Letter of Comment No: 377 File Reference: 1102-100

## Stacey Sutay

From: Laura Owen (laowen) [laowen@cisco.com]

Sent: Monday, April 19, 2004 8:25 PM

To: Director - FASB

Subject: File Reference No. 1102-100, Stock Option Expensing

## Chairman Robert H. Herz:

I write to express my opposition to FASB's intent to treat broad-based employee stock options as an expense. This is an incredible overreaction to corporate governance problems, and in no way addresses the extraordinary compensation or corporate governance issues that plague only a very few public U.S. companies. While it may be true that reforms are needed to increase corporate governance, forcing companies to expense options will not achieve this result.

The granting of options to a broad employee base has helped capitalism democratize America over the last few decades. If options are expensed, only senior executives will receive options, rather than the entire employee population, with a disproportionate percentage (if not all) of the options given to the very top people in the company. Accordingly, only ordinary workers are hurt, and the earnings rift between the lowest paid employees and the senior highly compensated executives expands into a unsurmountable chasm

In addition to adversely impacting the lower wage and middle class worker, job growth, which is just starting to appear after this administration's efforts over the past 3 years, will slow dramatically if options are expensed. Granting options to all levels of employees drove the technology industry, which increased the productivity of our economy during the 1990s and in large part created the boom that we had during that time (companies with broad based options saw productivity gains of over 4% annually, an excellent result for shareholders!). Instead of reducing corporate fraud, option expensing will only hurt job growth, producitivity and innovation will (as will competition - Chinese companies grant options without expensing).

From an accounting standpoint, it is my understanding that stock options do not meet the definition of an expense because they do not use company assets, so they shouldn't be expensed. Moreover, the true cost of a stock option is dilution of EPS, which is already accounted for when options are exercised.

For me personally, stock options help me send my children to college and will, in part, finance my retirement. I previously worked 20 years for a company that provided a pension plan, but no options to employees below the vice president level. That company has now filed for bankruptcy and my small pension, while vested, is at risk. If FASB requires option expensing, you will have killed the American dream for me and other average workers.

I therefore urge FASB to reject expensing of stock options as an accounting standard for US companies.

Sincerely,

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