

Stacey Sutay

From: Chris Graham (chgraham) [chgraham@cisco.com]
Sent: Monday, April 19, 2004 8:07 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Letter of Comment No: 40/
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Dear Chairman Herz,

I am writing to you in order to express my deep concern over your organization's stated intention to designate employee stock options as a corporate expense. This issue is one of significant importance to me as a high technology professional, citizen and parent.

The high technology industries of the United States have been created by entrepreneurs and risk-takers. I work with people of similar orientation on a daily basis and they are a national asset. This asset must be nourished and cultivated, and compensation in the form of stock options is one form of reward for the risk associated with high technology employment. Proprietary knowledge is highly valuable, rare and transient. Our economic system must provide realistic financial incentives, such as non-expensed stock options, for those that accelerate understanding of complex phenomena to the betterment of shareholders and the nation. Clearly many high technology corporations will not be in a position to continue to offer employee stock options if expensing is required. Wall Street's methods make the prospect of incurring such an expense unrealistic. I ask rhetorically, can our economy afford the loss of those entrepreneurs that will forgo leadership positions in business due to the lack of an appropriate return for the risk of their efforts?

The high technology sector has produced enormous job growth and wealth for our citizens. Some would say these benefits are under attack by the outsourcing trend within international business. The risks to our economy posed by outsourcing provide yet another point of validation for option-based compensation in my view. Outsourcers rely in part on commoditization. Innovation defies commoditization. Innovators require return for the risk they bear, options provide that return.

In closing, I believe the public controversy surrounding employee stock option compensation is born from emotion and political wind-watching. The associated response requires objectivity, discipline and a long-term view of our nation's competitiveness quotient. I ask that FASB continue it's long and distinguished tradition and recognize that in this case the right thing is to "first, do no harm....."

Sincerely,
Christopher J. Graham