

ikon**Letter of Comment No: 4292**
File Reference: 1102-100

From: Frank D'Agostino [fdagosti@cisco.com]
Sent: Monday, June 14, 2004 4:14 PM
To: Director - FASB
Subject: File Reference No. 1102-100, addressed to Chairman Robert H. Herz

Hello Chairman Herz,

This letter is to voice my opposition to stock options expensing. This is a critical issue for me as I lead more than 35 people who understand and are motivated by ownership in their business. This action will dilute the interest and ownership in the company and will impact many industries where it is critical for the US to remain competitive and lead in technology. These employees have high demands that routinely request more than 12 hours a day focused on business activities. This focus is worthwhile in the context of ownership, but not so without. This change will have a dramatic impact on the technology leadership and innovation in our country.

Clearly there are more formal business issues related to this action. The following list a few issues.

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'.

Regards,
 Frank P. D'Agostino

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