

## Karen Salmansohn

**From:** Director - FASB  
**Sent:** Saturday, February 01, :  
**To:** Karen Salmansohn  
**Subject:** FW: File ReferenceNo.

**Letter of Comment No:** 199  
**File Reference:** 1102-001  
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-----Original Message-----

**From:** Glen Baker [mailto:gbaker@turinnetworks.com]  
**Sent:** Friday, January 31, 2003 7:22 PM  
**To:** Director - FASB  
**Subject:** File ReferenceNo. 1102-001

To whom it may concern,

I am writing concerning the proposal that corporate stock options should be considered as expense items for corporations. I am not a financial analyst or a corporate executive. I am an engineer working in the telecommunications industry while trying to support a family.

Prior to moving to a startup company I was employed by Hewlett Packard for 17 years. During that period I progressed through the engineering ranks until I was managing a team of R&D engineers. One of my jobs was to recruit and hire the best talent available. Originally this was easy, applicants were beating down our doors and we could pick and choose from the best qualified applicants.

During the late 1990's however, this began to change. Suddenly the best and brightest applicants started to go elsewhere. Additionally we began to lose some of our finest engineers to other opportunities. The lure that was pulling these intelligent people away was that other companies were offering an ownership stake, i.e. stock options.

In 2000 I too left Hewlett Packard to join a startup company. Since leaving HP I have been absolutely amazed at the difference between the startup environment and the HP environment. At HP people pretty much worked an 8 hour day (or less). Product design cycles were well in excess of two years (often closer to five years) and nobody spent too much time worrying about the company.

In contrast, in my present position I have been able to be a part of building not only a product, but an entire company in the time that it would have taken HP to decide what code-name to give to the project. The pace of design and innovation is many times faster in my current company than was ever possible at HP.

The sole reason for this pace of innovation is that the people working here have an ownership stake in this company. We work hard and sweat bullets because if this company does well, we do well via our stock options. I can absolutely guarantee that if those stock options were taken away then this company, as well as many others like it, would not be innovating and producing anywhere near our present rate. In fact we would most likely not exist at all.

If companies are forced to start treating stock options as expenses then they will no longer be able to afford to provide them as employee incentives. If this happens you might as well ring the curtain down on my industry in the United States. There will be little, if any, incentive for engineers to put in the kind of effort that is necessary in order to sustain our current pace. In short, you will take what little wind is left out of the sails of American innovation.

I strongly urge you to refrain from imposing such a change. While this change may make for good newspaper headlines and may be seen by the uninformed as a proper penance for the CEOs of high profile companies such as Enron, the long term negative effects will be borne by the employees of hundreds, if not thousands, of small companies such as mine.

Please give these long term issues careful consideration as you go forward.

Sincerely,

Glen M. Baker  
Principal Engineer  
Turin Networks Inc.