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**From:** Cetin Seren (cseren) [cseren@cisco.com]  
**Sent:** Tuesday, April 20, 2004 3:32 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com; 'Cetin Seren'  
**Subject:** File Reference No. 1102-100: Financial Accounting Standards Board (FASB) draft plan stating intention to treat stock options as an expense

To: Chairman Robert H. Herz

Mr. Herz,

I am writing to you in reference to the Financial Accounting Standards Board (FASB) draft plan stating intention to treat stock options as an expense.

This is a bad idea. Personally, owning stock options in my company has been a very important motivator for me, and I strongly believe that they are a key reason for the success of my industry.

I have yet to see one just reason for requiring the stock options to be expensed.

It seems to me that if this becomes the norm, historians will end up marking it as the event that caused the USA to lose its technical edge.

Here are my reasons:

Accounting Issues:

- 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 use company assets. Therefore they do not meet the definition of expense.
- Stock options are not liabilities. They only cost the company money if the company is making money. This applies equally to all shareholders.
- **The true cost of a stock option is already accounted for when options are exercised.** The net impact is dilution of earnings per share (EPS).
- Attaching an "estimate" value to a stock option at the time of its grant is equivalent to claiming to know the future, which contradicts with the whole existence of the stock market.

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'.

In the high tech industry, it is impossible to drive innovation with just salary -- it just does not work. Expensing stock options is penalizing innovation. There is no disguise for it.

Please fix the system where it is broken, penalize those individuals and companies who abused the system to their advantage. Do not penalize the hundreds and thousands of workers in the industry who contribute to our success as a nation.

Sincerely,

4/20/2004 CA