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**Letter of Comment No: 1090**  
**File Reference: 1102-100**

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**From:** Chris Marshall [cmarshall@cisco.com]  
**Sent:** Wednesday, April 21, 2004 8:09 AM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102 100  
**Importance:** High

Chairman Robert H. Herz,

As I understand it, late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense.

I am contacting you to request that you reconsider this action, and the ripple effects it will have to the Technology and other Growth sectors of the U.S. Economy.

The FASB should stop the adoption of the plan to expense stock options, and find a more creative way to achieve the goal of curbing Executive abuse.

My concern about the draft plan is centered around these main items listed below.

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.

Competition:

- 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.)
- 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'.

Analysis:

If what you are trying to accomplish through this plan is to curb options abuse by Executives, then ironically the only folks left with access to options will be Executives. There has got to be a better way, such as restructuring Executive access to options. An example to examine is IBM's approach to the issue, rather than the broad brushed approach currently drafted.

If you move forward with this plan as is, then it will change how business is done forever, at least for the U.S. Currently, my responsibilities require me to work in many Asian countries, and I have found that competitors will stop at nothing to win business in the market place. Often this behavior is not in the spirit of healthy competition, and it takes creativity and top notch people to compete in this marketplace with honesty and integrity and win. Taking away a reward for hard work will compromise a company's ability to win while maintaining non-negotiable values of honesty and integrity.

Thank you for taking time to carefully considering my request to stop what you are doing and take a fresh approach to address this item.

Should you wish to discuss this topic further then just reply to this e-mail, and I will be happy to arrange a discussion.

Best Regards,

Chris

4/21/2004