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From: Tom Hachten [thachten@cisco.com]
Sent: Sunday, June 13, 2004 4:14 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
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Chairman Robert H. Herz

I am writing to you to express my concern that FASB may require the expensing of stock options.

My first question is why? Stock options are not a company asset, so it does not make sense to expense them. What is the real problem that you are trying to fix here?

Secondly, to expense them, you need to define a value of course; how do you decide the correct value? Are they "worth" a certain amount on the day of granting? This would not make sense. Are they worth a certain amount on the first day of the fiscal quarter? On the last day? What if an employee has vesting, how do you reflect this accurately? Any valuation here would not be accurate since if options are not vested, they can't be exercised.

If you select any artificially high valuation for a stock option, this will clearly have a substantial impact on technology firms, probably eliminating stock options as the major tool which has driven innovation and productivity into the 21st century.

A hammer blow like this to the American technology sector would clearly put America at a substantial disadvantage with respect to our foreign competition; for example, Chinese companies use stock options and they do not treat them as an expense. Do we want to hand over yet another advantage to the Chinese technology industry?

Expensing stock options will likely have a dramatic and negative 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." FASB and other organizations as well as the US government should be looking for ways to enhance business success positively, especially in the technology sector which drives so many jobs today, not negatively.

Finally, do you want FASB to be known as the organization that contributed to the decline of technological innovation in America?

Please change FASB's position on this important issue. Do not expense stock options.

Thank you for your time.

Respectfully submitted,

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