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Letter of Comment No:129
File Reference: 1102-100

From: Jim Maples [maples@cisco.com]
Sent: Tuesday, April 20, 2004 1:19 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Against expensing stock options, File Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Chairman Herz,

This email is to voice my strong opinion that requiring stock options to be expensed is a wrong-headed idea that will do great damage to our country and to our workers. I have worked in high tech all of my professional life (30 years plus), most of it here in Silicon Valley. Employee ownership has always been a major part of employee compensation -- sometimes in the form of pre-IPO shares and sometimes as stock options. In addition to being a financial incentive, it is also a clear way to align employee goals with the company. I know that stock options and company ownership have been a major piece of the puzzle, both for myself and most of my friends and relatives, when it came to getting that first down payment for a home, or getting enough money to make a step up in home ownership.

And now, with so much in the news about corporate malfeasance, the hue and cry is to force expensing of stock options so that a few top executive won't act like bandits. Well, I think the proposed ruling will have exactly the opposite effect. It will punish the rank and file, such as myself (I am a PhD level software developer for Cisco Systems) while forcing companies to restrict stock options to *only* the top executives. If you really want to do something about top executives, then target something at them, don't use a blunderbuss!

Finally, as an engineer by profession, I must say that I completely fail to see the underlying logic in "expensing" stock options. Stock options are not an expense at all -- the company pays nothing for them. Their only cost is in dilution to the stock when they are ultimately exercised. And how can one predict now how many and when they will be exercised? If someone can predict the market like that, then they have a better crystal ball than anyone I know.

I urge you to reconsider this ill-advised proposal. Thank you very much for your kind attention.

Sincerely,

Jim Maples