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Letter of Comment No: 2317 -  
File Reference: 1102-100

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**From:** Mark Pace [mpace@cisco.com]  
**Sent:** Tuesday, May 11, 2004 5:42 PM  
**To:** Director - FASB  
**Cc:** Robert Herz; gibatarick@fasb.org; Mike Crooch; Gary Schieneman; Katherine Schipper; Leslie Seidman; Edward Trott  
**Subject:** TREATMENT OF STOCK OPTIONS  
**Importance:** High

To: Robert H. Herz, Chairman of FASB  
 cc: FASB Board Members

Dear Mr. Herz,

I am sending this email to you as one concerned about the recent proposal from FASB, that of requiring companies to expense stock options for the rank and file for valuation purposes. Mr. Herz, while I appreciate FASB's view of protecting the investor; I believe that more harm than good will come out of this proposal. First, I would question, the capabilities and understanding of any company who will be able to expense these accurately and consistently. I believe what will result across all industries is inconsistency and confusion, and ultimately misleading of any and all investors.

Secondly, if such options will be required to expense for the rank and file...I believe, due to the required exorbitant costs and negative net affect to the employers...these options will surely be eliminated to the rank and file, and offered only to Executives as in the past. Options offered by companies like IBM to their 80,000 employees will become extinct, and most likely as well for my Company Cisco Systems.

Stock options to the rank and file, naturally induces employee loyalty and motivation to drive growth and innovation to their employers...through the principle of ownership. If these (options) are eliminated, you affect employee productivity and ultimately, profitability. Cisco's issuance of stock options was a key reason why I came to the company, and I know I speak for many of my colleagues. It spoke loudly of Cisco's concern and investment in their employees as key owners! I feel through Stock Options, that I have a vested ownership and interest in my company and that my company is equally concerned about my input and efforts. It is not just an elite Executive group that makes the difference...but the rank and file, and options shows that we are a considered and concerned body.

Another key point to consider, with the issues going on today with out-sourcing of jobs and sending jobs overseas to China and India; I question what kind of message this would send to the rank and file. Additionally and ironically, our competitors in China and India, lead with stock option programs. They clearly see the strategic value of these programs for their employees and company's overall.

Thirdly, options are now as much a key component for retirement, college tuitions funds, etc. as 401's, ESPP's etc...This would be detrimental to my overall financial plan, if options became discontinued due to my company being unable to afford them for the rank and file because of FASB's new treatment methods. I count on them for long term growth and funding, as I do my 401k, for my wife and I, and our four children!

Lastly, I would ask what is really to be gained from FASB's new consideration and treatment of stock options? While FASB is concerned perhaps for the smaller investor...I believe the losses and minuses from the above mentioned far outweigh any positives.

5/12/2004

I would plea with FASB to NOT initiate this new expensing of options, and not deter our Employers from providing this key benefit to the rank and file employee.

Thank You,

Sincerely,

Mark Pace

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