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**From:** White, Stephen [stwhite@cisco.com]  
**Sent:** Tuesday, May 25, 2004 3:30 PM  
**To:** Director - FASB  
**Subject:** To expense or not to expense

FASB should deal with the following fundamental issues before issuing a rule on 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 needs 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'.

I am a front line individual contributor and the fact that I receive stock options makes a huge difference in the way I work and align myself to the company's goals. After 20 years in the IT business, nothing motivates like the opportunity to reap rewards from your hard work.

Also, if Cisco had expensed the options that I have priced at nearly \$70, then that would not be an accurate reflection of some "expense" taken by the company. I don't suspect I'll ever see any benefit from that grant of options.

With the pressure we're seeing from East and South Asia in the technology and energy sectors, where they are struggling to take away our leadership role, it would be a shame to take "the wind out of the sails" of the tech sector that has provided so much benefit to the economy through increased productivity.

-Stephen White

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