

ikon

Letter of Comment No: 1606  
File Reference: 1102-100

---

**From:** Bernie Petreccia (bpetrecc) [bpetrecc@cisco.com]  
**Sent:** Friday, April 23, 2004 10:51 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Mr. Chairman Robert H. Herz,

I am writing to you concerning the FASB's pursuit of the mandatory expensing of stock options on corporate financial statements. I am a Software Engineer with Cisco Systems, and I would like to address the importance of stock options, and how the new expensing of stock options standards that you seek will be a detriment to the workers of the United States of America.

I would like to begin by saying that employee ownership in a company should be encouraged; it strongly motivates employees to take risks, work harder, look for cost cutting solutions while still attaining cutting edge innovations and superior quality. I think that you can agree with this, but the new standards that you and your Board seek can, and will make it very difficult for large companies to continue broad-based employee stock options programs available to their employees. My family, and I am sure many other families across our Country rely on stock options for our retirements and financial wellbeing

On a much larger scale, the new standards that you seek can drastically impact American product quality and innovation, American company's competitive advantage, national security and economic recovery. Broad-based stock option plans align the interests of employees with those of non-employee shareholders because these plans reinforce the employee's focus on the success of the company in all aspects. Innovations by the American based technology sector will help drive the economic recovery by improving productivity and creating jobs (as well as help keeping jobs from being outsourced to foreign countries). The US Government relies on the private-sector research and development, which is driven by **motivated** employees. A recent study conducted by the Employment Policy Foundation shows that by 2030, the United States will be facing a critical shortage in the workforce of 35,000,000 workers. Without enterprise-wide options programs, what incentives will workers (whether they be from the United States or around the world) have for choosing American companies over more lucrative offers from foreign competitors? I think that James K. Glassman said it best, "I do not question the desire of the FASB and its supporters, including many in Congress, to restore investor confidence through mandatory expensing. But, in fact, investor confidence will probably be affected negatively, if at all, and the economy will be placed seriously at risk."

I am sure that you have heard it before, but I would like to say it again:

- The artificially high valuation for a stock option 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 and is already accounted for when options are exercised

Can you see the dangers with the new standards that you are pursuing? Is it possible that the FASB is acting in a hasty manner in response to the corporate scandals that have plagued our economy and corporate world? Do you want to be responsible for the deterioration of "Made in America" with regard to quality, innovation and competitive advantage? Is there a better solution? While considering the new standards, please remember one thing, "Primum non nocere" (First and foremost, do no harm).

Thank you for your time,  
Bernie Petreccia  
bpetrecc@cisco.com