

## Karen Salmansohn

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**From:** Director - FASE  
**Sent:** Friday, January  
**To:** Karen Salmans  
**Subject:** FW: Stock-Bas

**Letter of Comment No:** 107  
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-----Original Message-----

**From:** Tony Naughtin [mailto:tony@mail.internap.com]  
**Sent:** Friday, January 31, 2003 12:41 PM  
**To:** Director - FASB  
**Subject:** Stock-Based Compensation

Dear Sir or Madam:

Over the last 40 years or so, our economy and our institutional processes have fostered the creation of many important and valuable high technology enterprises. This, in turn, has allowed for one of the largest, most sustained value-creation phenomena in the global history of capitalism. It has greatly enhanced worker productivity across the board, created enormous public tax and resource gains in support of governments and the vital services they provide, produced the most advanced communications systems in the history of our planet, and provided enormous personal conveniences and improvements to the quality of life, as well as healthcare, in every country of the world.

In short, our U.S. technology economy has been a profoundly positive chapter in the history of modern man.

Why would we, therefore, support an economic and accounting policy change that would vanquish nearly all of this chapter? Nearly all of the enterprises, large and small, that have created such great technological advancement for our world have relied upon stock-based compensation to attract high-quality knowledge workers, and incent them to produce within standards of excellence. Without overstating it, stock-based compensation has been a "life blood" component for many, many of these tech companies - particularly at their early stage of existence when creative, productive exercise is so essential, yet operating cash resources are typically lacking.

To programmatically require these, or any, companies to account for stock-based compensation as an expense, on either a cash or accrued basis, would be a mistake of mammoth proportions. It will discourage entrepreneurship, it will eliminate appropriate incentives for knowledge workers to create and drive greater productivity, it will cause many otherwise viable early stage businesses to either fail or never be created in the first place. It is simply wrong.

The wrongdoing and greed of a relative few corporate leaders, coincident with a sustained economic downturn leading to enormous public and private reductions in enterprise value - these are not sufficient or appropriate reasons to kill entrepreneurship in our country, and thereby kill a modern day goose that truly does lay "golden eggs" that everyone benefits from.

I strongly urge you to NOT adopt a change in FASB rules

that would either require or encourage accounting for stock-based compensation as an expense on the balance sheet. A policy change and rule of this type would deal a deep, long term, blow to American business leadership, American entrepreneurship, ultimately to America itself.

Thank you for allowing me this opportunity to express my viewpoint and make this recommendation.

Yours very truly,

Anthony C. Naughtin  
Founder, Director, and Former CEO  
Internap Network Services Corporation

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