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From: Houston, John [jhouston@cisco.com]
Sent: Wednesday, June 09, 2004 11:18 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I am writing this email to ask you to strongly consider NOT expensing stock options, especially at an unrealistically high valuation. I have personally used my stock options to help pay for my first home. If not for these stock options, my wife and I would not be able to afford a house in the San Francisco Bay Area.

Also, knowing that I have stock options means that I am extremely motivated to work very hard for the company so that the company does well. If the company does well, then the stock will do well, and I personally will benefit from this. Without stock options, it would be more difficult to stay motivated to improve the company's bottom line. It's not that I wouldn't be motivated without stock options, but with stock options, I would be much more motivated.

Stock options have not only helped me afford a home here in the Bay Area. They have also helped me pay off college debts for me and my wife. Both of us worked very hard in college to earn degrees that cost us quite a bit of money. With these degrees, we were able to get good jobs that offered stock options to help pay off that college debt.

Employee stock options motivate me to ensure that the company does well. This is inline with all shareholders' interests, as all shareholders wish to see the company do well. If I did not have stock options, then why should I care about the shareholders?

There are also several accounting issues caused by expensing stock options:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Also, I am extremely worried about losing my job to overseas tech workers. U.S. companies need stock options to compete with other countries on a global basis. Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'. By forcing companies to expense stock options, you will be doing harm to the economy as a whole.

So, please reconsider your stance on expensing stock options. Don't let the U.S. tech advantage fall behind the rest of the world!

Regards,
John J. Houston

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