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From: Tim Gordon (tgordon) [tgordon@cisco.com]
Sent: Tuesday, April 20, 2004 6:57 PM
To: Director - FASB
Cc: tgordon@cisco.com
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I'm writing to you in regards to the recent proposal being put forth regarding the expensing of stock options. This has become a very explosive issue in our industry and one that needs very careful consideration on the part of your organization.

It seems clear that your group does not realize the extent that stock options motivate employees to put forth tremendous effort on the part of the company they represent. The productivity gains that made much of the recent economic expansion is due partly to the efforts of companies in Silicon Valley and their workers who put in 50, 60 and even 80 hours per week on a regular basis. The motivation for these efforts is driven by their ownership in the company through stock options. Without these options, why should you work that hard? What is the motivating factor to put your family and personal life on hold while you sacrifice your time and energy for your company? We could be more like European companies who limit their employees to 32 or 40 hours per week. Is that the productivity we're striving for? I would argue that many of the US productivity gains will be lost due to your current plans and the US will slowly decline in global competitiveness as other countries (China, etc) stay the course with stock options.

Your group also fails to address the issue of how to expense stock options. Many groups have come out stating that the methods you are recommending for expensing stock options such as Black-Sholes overstate the true expense of stock options and will only further complicate the issue of fairly valuing publicly traded companies. In your attempt to address the recent investor backlash over options, you are only creating a new complication for investors like myself who are trying to get to the true value of a company. As it is, options already are accounted in the way they dilute EPS and are expensed when they are exercised. What are you trying to accomplish with this plan?

In your attempt to address a very serious issue, you should consider if your solution is worse than the current situation. The current proposal threatens to weaken US competitiveness and productivity that has fueled this economy over the last decade. That risk alone should be reason to give you and your team pause to go back to the drawing board and work on a solution that addresses the current problems, not add to them.

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