

Message

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Letter of Comment No: 4255
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From: Janice Le (jale) [jale@cisco.com]
Sent: Sunday, June 13, 2004 6:47 PM
To: Director - FASB
Subject: File Reference No. 1102-100
Importance: High

Dear Chairman Robert H. Herz,

I have recently been informed that FASB intends to pass a standard requiring that stock options be treated as a company expense.

First, I would like to acknowledge and recognize the fact that the eruption of corporate scandals in the recent past warrants that FASB take a closer look at how companies report their financials. There is no doubt that a handful of very well-known companies have fraudulent accounting practices and have defrauded the public and investors. However, the origin of fraud lies in poor management and leadership, not in the way stock options are expensed.

The pro forma EPS properly takes into account the exercising of stock options and investors are savvy enough to recognize that. Requiring a company to expense the granting of stock options, especially with an unrealistically high valuation, will not be an accurate reflection of the company's expenses because granting stock options is NOT an expense. Furthermore, this requirement will undoubtedly strip companies of a critical incentive for attracting the best and brightest work force. Salary alone is no longer the determining factor when professionals such as myself look for jobs. We want a sense of ownership in the company, which salary and perks cannot offer. Stock options incent employees to do what's best for the company because each employee's performance will be directly tied to the company's overall performance. Without this sense of ownership, employees will simply do what is expected of them. This will stifle innovation and productivity.

Secondly, in order for American companies to compete global, they should not be held to accounting standards that are not consistent with non-American companies. The proposed stock options expensing standard will leave American companies at an incredible competitive disadvantage. Talent will be lost to overseas companies (such as China) that are not restricted to such a standard.

American jobs are already being outsourced due to the commoditizing of high-tech jobs. The future of American companies, especially high-tech businesses where stock options are a very attractive incentive, will be bleak if you pass this accounting standard.

Thank you for your consideration,
Janice Le



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