

**ikon****Letter of Comment No: 3735 -  
File Reference: 1102-100**

**From:** Jeff Cristee (jcristee) [jcristee@cisco.com]  
**Sent:** Thursday, June 10, 2004 12:12 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100

Chairman Robert A Herz,

I am writing to encourage you to not act hastily in requiring expensing of stock options in the financial statements for corporations. I believe this is a very bad idea for the following reasons:

1. There is no accurate valuation of stock option grants. The current Black Coates method results in a terribly inaccurate accounting of option values. To date, there are many companies that have committed to expensing stock options and they are all using different formulas. If you can't measure it accurately, it should be accounted for in footnotes.
2. The current procedure of footnoting options is more than adequate for institutional and individual investors. An individual has to be confident that the financial reports are accurate based on standards. Employing arbitrary valuation methods to stock options is confusing and inaccurate.
3. Stock options are a critical component of compensation in high tech start up companies. If start up companies cannot issue these options without an arbitrary income statement penalty, it will be very difficult to incent top talent into working in high risk, leading edge technology companies. At a time of manufacturing decline in this country, do we really want to stifle potential innovation?
4. Technology has been the driver of the economic engine in the United States since 1992. This has yielded unprecedented prosperity for our country. Congress, particularly Sen. Joseph Lieberman, fought against taxation on internet commerce during its formative stages. That was clearly the right decision to insure the development of the internet which has led to increased worker productivity. Much like taxation of internet commerce would have stifled the growth of the Internet, expensing of stock options will stifle innovation in high tech firms.

Please resist the temptation for mass political correctness by requiring the expensing of stock options. Do what is right. Make the declaration that valuation methods are not accurate and therefore should be properly disclosed in footnotes. This will allow instituional and individual investors to determine how much weight to give these options in their own way.

Thank you for your consideration.

Jeff A. Cristee  
11711 N. Meridian, Ste 250  
Carmel, IN 46032  
317-816-5209  
Fax: 317-816-5216