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From: Kent Hoult [khoult@cisco.com]
Sent: Tuesday, April 20, 2004 12:01 PM
To: Director - FASB
Subject: Expensing stock options is a BAD idea!

Letter of Comment No: 1051
File Reference: 1102-100



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Attn: Chairman Robert H. Herz

Hello Mr. Herz,

I am an engineer at Cisco Systems. I am NOT a manager, director, VP, or other executive. Here are my personal reasons I believe expensing stock option is a bad idea:

- 1) The options at time of grant have ZERO value. There is a potential value, but it is completely indeterminate at that point. I don't believe that ANYONE could have made an accurate guess at their eventual value at exercise. After the roller coaster stock price ride of the last 8 years, anyone who claims they could have predicted the eventual exercise price of options should get a job as a TV psychic.
- 2) Employee incentive options are great at pushing innovation, and productivity. Killing them off because someone wants to make a SWAG (Silly Wild Ass Guess) at their eventual value is pretty silly.
- 3) Only at exercise is the TRUE value known, and already gets accounted for by stock dilution, stock buybacks, etc.
- 4) It would seem reasonable to have companies DISCLOSE the number of outstanding options and average strike price, as well as the actual gain of options when they get exercised. This would let investors make their own decisions as to how much dilution will occur.
- 5) A lot of this whole thing seems pretty pointless since, if the options get exercised it means the stock value has been going up, and the investors are happy. If the stock is down, they don't get exercised, and have no value, and don't affect the stock price at all.

Thanks, Kent Hoult