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Letter of Comment No: 4249
File Reference: 1102-100

From: Rod Kaufmann [rjkaufma@cisco.com]
Sent: Sunday, June 13, 2004 11:57 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz:

I am sending this e-mail to express my concerns about FASB's plans to expense stock options. I do not believe that expensing stock options is in the best interest of our country and the American work-force. Stock Options have proven to be great motivator and have helped inspire innovation and an entrepreneurial spirit. These are the foundation of our economy and will enable the US to continue to be a dominant force in the global economy.

I fear that the artificially high valuation for stock options required by FASB will eliminate stock options as a tool to drive innovation and productivity. If options are expensed it will most certainly eliminate or drastically reduce this critical portion of incentive compensation. It can be argued that options have been the most successful element to drive productivity and innovation in the US. I would actually question whether stock options meet the definition of an expense? I do not believe that they should because they do not use company assets. The true cost of a stock options is the dilution of earnings per share (EPS) and is already accounted for when options are exercised

I can understand the concern that the impact of vast amounts of options to Executives as part of their executive compensation package can have on the shareholders of a company. What was originally meant to align the goals of the executives with the goal of the shareholders has led to incomprehensible behavior. We should not allow the acts of a few greedy and deceptive individuals impact the average US employee who is motivated and relies on Options as a critical portion of compensation.

The expensing of options will likely lead to the elimination or reduction of this critical compensation component. This action would drive additional jobs overseas as corporations look to reduce costs. It is the productivity and loyalty created by incentive compensation and "company ownership" that enables corporations to keep high paying high tech jobs in the United States. Without this valuable tool we will see the acceleration of "off shoring" which will have a major negative impact on our economy and the livelihood of every American worker. I urge you to make the right decision and not implement the plans outlined in the FASB draft.

I could potentially understand support the expensing of options for Sr. Officers of a company if you feel compelled to take action. However, the individual employees options should not be treated as an expense as it will be detrimental to our economy!!

Thanks,

Rod Kaufmann

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