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Letter of Comment No: 1265  
File Reference: 1102-100

**From:** Scott Wertz [swertz@cisco.com]  
**Sent:** Wednesday, April 21, 2004 12:49 PM  
**To:** Director - FASB  
**Cc:** 'Christine Wertz'  
**Subject:** File Reference No. 1102-100 - Expensing Of Stock Options

Dear Chairman Robert H. Herz,

My wife and I have been following all the discussions regarding the Financial Accounting Standards Board (FASB) plan to expense employee based stock options highlighted in the recent draft that has been released. My reason for writing this letter is to urge you to reconsider the damage that this plan would have on individual employees, the innovation of American companies as well our global competitiveness.

Working at Cisco Systems for over 6 years, our company has helped revolutionize communications using the internet and advanced networking technology as well as increase productivity for the American economy and other countries around the world. I was drawn to work at the company because it was a technology innovator as well as a company that gave my wife and I a chance to have ownership in the company and share in its success. The opportunity to have accountability to the company and shareholders by being an owner of the company ensures that all decisions and effort are made as if you are spending your own dollars. At many high technology companies like Cisco, we do not have retirement plans so the stock options are the only safety net we have to rely on to fund our retirement, our children's college funds, health issues, etc. If the draft that FASB submitted becomes law, then your organization's decision will in effect make it impossible to continue broad-based employee stock option programs like the one we currently have at Cisco. This would be because companies could not afford to have the additional expenses added to their cost of doing business, thus causing them to have to raise prices, cut jobs or lose market share to global competitors.

In addition to the damage that the FASB plan to expense stock options would have on our family and millions of other American families, the damage would also be felt in the US economy. Stock options have been used by American companies, especially in the high technology industry, as a tool which to drive innovation and productivity. These companies cannot afford to pay an employee a higher salary when they are developing a new product or innovation so therefore, they offer options as a way to offer some equivalent compensation if the product or innovation is successful. This way, they avoid unduly burdening the company upfront with all kinds of expenses without any guarantee of success to be able to cover the costs. If the draft that FASB submitted becomes law, then your organization's decision will cause a drain on the ability of American companies to attract employees to invest their time and effort into developing new innovations and products to continue to drive the American economic engine.

Finally, in terms of global competitiveness, U.S. companies need stock options to compete with other countries on a global basis. Many companies, especially in Southeast Asia use stock options and they do not treat them as an expense. Expensing stock options will have a dramatic impact on American high tech leadership, innovation and job creation and cause us to lose our technological edge to these other countries.

In conclusion, it makes no sense, in my humble opinion, with the desire to continue to make sure America is strong, innovative, creating jobs and minimizing our global trade deficit that we would do something as destructive as harm American industry. Please help to change the direction of expensing broad employee based stock options that the FASB is recommending.

Respectfully,

Scott Wertz

Cisco Systems, Inc.