of our nation’s economy.

Sincerely
 Abhay K. Parekh
 650-614-4800

6/25/2004