Letter of Comment No: 475 File Reference: 1102-100

## Stacey Sutay

Subject: FW: Expensing stock options - standard

Importance: High

----Original Message-----

From: Raymond Garra [mailto:rgarra@cisco.com]

Sent: Monday, April 19, 2004 8:46 PM

To: Robert Herz

Cc: savestockoptions@cisco.com

Subject: Expensing stock options - standard

Importance: High

Mr. Robert Herz

Board of Directors (Financial Accounting Standards Board) -FASB

I'm writing to ask that you and the board of directors for FASB do not pass any new policy, standard or recommend a future US accounting legislation that requires companies to expense stock options.

Some points to make:

## Accounting (Who's math?)

The artificially high valuation for a stock option required by the proposed FASB standard will no doubt force many companies to eliminate stock options as a tool that facilitates innovation, creates new markets, increases productivity, and helps attract human capital and talent. If companies are forced to expense.. it would potentially lower the US stock market valuations for many companies just when we are seeing a small re-bound based on real productivity and real earnings. Many companies would have to stop the benefit and could lose talent - disrupting high tech innovation, new technology investment, and industry growth of advance technologies the US economy needs to grow.

Stock options give employees at all levels a stake in the success of their company. They encourage hard work and the entrepreneurial spirit that fuels innovation, increases productivity and boost shareholder returns. These principles and culture are present with my current employer, Cisco Systems, Inc.

Stock options in my opinion do not meet the definition of an operating expense because they are not considered a company asset, (such as machinery, real-estate etc...), they really are employee ownership. They motivate and keep productivity high - just look at recent economic numbers. The US could see a reduction of it's high productivity figures recently reported and jeopardize a fragile market re-bound.

The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Most companies report these calculations every time a employee exercises options - publicly

## **US Global Competition**

U.S. companies, (Especially high tech), need to be able to have stock options to retain talent, innovate, and compete with other countries on a global basis. (Example: some Asian/Eurpoean companies use stock options and their governments do not mandate 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, we need to support programs and employee benefits that are positive for the average worker.

Message Page 2 of 2

## Personal Note

Stock options have allowed me to buy a home for my family, save and invest for my children's education, and contribute to non-profit organizations. With-out stock options these opportunities would not be possible.

Once again, please <u>do not</u> pass any new policy, standard or recommend a future US accounting legislation that requires companies to expense stock options. Your leadership on this issue is greatly appreciated.

Sincerely,

Ray H. Garra
Product Line Management - Training
Internet Learning Solutions Group
Cisco Systems, Inc.
408-853-4773
rgarra@cisco.com