

ikon

Letter of Comment No: 9/A
File Reference: 1102-100

From: Joann [jmhartma@netscape.net]
Sent: Tuesday, April 20, 2004 10:24 AM
To: Director - FASB; jhartman@cisco.com
Subject: FASB File Reference No. 1102-100

Chairman Robert H. Herz,

I am writing in response to the draft released for comment regarding expensing Employee Stock Options, File Reference No. 1102-100. I am an employee who receives options, usually on a yearly basis and have benefited from them when the company does well. I am strongly opposed to forcing companies to expense stock options.

Plans to expense employee stock options when they are handed out sounds reasonable on the surface. But if you dig just a little bit you will understand there are factors at play which show expensing stock options is unreasonable and can actually be harmful to a company and its employees.

First, we need to explore a subtle but vital point in the employee stock option debate. How does it make sense to have a company expense something that has \$0 net worth? When any employee receives an option, we are not given cash or funds or a stock that is freely tradable on the open market. The option is nothing more than a numeric place holder which provides me with a share equal to exactly \$0 to me until the market value of that share goes up. If I cash the option in above the initial offering price, I only gain the difference between the two prices. There is *neither a loss nor a gain* to the company after the transaction is complete in regards to the original option price. The only affect the option has is a dilution of EPS, and that is already accounted for when the option is exercised.

Secondly, my hard work and focus have a part in causing an option's appreciation in value. The shareholders benefit, and I benefit. Stock options benefit the shareholder because it aligns employees interest directly with theirs. As a shareholder, this is my company and I guard against excess expenses to the company. This is true of my peers as well. We understand the relationship between expenses and the stock price. If we weren't stock owners, do you think we would care as much? Employee stock options are a promise that if the company does well, the employee will reap the rewards of a job well done. And I personally have received results of that promise.

If implemented, FAS draft will more than likely end the employee stock option program at my company. That move will have a direct impact on my income. It will also impact shareholder value since employees will have less interest in 'watching the bottom line'.

I strongly ask that you reconsider and rescind this exposure draft.

Many thanks for your time and attention in this matter.
Joann Hartman
Cary, NC

4/20/2004