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From: david@manoroaks.net
Sent: Tuesday, April 27, 2004 10:47 PM
To: Director - FASB
Subject: Expensing of Stock Options

Letter of Comment No: 1643
File Reference: 1102-100



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Chairman Robert H. Herz,

This message is in regards to File REference No. 1102-100.

There has been considerable talk about the expensing of stock options. I wanted to express my personal concerns about this idea. To be really blunt here, if this happens, stock options for corporate employees will cease to exist. I think that would be a tragedy for the American dream.

As an Air Force Captain stationed at the Pentagon, I was downsized out of the military at the age of 30. My prospects weren't great. I was stuck in the DC area with a VERY high cost of living. We were renting our home and watching the cost go up every year. Unfortunately, we couldn't afford to buy a home without enforcing at least an hour and a half commute.

I was lucky enough to land a job with a little company called 3Com. I was not given a very high salary since they were taking substantial risk in their view on a guy with no commercial business experience. However, they were willing to give me a good sized stock option grant. There was very little risk to 3Com. If I didn't work out, they'd know within a year, and none of my options would have vested in that time. If I did, the growth in the stock would offset my low salary and act as a strong incentive to stay with the company. As it turned out, I worked out very well for them. I advanced to one of the highest level engineers in the 3Com federal organization over the next few years. Along the way I received more stock options each year.

Four years later my family was finally able to purchase the house we'd always wanted. It certainly wasn't a mansion, just 2000 square feet close enough to the office that I didn't end up with such a long commute that I wouldn't be able to spend time with my family. The downpayment was paid for out of those stock options. Without it we probably could have still gotten the house, but it would have been at least four more years.

Later I was lucky enough to get a position at Cisco. My options at Cisco are my 3 kids college education. Of course with the market downturn, 3/4 of my options are absolutely worthless (so I sort of question how they'd expense those...) But Cisco has continued to give me options even through the hard times. These have been a huge incentive for me to stay with the company.

I also believe that just as owning your own home provides a completely different level of dignity and pride, so does ownership in a company. Its very different to rent a home versus owning it. Similarly its very different to "rent" a job versus being the "owner" of the place you work.

My options give me pride in my job and company that really can't be achieved any other way.

I've heard the arguments that I can buy stock or the companies can replace options with grants, but its just no the same. The magic here is the simple fact that they are options, not grants. I've had friends that received stock grants. They usually sold them immediately to pay for bills or other expenses. In some cases they sold them because financial advisors told them they need to diversify out of the company they worked for. Unlike grants, options aren't worth anything when they are given. They only obtain value as you work hard to make your company successful. Its a shared interest. I think about every dollar I spend or save for the company understanding that in some small way it

directly affects me as a stockholder. The power of this tool for companies and individuals really can't be measured.

So let me finish this with one more thought. I've taken this precious time out of my life, away from my family to write this. I believe its that important. Don't just listen to the number crunchers. There's a lot more to this decision than the simple numbers.

Sincerely,

David A Chaput

mail2web - Check your email from the web at <http://mail2web.com/> .