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From: J. Robert Dacey [rdacey@cisco.com]
Sent: Monday, April 19, 2004 7:19 PM
To: Director - FASB
Cc: jrdacey@att.net
Subject: File Reference No. 1102-100 Chairman Robert H. Herz: Draft Plan to treat Stock Options as an Expense
Importance: High

Chairman Robert H. Herz
Financial Accounting Standards Board

Dear Chairman Herz:

As an employee in America's High-Tech industry, I am extremely concerned to learn of the FASB draft plan stating your intention to treat stock options as an expense. Not only are these proposed rule changes contrary to good accounting practices, they will also significantly damage America's ability to compete in the global high-tech market place.

From an Accounting perspective, stock options *do not* meet the definition of an expense since they do not use company assets. In addition, the true *cost* of a stock option is a dilution of earnings per share and is already accounted for when those options are exercised. Finally, the artificially high valuation for a stock option called for in the FASB draft will eliminate stock options as a valuable tool which has been shown to drive innovation and productivity.

The United States is facing ever-increasing competition in the Global Economy. In order to remain a leader in the High-Tech Market place, U.S. companies need to be able to use stock options as a tool for competing with other countries that also use options but *do not* treat them as an expense (such as China). Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's tenuous economic environment, the number one rule should be 'first, do no harm'.

I strongly urge the FASB to reconsider their position on the issue of treating stock options as an expense. Stock options have been, and should continue to be, a valuable tool for helping America's high-tech companies to drive innovation and productivity. The FASB plan to expense options will have a devastating long-term effect on an already fragile American economy, especially in the High-Technology Sector. Quite frankly, it is bad Government.

Regards,

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