

**Stacey Sutay**

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**From:** Steve Infante (stinfant) [stinfant@cisco.com]  
**Sent:** Monday, April 19, 2004 10:50 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100  
**Importance:** High

Dear Chairman Robert H. Herz:

My name is Steve Infante and I am an Account Manager for Cisco Systems, Inc. out of the Chicago, IL office. I am writing you with respect to File Reference No. 1102-100 and the issues around treating stock options as an expense. It is my understanding that your office has released a draft plan stating that FASB plans on treating stock options as an expense. I do not claim to be an expert in accounting, nor am I trying to bring into question the competency of the Financial Accounting Standards Board, however I strongly disagree with your direction.

As I am sure you are aware Mr.. Herz, expensing options will create two major areas of concern. These issues are outlined 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 needs 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'.

Additionally, being an owner in the company one works for impacts the way one conducts themselves. The pride of ownership makes an employee work harder and make better decisions. Expensing stock options equals eliminating stock options for most all employees and there by eliminating that pride of ownership. It will also eliminate a tremendous financial incentive to those employees.

The stock options that I have, and plan on getting are the financial foundation of my families future. Taking future options out of my hands will significantly impact my financial future. I strongly urge you to reconsider your direction.

For honest companies that report financials correctly and honestly, expensing options will do more harm than good. Thank you for taking the time to read my note.

Regards,

Steven C. Infante

**Steve Infante**

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