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Letter of Comment No: 1509
File Reference: 1102-100

From: David Melius [dmelius@cisco.com]
Sent: Thursday, April 22, 2004 1:58 PM
To: Director - FASB
Subject: Please don't expense stock options!

Dear Sir:

I am writing to state my opposition to the proposal of expensing stock options. I am both a shareholder and employee of a tech company, and as such fully approve of the options given out by my employer. My employer issues options to the majority of employees, not just a privileged few; this inspires teamwork and increases productivity. I've talked to many of my coworkers, and all agree that forcing the expensing of options would most likely hurt their morale and productivity.

In the past, I've worked for publicly traded startup companies, and options were one of the only ways they retained key employees during economic bad times. To place an additional burden on a growing company is unproductive and unfair, especially since there was zero guarantee that the company would succeed. Believe me, in that situation, options could not be considered an expense because they took no company assets, unless you believe that employee hope and optimism are assets. Struggling companies can't afford excess expenses when they are trying to grow! Anyhow, when options are eventually exercised, the true accounting of their value is expressed via share dilution already? Are you trying for double accounting?

With outsourcing an issue, why are you trying to put further impediment on American competitiveness for compensation? Other countries (such as China) don't expense options; why should we? I've also heard employees talk about relocating!

Many options I've been issued by companies in the past have expired worthless before I could exercise, so where is the expense there?

Don't throw the baby out with the bathwater; the plan I read on your website is draconian and harmful in the extreme. To change the rules would cripple our industry, especially using such a high valuation of options.

Sincerely Yours,
David Melius