**Stacey Sutay** 

Letter of Comment No: 364 File Reference: 1102-100

From: Rob Malone [robmalon@cisco.com]

Sent: Monday, April 19, 2004 8:40 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: Stock Options Accounting

## FASB Leaders --

Please consider this an objection to the current plan to expense stock options. Options do not represent a true 'expense' as US GAAP defines expenses [do not consume company assets] and there is no reasonably reliable way to value them. The current proposal would result in further confusion about P&L meaningfulness and obfuscation of actual results -- consequently the resultant 'expense' would essentially be disregarded by the analyst/investor community. Besides, EPS already reflects the impact of stock options by increasing the denominator of the computation. Expensing options would be redundant with this, more volatile and less meaningful.

I believe options are a/the significant way by which companies can incent employees to align their actions with company success -- anything that would inhibit companies granting options would disconnect employees from this alignment and would therefore be destructive to shareholder value.

If the FASB is trying to address abuses in executive incentive compensation, requiring companies to 'expense' all options will not affect this! It will bury executive options in the overall options 'expense'. As an alternative, please consider ONLY valuing/expensing' options granted to key executives! At least this might call attention to the issue I believe you're really trying to address without leading to a giant 'build-them-in / proforma-them-out' exercise!

## Regards,

Rob Malone 408 526 7470 408 234 7667 [mobile]