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Letter of Comment No: 682  
File Reference: 1102-100

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**From:** Donald Billow [dbillow@cisco.com]  
**Sent:** Tuesday, April 20, 2004 4:50 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** Employee Stock Options File Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Mr. Herz

Recently the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense.

As an American and a technology professional, I submit to you that this is **not the position to take**.

I am a mid-level manager (not a senior executive) at Cisco Systems, one of the most successful, financially conservative and **Ethical** companies in the world.

For many years now I have personally benefited from ESO income and equity. They have enabled me to support my family, my future and the American Economy. Your proposal would lead to the elimination of these types of benefits for many thousands of Americans and citizens of free and Democratic countries world wide. It would decrease the revenue (tax) base for many countries including the U.S.

Employee Stock Options should not be treated as an expense for the following reasons:

- 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'.

Employee stock options make me feel like I have a stake in the success of the company that I work for, and they motivate me to work harder. I believe that if companies are forced to expense all employee stock options, my company will no longer be able to grant them to the majority of employees. This would negatively impact morale, productivity and innovation.

I believe that mandatory expensing of all stock options is bad accounting. The potential dilution of each investor's share of company ownership is the real cost of employee stock options. A cost that is already reflected in "diluted earnings per share" is included in company financial statements.

4/21/2004

Broad-based stock option plans enhance productivity, increase shareholder value and benefit employees. Broad-based plans should be encouraged, not eliminated.

I urge you to reconsider your position on this important issue. Please do not be a party to the dismantling of one of the key elements in my American Dream.

Thank You

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