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From: Rodger Schlage [rschlage@cisco.com]
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To: Director - FASB
Subject: File Reference No. 1102-100

Letter of Comment No: ~~883~~
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Importance: High

Chairman Robert H. Herz:

I have recently seen and heard about the changes that late last month the Financial Accounting Standards Board (FASB) released in a draft plan stating that they intend to treat stock options as an expense.

I urge you to reject this knee-jerk reaction to the "problem" that was encountered on Wall Street under the previous administration.

The first thing that any change to the current policy should adhere to is "first, do no harm".

As you are probably aware of, the artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has unarguably driven innovation and productivity in the US High Technology Sector. As an engineer by degree with some accounting training, I know that stock options do not meet the definition of an expense because they do not use company assets.

The only true way to know the value of a stock option is dilution of earnings per share (EPS) - and that is already accounted for when options are exercised.

All this would do is remove stock options as a legitimate form of compensation and motivation for employees (compensation drives behavior), and provide emerging competition in the world to use stock options to encourage their employees to compete against. As I understand it, the high-tech 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.

Again, I urge you to reject this recommendation.

Thanks in advance for your consideration.

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