

Letter of Comment No: 65
File Reference: 1102-001
Date Received: 1-30-03

January 30, 2003

MPT Director-File Reference 1102-001 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: Reference No. 1102-001 Accounting for Stock Options

Dear Financial Accounting Standards Board:

We are pleased to have this opportunity to comment on the possible FASB rule making on accounting for stock options. We understand FASB is considering whether to maintain the current system or mandate that all companies expense stock options. We respectfully urge FASB to maintain the current system.

LCC International, Inc. ("LCC" or the "Company") is a leading provider of consulting, engineering and system deployment services to the wireless telecommunications industry. The Company was founded in 1983 and currently operates in the Americas, Europe, the Middle East and Asia-Pacific. We completed our initial public offering in September 1996, and the Company's shares are traded over NASDAQ under the symbol "LCCI".

LCC operates in a highly competitive environment. The ability to attract, motivate and retain qualified personnel is critical to our success. As a company, we are fairly small in size with worldwide annual revenues, depending on the year, of less than \$200 Million. We compete for talent against an array of wireless carriers, consulting firms, infrastructure equipment vendors and other industry players with greater financial resources including Vodafone, France Telecom, Cingular Wireless, Ericsson, Nokia, Nortel, Accenture, IBM Global Services and Bechtel. Our employees chose LCC for a variety of reasons, chief among them are the Company's entrepreneurial environment and its stock option program. In fact, this was one of the key reasons for the Company's initiating an initial public offering in 1996.

The Company makes extensive use of employee stock options at all levels of the organization. As of today, the Company has approximately 21 Million shares outstanding. Approximately 8.8 Million shares are reserved for issuance under the Company's employee stock option programs, of which approximately 2.6 Million shares resubject to outstanding options. LCC grants employee options at every level of the organization based on objective and professional compensation policies. I would venture to say that almost every employee holds stock options including administrative assistants, accounting clerks, junior engineers, site acquisition professionals, senior engineers, vice

presidents and executive officers. As a result, our employees have a strong sense of ownership in the Company, which translates into a strong motivation to succeed, achieve breakthrough results for our clients, and contribute to growth and profitability. Employees share in the entrepreneurial spirit that sets LCC apart from its competitors.

This is true not only in the United States, where the use of stock options is more common, but also in our European and Asia-Pacific operations. In these regions, where the use of broad-based stock option programs are less common and the rules regarding the taxation and treatment of employee-ownership programs are less enlightened, stock options are a key differentiator for LCC in attracting and retaining talented employees.

Expensing stock options promises to have a negative impact on the Company's ability to compete in a highly competitive market and will disadvantage the Company, as a small technology player, in relation to our larger competitors. This is even more problematic because the Company has already issued a large number of employee stock options under the current system.

Morcover, many of the valuation techniques discussed as part of the proposal to expense stock options may lead to misleading results. Many of these methods, such as Black-Scholes, attempt to place a value on stock options given an assumed value to the employee. The value of an option to an employee is not the same as the overall cost to the Company.

In truth, the issuance of stock options does not result in a corporate level cost that impacts net income. To the extent options are actually issued and exercised, corporate assets are increased by the amount of cash that the employee must pay to exercise the option. While it may be arguable from an economic standpoint that the Company incurs an opportunity cost in issuing stock options, opportunity costs are difficult to quantify in an objective manner. We believe this is a large part of the reason that FASB has not required the recognition of opportunity costs or benefits.

Treating potentially misleading numbers as an expense in the income statement does not increase financial statement reliability, transparency, or comparability. On the contrary, it promises to detract from and distort financial measures designed to provide the investing public reliable and accurate information regarding the company's operating performance, financial results and overall financial condition. This is even more problematic as the numbers tend to swing as unvested options are returned to the plans when employees leave the company, as a significant number of options are granted during any particular fiscal quarter (in the case of annual grant programs), and as the Company's stock price fluctuates.

The current models also fail to account for material features of many employee stock option plans, including the Company's plans. For example, these models assume that stock options are freely transferable. Employee stock options are not. The models also tend to ignore the importance of vesting, termination provisions tied to continued employment, practical and legal limitations on an employee's ability to exercise options

or trade in company securities, and similar provisions unique to employee stock option programs. These models allow companies to make subjective assumptions regarding volatility, interest rates, dividends and employee behavior that have a significant impact on the outcome. This only underscores the difficulty in valuing an opportunity based on assumed future events, and the danger of distorting a company's financial results when imprecise and subjective standards are applied to fairly material items. Attempting to mandate the assumptions will inevitably will involve favoring one industry over another, e.g., volatile industries v. non-volatile industries, industries with a recent history of stock appreciation v. industries with a recent history of stock depreciation. Mandating the expensing of stock options already favors large businesses over small businesses, especially in the high-technology arena.

In closing, we would like to state our strong support for any reasonable proposal that would improve investor understanding of the potential dilution inherent in employee stock option programs. We do not, however, believe this purpose is served by expensing stock options.

Sincerely,

C. Thomas Faulders, III

Chairman & Chief Executive Officer