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Letter of Comment No: 793
File Reference: 1102-100

From: Luis Garcia [louieg@cisco.com]
Sent: Tuesday, April 20, 2004 10:58 PM
To: Director - FASB
Subject: File Reference No. 1102-100

To: Chairman Robert H. Herz

Chairman Herz, I am an employee in a high tech company in Silicon Valley. I came out of a non-manufacturing line of business, Banking. After following some of the debates and rationale in the handling of expensing stock options, I need to express to you my concerns of this highly questionable act that FASB is entertaining. I am very concerned that we are experimenting in uncharted waters for no apparent business reason. Treating estimated potentially valued stock options as an expense is something that is not time tested, or battle hardened in the real world of competitive business. It's with this type of thought process in mind that I want to share three key points that I'll briefly explain, then summarize in hopes of attaining your support to prevent File Re.#1102-100 from moving forward.

First - I would reason that one major inflection point in technology development incentive models are stock options. One could never have imagined the significance that stock option incentives provide for individuals in creative ingenuity, and sticktuitiveness to solve business/competitive problems with new technology development. So much so, I feel confident in challenging union based, and non-stock option companies to match the speed, vigor, and inertia that stock option based companies provide. The history of Silicon Valley, and other major milestones in various business models have proven individual incentive models work.

Recognizing that Ref.No. 1102-100 is not eliminating Stock Options, it basically cripples the effective use of it by dis-incenting companies from establishing and maintaining such an incentive.

Second - Since the true cost of a stock option is already accounted for when options are exercised, why is this Governmental excise burden being placed on companies? Success in the world competition front needs less burdens on our companies; rather, allowing them flexibility in encouraging the right motives and behaviors that individual employees can deliver upon. Likewise, Government should not be looking to overburden itself with additional bureaucracy and accounting estimations based on what possibly may potentially occur in the future hopes of a positive stock valuation.

Third - Competitive acceleration. What is quite vague for individuals not in the high tech

manufacturing space, is the reality of competitive gain. Global Competition is a very demanding force that will succeed in replacing US based products if incentive models here do not compare to theirs. One lesson from this is that they should not be given to succeed due to our own inability to recognize that we need as many incentive models as possible for our individuals to succeed.

In closing, I am impressed that this concept of mathematical "guesstimating" of the valuation of any given stock option based on "fair value" is replete of logic problems, with complexities too great for any free-market Government to endure. There are no benefits that I can ascertain that improve business, accents individual growth, and incents international leadership than supporting our current practices for the handling of stock option expensing. At the very least, we need to place fewer restrictions on highly productive companies so that key individuals will not look to opportunities outside of the US for employment.

If the issue is how to manage Senior Executive incentive models, then address the issue there; not a broad general blanket approach that disenfranchises the hard working middle class. The same middle class that's already over-burdened with over taxation.

Please prevent the estimated expensing of potential values upon stock options, as this single act has a cascading effect on companies; from compromising the support of economic incentives for the majority of individuals at my level (the middle class employee), to providing potentially more bureaucracy with no real time tested models in countries as successful as the United States.

Best regards,
-Luis A. Garcia

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