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**Letter of Comment No: 4323**  
**File Reference: 1102-100**

**From:** James Arias (jarias) [jarias@cisco.com]  
**Sent:** Monday, June 14, 2004 9:58 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100, for Chairman Robert H. Herz

Mr. Chairman...

This brief note is to outline my opposition to FASB's draft plan and intention to treat stock options as an expense.

Stock options are a significant motivator to knowledge workers such as myself as they provide a direct ownership interest in my employer. Without a vested interest in the form of stock options, I am just a hireling as at any other company and have no special incentive to work harder or smarter to advance the company. Because I work in the high-tech industry, advancing the company also advances the country in terms of assisting the US in maintaining its technology leadership in the world market. As global competition and economic activity increases, technological leadership will be critical to maintaining our country's economic position and the standard of living of its citizens.

Stock options have produced positive benefits for numerous middle-class workers, in the form of enabling families to attain home ownership, succeed at debt reduction/elimination, and/or provision family financial needs such as college education or adoption expenses. This type of benefit is extremely important to the middle-class, whose taxes pay for most of government and whose other benefits have been slowly eroding (c.f. the tax reforms from 1986 that negatively impacted the middle-class).

I firmly believe treating stock options as an expense, especially an overly valued expense, is a mistake. US companies will be forced to reduce or eliminate this type of motivation and compensation to make the books attractive. In the short run this will appease some factions, but in the long run it will hurt the companies and US economic productivity and leadership as workers become demotivated to apply additional effort beyond the minimum required to earn salary.

Other countries do not treat stock options as expenses. Our economy is global, so I see no compelling precedent or philosophy to change the way we have been accounting for stock options to date. Thank you for your consideration and please save stock options !!

James Arias