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**From:** Maurilio Cometto [maurilio@cisco.com]  
**Sent:** Tuesday, April 20, 2004 2:36 PM  
**To:** Director - FASB  
**Subject:** Please do not expense stock options

**Letter of Comment No: 105**  
**File Reference: 1102-100**

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To Chairman Robert H. Herz,

I wanted to bring to your attention my opinion on the issue of expensing stock options.

I am an employee at Cisco Systems, and I am very worried about the expense of stock options, especially at an unrealistically high valuation. I have been attracted to the current job I have by the opportunity to receive stock options. This new regulation will put under serious threat the possibility for Cisco to keep offering stock options for all the employees. I have built a big portion of my net worth based on the Cisco options, and that have helped me plan for all my investments, from buying a house to manage all the other funds that will eventually benefit my spouse and my children.

The options are also a great and powerful tool for a company to retain employees and I think potential new regulations might weaken in general the US companies by not having such a strong motivations for the employees to stay loyal to the same company for a long time.

Apart from my personal motivations, there a set of reasons why stock options should not be considered an expense:

- For accounting reasons:

- 1) The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- 2) Stock options do not meet the definition of an expense because they do not use company assets.
- 3) The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

- For Competition reasons:

- 1) U.S. companies need 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.)
- 2) 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'.

Best regards,  
Maurilio Cometto