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From: Rhoda Whitley [rvwood@cisco.com]
Sent: Wednesday, April 28, 2004 3:11 PM
To: Director - FASB
Subject: Reference No. 1102-100
Importance: High

Chairman Robert H. Herz,

I'm sending this e-mail requesting that stock options not be expensed. Not only is the expensing concept ambiguous (see item accounting concerns below) it would also affect corporate competition (see corporate concerns)

More importantly, as an employee, the stock option section of Cisco's compensation package was the deciding factor in my deciding to move from California from Arizona. In case you haven't heard, real estate in California is nearly 4 times as expensive as Arizona. Therefore living expenses (even apartment leaving) is nearly 4 times as expensive as Arizona. Therefore, stock options are an important part of the compensation package to attract employees to live and work for high-tech companies in the silicon valley of California (San Jose).

Additionally, from my experience, stock options have a positive influence on the working environment of the firms that utilize them. For example, the sense of ownership that employees feel drives them to work harder, faster and smarter because they share in the gains that are a result of these practices. Moreover, because of wealth building potential of stock options, employees also possess and exhibit a sense of economic empowerment which is another powerful employee motivator.

Accounting Concerns:

- 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 need 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'.

Regards,
Rhoda Whitley
Program Manager, Cisco Systems, Inc.