

Len Tatore

Letter of Comment No: 1421
File Reference: 1102-100

From: Howard Quillen (hquillen) [hquillen@cisco.com]
Sent: Thursday, April 22, 2004 9:59 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz,"

Chairman Herz,

The recent draft plan to have companies expense stock options is a definitive show of intent for the FASB to force companies to expense stock options. This action will cripple US companies from attracting and maintaining top engineering minds in the industry. The result of this action will be that companies will no longer utilize stock options as an incentive to work and remain in an innovative position for a company with absolutely no hope of a long term payoff as we have seen many time over the past 8 years. Companies will no longer be able to afford this necessary tool to keep and attract talented personnel due to the artificially high valuation for a stock option required by FASB . People will simply move to those companies that have the best compensation of the moment. It could also possibly push more technology innovation work outside the United States. This could not happen at a worse time when the economy is finally beginning to show signs of recovery.

While I understand the motives behind the FASB to desire as accurate financials as possible, this is not the way to achieve this goal. It is my opinion that based on what I have read on the issue, stock options do not meet the definition of an expense because they do not use company assets. Furthermore, the true cost of a stock option is a dilution of earnings per share (EPS) and is already accounted for when options are exercised. This is a more accurate reporting than reporting options as an expense that may never be exercised.

Please reconsider this plan and do not enact a policy that requires companies to expense stock options. I know in my personal case, stock options has meant a great deal to my family as well as setting the hope for a financially secure future. With the state of the social security system, people in my generation are forced to secure their own financial future. We can certainly not depend on a system that is broken today, with little hope of recovering. Stock options are a valuable tool in the financial planning process just as investing in long term stocks are today.

Young companies have leveraged this tool heavily to attracted the talent necessary to create new technology and products that propel the US into a innovative technology leadership position. Without this tool, this necessary function may become extinct from our small business culture due to the costs associated with personnel.

I sincerely hope the FASB considers the long and short ramifications of the profound decision that will have a dramatic effect on how America will do business for years to come.

Sincerely,

Dr. Howard D. Quillen
Space Network Architect
Cisco Systems, Inc.

4/23/2004