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From: Kevin Raack [kraack@cisco.com] Tuesday, April 20, 2004 11:11 PM Sent:

Director - FASB To:

Expensing Stock Options Subject:

To Whom it May Concern:

I'm writing to you because of my inability to understand the logic behind expensing stock options. I am not an accountant, but this practice doesn't seem appropriate based on a possible future value of options. Would this also mean you would tax me on a possible future value of a stock I purchase on the open market when I purchase it - before I receive any value from it? Take one look at my tax returns and you'll see that is not always the case. Would it also be an expense to have a bonus program based on performance - even if the bonus wasn't paid? An expense isn't accrued until the bonus is paid, not when the bonus period begins.

Letter of Comment No: 794

File Reference: 1102-100

I have used stock options as a key input in every hiring decision I've made since 1995 when I joined my first startup company. The only reason I joined the company was a potential reward based on the options that offset the tremendous risk of a startup. Even though I didn't realize any value from that company (it went bankrupt, thus making the options worthless hard to expense something with no value), I took the risk on a company with the potential to innovate were large existing companies had not - and I was not an executive in the company. I strongly believe that startup companies bring innovation to our economy that would be completely negated if options were not available.

I also believe that when a true value is obtained, there should be an expense associated with it. This seems to me to be at the time of exercise of the options - when the value is real and known (not being an accountant, I'm not sure if this is an actual expense or dilution in earnings/share). By valuing options at an onerous level when granted, I believe you would be killing innovation as we have known it to exist in many corporations.

Please take into consideration the effects of your decision on a typical middle class employee such as myself.

Sincerely, Kevin Raack