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From: Denise Peck [denlsep@cisco.com]
Sent: Wednesday, April 21, 2004 11:28 AM
To: Director - FASB
Subject: No to Expensing Stock Options, File Reference 1102-100

Letter of Comment No: 1139
File Reference: 1102-100

Dear Chairman Herz,

I am writing as a concerned citizen to voice my opposition to the proposed plan to expense stock options.

I have worked in Silicon Valley high tech companies for the last 20 years, and have been associated with companies that have used non qualified stock options as a key method of attracting, recruiting and retaining talent. Even as early as 1985, when I graduated from Stanford business school, I accepted a job with Hewlett Packard at a below market salary that was accompanied by a small stock option grant. When I left HP to join Sun Microsystems, again I took the new job with a smaller salary but one that came with some pre-IPO options. I took a chance on this (at the time) risky start-up as sort of a "high risk/high reward" scenario. It was a situation where I knew that if the company did well, my risks in joining an unknown company would be rewarded. Although the Sun options in no way made me "rich", the extra compensation I got from it over the years enabled me to live in this very expensive Silicon Valley environment while raising two kids. My husband works for the government (the National Labor Relations Board), and if it weren't for the extra cushion provided by stock options, it wasn't clear that we could have afforded to keep him in a government position that clearly paid a whole lot less than private industry. Having this cushion has also allowed me to give back to the community in generous charitable donations to nonprofits organizations.

I am against the current proposal to force expensing stock options for several reasons:

- 1) It will undoubtedly curb the entrepreneurialism in the high tech and other sectors. Why would prospective employees take a chance with an innovative, start up company if there is no substantial upside to their career risks?
- 2) The valuation methodology in the current proposal is flawed, using unrealistic high valuations, and applying it would distort the true underlying external reporting for companies.
- 3) At a time when the American economy is not yet on solid ground, we must continue to innovate and be competitive in the global market and continue to encourage job creation. Forcing the expensing of stock options on American companies when other foreign based companies are either not expensing them (e.g. Chinese companies) or expensing them using a different methodology (e.g. European companies) would create undue competition in the labor and equity markets.

I hope you will re-consider this proposal.

Sincerely,

Denise Peck
Concerned Citizen