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**From:** Steve Johnson [stevej@cisco.com]  
**Sent:** Tuesday, April 20, 2004 12:10 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** Please do NOT require companies to expense stock options

To the Director of the Financial Accounting Standards Board,

I am writing to request that you please do NOT require companies to expense stock options, especially at unrealistically high levels. The valuation you propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at my company.

I have benefitted from this incentive plan in the ability to put a large sum of money away for my children's college education. Without this benefit, I would have to secure loans for their education, which would seriously affect my retirement.

There are a number of points that need to be stressed regarding this:

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. This is key... Since they are already accounted for, there is no need for this change.

Competition:

- U.S. companies need stock options to compete with other countries on a global basis. As an example: Chinese companies use stock options and they do not treat them as an expense.
- Expensing stock options will 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'.

Please consider the consequences of your actions. I feel that this sort of action, presumably in response to the scandals at Tyco, Enron, and MCI Worldcom, amounts to nothing more than punishing the innocent majority for the actions of a guilty minority.

Thank you for your attention.

Steve Johnson  
Cisco Systems