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**Letter of Comment No: 657**  
**File Reference: 1102-100**

**From:** Peter Tavernise [ptaverni@cisco.com]  
**Sent:** Tuesday, April 20, 2004 12:13 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** To Chairman Robert H. Herz: File Reference No. 1102-100

Chairman Robert H. Herz:

I would like to respectfully express my opinion on the issue of stock valuation and the economy, jobs, and keeping the U.S. competitive.

First, other countries, specifically China, are not taking such steps as are currently proposed by FASB. It is ironic that the formerly communist nation is not expensing stock, but the U.S. is planning to. How will U.S. Companies stay competitive if they can not use this strategy for attracting, retaining, and motivating high performing employees, while companies based in other countries can?

Second, I have noted in my capacity as a corporate philanthropy officer that employees have donated stock, or income from the sale of such stock, to make charitable contributions to nonprofits in our communities. This is an aspect of stock expensing which has likely gone unnoticed, but will have an effect on the ability of nonprofit organizations to be able to serve their constituents.

Finally, it has been clear to me as an employee that I and others in the company are highly motivated as co-owners and shareholders to keep costs low, to drive our competitiveness, and to produce shareholder value.

Other thoughts.

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 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'.

Many thanks,  
Peter

Peter Tavernise  
Sr. Manager, Cisco Systems Corporate Philanthropy  
Sr. Program Officer, Cisco Systems Foundation  
170 West Tasman Drive [←--Mailing Address.]  
[Street address: 325 E. Tasman Dr.]  
San Jose, CA 95134-1706  
cell: 408-483-2020  
work: 408-853-4483