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Letter of Comment No: 849  
File Reference: 1102-100

**From:** Steven Hornsby [shornsby@cisco.com]  
**Sent:** Tuesday, April 20, 2004 3:23 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Chairman Robert H. Herz

Dear Chairman,

I would like to express my concern regarding the upcoming FASB decision on treating stock options as an expense. Your decision will have a broad impact on people like myself who strive their entire lives to put themselves in a position where we can be successful and share in their company's success. By forcing companies to treat options as an expense, you will eliminate stock options for everyone but the very top tier executives and in effect broaden the gap between the "haves" and "have nots." I doubt that this is your intention, but I have no doubt in my mind that it will be the result should the FASB's decision go that way.

You can't make this decision without considering the value employees put on ownership. It inspires all of us to work harder and be more creative. We don't mind spending nights and weekends in the office when a project requires it. We work our ass off -- not for any paycheck -- but for the bigger picture -- Growing the company and making our options worth something! It's hard to put a number on the value of this but I will guarantee you that it's a huge factor for the large majority of the little guys receiving those options. The tech industry thrives on this work ethic -- I've seen it in other high tech companies as well.

With all the companies outsourcing their work force to other countries, you will be throwing fuel on that fire with an undesirable decision from the FASB. Please give your decision careful thought for what will happen in the coming decades. Your decision will affect a huge number of people like myself who work in the tech industry. It scares the heck out of me when I think of the repercussions. We already face a difficult task competing with countries that have billions of people like China and India who, by the way, use stock options as incentives for their employees. Please don't remove this tool from our disposal -- we already have an uphill battle!

My feelings are:

-- Options are already expensed in the form of dilution of shares when they are exercised. Trying to put a value on these options when they are offered is feckless and irresponsible. I have some options from a few years back that are underwater by \$50. How would putting a value on them 4 years ago, and making the company expense them, make the accounting any more accurate! Stock options do not meet the criteria for an expense because they don't use company assets. By creating an artificially high valuation for a stock option the FASB will be acting reckless and hurting an already soft economy for the foreseeable future.

Please be careful with your decision and understand how many people and their families you'll be affecting when you act. Please remember that the high level execs will always be well compensated. You are going after the worker bees here and the result for the tech industry in America could be catastrophic should you make the wrong decision.