

ikon

**Letter of Comment No: 640**  
**File Reference: 1102-100**

---

**From:** Geoff Hughes (gehughes) [gehughes@cisco.com]  
**Sent:** Tuesday, April 20, 2004 10:58 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Dear Chairman Robert H. Hertz-

I urge you to consider the impact expensing stock options will have on the American economy, and the health of American industry. Stock options and employee ownership have driven innovation and productivity in across many different types of businesses, which should be a key indicator in their importance to continued success.

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 accounted for when stock options are exercised.

Stock options help U.S. companies compete globally- if companies in China do not have to expense stock options, why should U.S companies compete at a disadvantage? In an economy which continues to struggle to slowly recover, the Financial Accounting Standards Board ought to adopt a position similar to a doctor's- "first, do no harm". Expensing stock options will suppress leadership, innovation and job creation, and could cripple the economy for years to come.

This kind of broad sweeping reaction based on the actions of a few individuals is not the kind of encouragement employees need to continue to excel in their chosen field. The punishment should fit the crime- if any changes to how stock options are accounted for, rank and file employees should not be under the microscope, but rather the executives. Capping the number of options available for executives while allowing employees to continue to receive options would be a more appropriate action if you cannot maintain the status quo.

Thank you for your consideration. I sincerely hope you reconsider your position on this issue and allow companies to continue to distribute stock options without the penalty of expensing. Thank you!

Regards,

Geoff

--

Geoff L. Hughes  
Cisco Systems, Inc.  
7025 Kit Creek Road  
RTP, NC 27709