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Via Electronic Mail

Mr. Robert H. Herz
Chairman, Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Opposition to Employee Stock Option Expensing

Dear Mr. Herz:

As President, CEO and founder of MetroPCS Communications, Inc., a venture-funded telecommunications company, I am writing to express my concerns regarding—and opposition to—the FASB's proposed amendments to Statements No. 123 and 95 requiring companies to expense employee stock options. It is my belief that the proposed amendments will mislead and confuse investors, adversely affect economic growth—both at a company and national level—and limit the ability of employees to participate in the financial growth of the companies they loyally serve. For these reasons, I encourage the FASB to reconsider its position on this issue.

The Proposed Amendments Will Mislead and Confuse Investors. The true economic effect of an employee stock option grant occurs if and when the option is exercised. Theoretically, an option exercise represents an opportunity cost to the granting company inasmuch as the company has issued stock, and thereby diluted existing equity, without commanding the full fair market value of the stock ultimately sold. This theory of opportunity cost is, itself, debatable. However, the cost associated with stock options is already largely represented under existing accounting practices due to the fact that option exercises reduce earnings per share—which is generally the most important measure for pricing stock. Accordingly, expensing employee stock options at the time of the option grants leads to “double-counting” of two contradictory concepts of cost from a financial disclosure standpoint.

More troubling than the theoretical implications of expensing stock options at the time of grant is the structural mechanism the FASB has proposed for approximating the cost of such options. There is no way to accurately measure the fair value of options at their grant dates, unless a market exists for the purchase and sale of such options. Consequently, and as suggested by the proposed amendments, many companies would be required to rely on option-pricing models in an effort to approximate the fair market value of options at the date of grant. The flaws in this approach are apparent from the fact that the complex mathematical formulas embodied by the Black-Scholes and binomial pricing models contain a wide variety of subjective built-in assumptions that rarely reflect economic realities. Moreover, these models were developed for pricing fully-vested, publicly-traded, short-term stock options—not employee stock options. Accordingly, expensing employee stock options according to hypothetical values arrived

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at in reliance on these models may do more to obscure, and potentially misstate, a company's financial condition than effect a more accurate and transparent approach to financial reporting.

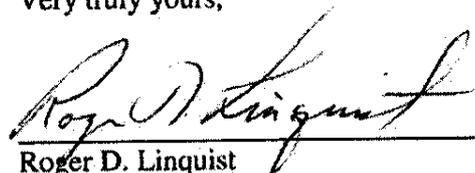
The Proposed Amendments Will Adversely Affect Economic Growth. Employee stock options are a mainstay of cash-starved private companies whose entrepreneurialism and innovation form the backbone of tomorrow's economic growth. Similarly, employee stock options afford all companies a mechanism for aligning employee and stockholder interests that leads to improved productivity and performance and, ultimately, long-term increases in share value. Instituting an artificial redefinition of costs whereby options are expensed at the time of grant will cause variability and confusion in financial statements and excess compliance costs. Accordingly, the proposed amendments will discourage the use of compensatory option grants and preclude the economic benefits they would otherwise yield.

The Proposed Amendments Will Limit Employee Participation in Financial Success. Employee stock options are unique in that they allow companies to share the fruits of their financial growth with their employees while simultaneously creating an incentive to achieve that growth. But the mandatory expensing of options creates a disincentive to use the broad-based stock option plans by which rank and file employees are allowed to participate in the financial successes of the companies they serve. It is my firm belief that these employees are most likely to be affected by the repercussions of mandatory option expensing and that this effect is contrary to a long-standing public policy that encourages employee equity participation.

The recent wake of corporate governance scandals and compensation abuses by corporate executives clearly indicate that there are problems in the American corporate environment that need to be fixed. No one is arguing with that. However, the accounting treatment of employee stock options is not the problem and the mandatory expensing of such options is not the solution.

The FASB has proposed the implementation of the proposed amendments in order to "improve existing accounting rules and provide more complete, higher quality information for investors." I submit to you that the implementation of these amendments would do nothing of the sort and would, in fact, lead to financial reporting that is both confusing and potentially misleading to investors. In my view, the likely effects of the implementation of these amendments will be detrimental to productivity and economic growth and thus will be contrary to public policy. Consequently, I believe the proposed amendments, when taken as whole, will do more harm than good and should be abandoned.

Very truly yours,



Roger D. Linquist
President, CEO and Chairman of the Board