Letter of Comment No: 3971 File Reference: 1102-100

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From: Noel Barnar

Noel Barnard [nbarnard@hyperformix.com]

Sent:

Friday, June 11, 2004 5:47 PM

To:

Director - FASB

Subject: File Reference No. 1102-100

Dear FASB Representative,

As President and CEO of HyPerformix, Inc., a privately-held software company in Austin, Texas, I am writing this letter in strong opposition to the March 31, 2004 stock option expensing proposal. My company has employed more than 75 U.S. employees since its inception, all of which are equity owners in the business as a result of stock option grants.

Stock options issued to our employees on a 'pre-IPO' basis have been a crucial part of our compensation packages and have helped our company recruit and retain top talent in our industry. Further, the issuance of stock options has enabled HyPerformix to motivate the alignment of the interests of our shareholders with the interests of our employees.

There has been substantial debate over the issue of expensing stock options, but the focus on large private and public companies has overshadowed the impact that the proposal would have on small companies like HyPerformix. Please consider the following three (3) issues that are particularly pertinent to my business and must be addressed before the approval of any legislation:

- 1) Masking of Operating Results: We do not report our results to a large base of stockholders. We do, however, present our financial statements to partners, suppliers, and customers. Many of these customers and partners rely on our income statement to determine our viability risk. Introducing stock option expense to our income statement will mask the true health of our business and could ultimately impact our ability to grow. Our success today relies on a small number of supplier and customer relationships; therefore, we cannot afford to lose one of these relationships because of income statement changes that are simply the result of granting options to employees.
- 2) Stock Options are Essential for Startups: It is difficult to attract high-quality employees to an early stage company that, by nature, has little employment stability. In order to attract industry talent, we must make our employees equity owners and give them a vested interest in the outcome of the company. Today, we have 90 employees; every employee can make a meaningful impact on the outcome of our business and should be rewarded for doing so. Expensing of stock options would make it difficult to implement the broad-based stock option plans that have driven HyPerformix, as well as almost every other successful early stage company.
- 3) Cost of Implementation: We have a broad-based stock option plan that provides equity ownership to every employee in the company. Currently, we have a Director of Finance who is responsible for all aspects of the financial health of the company, including the administration of our stock option program. While he has been able to handle all of their responsibilities to-date, the complexity of implementing the FASB proposal could overwhelm our accounting staff, and would likely force us to hire outside auditors or consultants to administer our stock option plan. Based on our size, this incremental expense would have a meaningful impact on our profitability as well as our ability to hire employees in revenue-generating areas of our business.

Again, 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 hundreds of companies across the US that rely on stock options as a means to grow in a difficult economic environment and to compete in improved economic conditions.

Sincerely,

Noel Barnard, President & CEO HyPerformix, Inc. 4301 Westbank Drive Austin, Texas 78746 512-425-5109 (ofc)