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From: Aaron Bunker (abunker) [abunker@cisco.com]
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To: Director - FASB
Cc: savestockoptions@cisco.com
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Letter of Comment No: 2096
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To Chairman Robert H. Herz

Mr. Chairman,

I am sending you this note in the hope it will give you pause when considering the implementation of your draft plan to treat stock options as an expense. One could argue that America's technology industry leadership position was built on the innovation that sprang from the bright minds of individuals that felt a direct sense of ownership and potential reward for their efforts through the generous option plans offered by so many tech companies. Certainly the treatment of options as an expense would at best, limit options to an executive management perk, and at worst, eliminate them all together.

Additionally, in an age when we are hyper-sensitive to truth in accounting practices, it seems counter-intuitive to treat stock options as an expense when there are clearly mechanisms which will account for the "cost" of these options at the time they are exercised, not when they are granted. Accounting for them when they are exercised and not granted is far more appropriate, since we can only guess as to the future expense impact at the time they are granted. When options are exercised, a company has two options: they can either use cash to buy these options at a price below market, or they issue more shares; in either case, a cost is incurred. Using cash or debt to buy the stock directly impacts the income statement, and issuing more stock certainly impacts earnings per share by diluting the outstanding pool of shares. Either way, they *will* be accounted for at the time the options are exercised, regardless of how you treat them when they are granted. If you also treat them as an expense at time they are granted, you've double accounted for them and overstated the true expense to the company. That seems like bad accounting.

I know that policy makers are addressing a popular backlash against all of the corporate accounting debacles we have seen over the past few years, but taking the "options as expense" approach is to err in the opposite direction and seems to be just as egregious. Except this time, everyone gets burned - corporate America, and the people who rely on these options as a motivating force and income source.

Thank you for your attention in this important matter.

Sincerely,

Aaron Bunker