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Letter of Comment No: 3705

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From: Tom Rosenberg [trosenbe@cisco.com]
Sent: Thursday, June 10, 2004 2:53 PM
To: Director - FASB
Cc: savestockoptions@cisco.com; 'Tom Rosenberg'
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am writing to express my concern over the Financial Accounting Standards Board's (FASB) draft plan stating that you intend to treat stock options as an expense.

I want you to know that stock options have been a fundamental part of the High Tech culture, and has been facilitating the "employee ownership" experience since I joined this industry in 1989. The current model is CRITICAL to driving productivity and innovation. The artificially high valuation for a stock option required by FASB will eliminate stock options in my opinion, and this will have a profound negative effect on our industry...

Is this what you are trying to accomplish? I think not... I hope not...

Here are a few other salient points;

- a) Stock options do not meet the definition of an expense because they do not use company assets
- b) The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.
- c) US companies need stock options to compete on a global basis (i.e. China does not treat stock options as an expense)
- d) Expensing stock options could have a dramatic impact on American high tech leadership, innovation, job creation, and frankly our standard of living. Given the terrible economic times we have experienced since 2001, and the very slight signs that the economy MAY be recovering, the number one rule should be 'first, do no harm'.

I urge you to consider this message, and abandon your plan to treat stock options as an expense, only harm will come from it....

Sincerely

Tom Rosenberg
Los Altos, CA
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6/15/2004