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**From:** Joe Fernandez (joeferna) [joeferna@cisco.com]  
**Sent:** Wednesday, April 21, 2004 11:55 AM  
**To:** Director - FASB  
**Subject:** Stock options

**Letter of Comment No: 1153**  
**File Reference: 1102-100**



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**Subject:** Please cosponsor the Stock Option Accounting Reform Act of 2003 Dear [Lawmaker]:

I write to urge you to cosponsor the Stock Option Accounting Reform Act of 2003 (S. 1890 and H.R. 3574), cosponsored by Senators Enzi and Reid and Representatives Richard Baker, David Dreier and Anna Eshoo. The legislation would protect broad-based stock option plans, while addressing the accounting for options granted to senior corporate executives in response to concerns over executive compensation.

Stock options give employees at all levels a stake in the success of our companies. They encourage the hard work and entrepreneurial spirit that fuel innovation, increase productivity and boost shareholder returns.

I have personally seen the motivating effects of employee stock option programs. Owning options makes me feel like I have a real stake in the success of my company and increases my dedication and long-term commitment to my work. Stock option programs are also good for shareholders because employees are rewarded only if our company's stock value increases. In the past, my stock options have enabled me to improve my quality of life in meaningful ways. Even when my options are "underwater," I feel personally tied to the success of my company.

The Stock Option Accounting Reform Act would require the expensing of options for top executives of large companies but not for rank-and-file workers. As a result, the legislation will ensure that financial statements do not include the inaccurate and misleading numbers that are generated by mandated expensing using current stock option valuation models. As a result, this legislation is a sound and better alternative to the mandatory expensing of all employee stock options.

Many companies grant options to the vast majority - and often to 100 percent - of their employees. If options are required to be treated the same as a cash expense, companies would drastically reduce the number of people who receive options, probably restricting them to the most senior executives. This legislation recognizes the importance of broad-based employee stock options to rank and file employees, to innovation, and to economic growth that benefits all of us.

I hope you will cosponsor this important bill. Your leadership on this issue is greatly appreciated.

Respectfully,  
Joe Fernandez