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Letter of Comment No: 3720
File Reference: 1102-100

From: A. Quinn Cramer [qcramer@cisco.com]
Sent: Thursday, June 10, 2004 2:31 PM
To: Director - FASB
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Subject: Stock Options: File Reference No. 1102-100

To Chairman Robert H. Herz:

In making career and family choices, my husband and I have both chosen to work at companies that have encouraged employees to share in the ownership of the company. To us this is the American way--- to take risks and to share in the results together. One key way that our employers, Hewlett-Packard, SGI, Quantum, Synergy, Intersil, Candescent , Cisco and FormFactor, have promoted employee ownership in the company is to distribute stock options broadly. This helped align our goals with those of the company, and our bottom line results with the success of the company. In most cases, these companies offered below-market salaries in return for up-side potential on the stock options. In the case of Synergy, my husband worked for six years at a low salary with the hope that stock options would turn into sweat equity. The company was wiped out in an economic downturn, and our family's economic well-being was obviously affected. Since stock options can sometimes be worth nothing, as they ultimately were in the case of Synergy, we feel that it is unwise to have a company expense them---they may be worth nothing, as the Synergy options were to our family. On the other hand, when employees have taken risks because they believe they can benefit as shareholders, their risk taking should be rewarded---that's what the American way is about. If stock options are expensed, the spirit of risk-taking will be diminished in our population, making us less competitive with other nations. Our country's ability to attract young people to difficult disciplines such as engineers and science is already flagging compared to other nations. Expensing stock options will only make this trend worse.

Please consider the follow factors and decide AGAINST expensing stock options:

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Competition:

- U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Sincerely,

Quinn Cramer

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6/15/2004