

**Stacey Sutay**

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**From:** Fontana, Chuck [cfontana@cisco.com]  
**Sent:** Monday, April 19, 2004 6:51 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com; Fontana, Chuck  
**Subject:** File Reference No. 1102-100

Chairman Robert H. Herz,

I write to express my strong opposition to FASB's most recent decision to treat stock options as a company's expense. I implore you to please reconsider this harmful stance your organization has taken on this issue.

As an employee of a company that has successfully used stock options to incentivize its workforce (and thereby bring unprecedented value and growth to its shareholders and the U.S. economy), I speak first-hand on the beneficial impact that stock options provide to a company's workforce. FASB's recent stance effectively kills the most critical tool in a company's offerings, and which are critical for U.S. companies to remain competitive in an increasingly competitive global economy.

FASB's position is wrongly taken for two reasons:

- 1) 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. Furthermore, the true cost of a stock option is dilution of earnings per share and is already accounted for when options are exercised.
- 2) U.S. companies needs stock options to compete with other countries on a global basis. For example, Chinese companies use stock options and they do not treat them as an expense. To require U.S. companies to expense stock options now, would 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'. The U.S. economy is a long way from recovery. FASB's current position on stock options threatens to stall growth and competitiveness of our industries, at a critical juncture in U.S. history and economic recovery.

Thank you,

Chuck Fontana  
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