



Letter of Comment No: 4189
File Reference: 1102-100

June 18, 2004

Dear FASB Representative,

I am writing this letter in strong opposition to the March 31, 2004 stock option expensing proposal. I am the CEO of ThruPoint, Inc., a leading edge private internetworking professional services company, headquartered in New York, NY. My company employs more than 300 employees and every employee is an option holder. We use stock options to attract and retain talented engineers and other employees in a competitive marketplace.

There has been substantial debate over the issue of expensing stock options, but the focus on large private companies has overshadowed the impact that the proposal would have on smaller companies like mine. In particular there are three issues that are particularly pertinent to my business and must be addressed before the approval of any legislation:

- 1) Cost of Implementation: We have a broad-based stock option plan that provides the potential for equity ownership to every employee in the company. Currently, I have a VP Finance and other people on the finance staff who are responsible for all aspects of the financial health of the company, including the financial aspects of our stock option program. While they are able to handle all of their responsibilities today, the complexity of implementing the FASB proposal will overwhelm them, and would likely force us to hire outside auditors or consultants to assist with our stock option plan. Based on our size, this incremental expense will have a meaningful impact on our profitability and our ability to hire employees in revenue-generating areas of our business.
- 2) Masking of Operating Results: We do not report our results to all stockholders. We do, however, have to present our financial statements to partners, suppliers, and customers. Many of these companies rely on our income statement to determine our viability risk. Introducing stock option expense to our income statement will not only confuse these companies, but it will mask the true health of our business. Our success relies on a relatively small number of supplier and customer relationships and therefore we cannot afford to lose these relationships because of income statement changes that are simply the result of granting options to our employees.
- 3) Stock Options are Essential for High-Tech Companies: It is not easy to attract high quality employees to a high tech company that, due to recent economic conditions, has had less employment stability. In order to attract this talent, we must provide our employees with the opportunity to become equity owners and give them a vested interest in the outcome of the company. We only have over 300 employees, so every employee can make a meaningful impact on the outcome of our company, and we must reward them for doing so. Expensing of stock options would make it difficult to implement the broad-based stock option plan that has driven our company, and almost every other successful high tech company.

As a CEO, Chairman of the Board, and employee, I urge you to reconsider your proposal and to continue to investigate these issues. Rushing to implement this proposal without working through the issues addressed above could have a detrimental affect on my company and the hundreds of others in the U.S. that rely on stock options as a means to grow in a difficult economic environment,

Sincerely,

Rami Musallam
Chairman and CEO