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Letter of Comment No: 1075
File Reference: 1102-100

From: Howard Turmon (turmon) [turmon@cisco.com]
Sent: Tuesday, April 20, 2004 7:27 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am writing to you in support of the movement to NOT force corporations to expense stock options.

I and my family have personally benefited from the receipt and exercise of stock options. I work in the high technology industry and attest that if stock options were not a component of my compensation I would have likely not entered into this field of employment. I am reasonably compensated by my employer in the form of salary but not to the point that the salary covers the "over time" I and my coworkers put in to keep our company competitive and thus profitable. I cannot speak for all of the employees that I work with but for myself it is clear that stock options are a true incentive, promoting company ownership, that motivate me to perform better and that motivation benefits all company share holders.

My high technology career began at a start-up company where my salary was below the median for my level of experience but stock options were offered to compensate for this difference. As we all know the options need to be vested before they can be exercised and before that the company needs to go public and then the share value needs to grow beyond the option offering price in order for the grantee to realize any monetary gain. I worked for numerous start ups before I ever realized any real gain, several times on paper it all looked good but... I mention this because there is great risk for an employee to work for a start up or volatile high technology company. For those interested in pursuing leading edge technology careers the risk is often mitigated by the potential gains from options. The special skills and dedication put forth by these employees translates into innovation and productivity that are needed to develop and promote a new technology. Once the technology gains a prominent strong hold in the market place the special talent that developed it is needed to further promote and improve it.

I mention my personal experience because in reality I am just one of the many employees across the United States of America that benefit from the receipt and exercise of company granted stock options. This is not just a high technology industry matter although one could assume that from the focus the media reporting has presented on this issue. If companies are forced to account for the granting of stock options as an expense on their books the incentive for them and employees to enter into new risky ventures will dissipate. New ventures will not occur to exist companies will simply seek out new locations where there is sufficient incentive to attract the necessary employee base to create and support it. The end result will be the transfer of more jobs abroad and most likely in the areas of high technology and research and development.

I am an engineer by training and I do understand the concept of the stock option expense. What I cannot understand is how a stock option grant generates a real expense to the company that issues it. It does dilute the earnings per share and that is taken into account when the options are exercised but I cannot understand how any of that translates into a reportable expense to the company. I believe that I cannot understand the expensing concept because it is flawed, stock options are not a reportable company expense.

I strongly urge you NOT to change the accounting rules forcing companies to expense stock option grants. The United States of America needs to remain

competitive in the ever expanding world economy. At this critical point in the U.S.A's. economic recovery it would be regrettable to implement accounting rule changes that will affect the ability of companies to attract necessary talent to create tomorrows technologies.

The country needs a booster shot of economic encouragement not a clogged artery from economic impediment.

Sincerely,

Howard Turmon