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Letter of Comment No: 856
File Reference: 1102-100

From: Vasmi Abidi [vabidi@cisco.com]
Sent: Tuesday, April 20, 2004 3:33 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Stock Options Expensing

To: Chairman Robert H. Herz

Ref: File Reference No. 1102-100

Dear Chairman Herz,

As an employee in the high-tech industry in Silicon Valley, I am writing to urge you to NOT expense stock options, especially at the unrealistic valuations that have been proposed.

The practice of giving out stock options to the rank-and-file employees has been a critical factor in the uniquely innovative culture of Silicon Valley, and has been a major reason behind the creation of many great companies and technologies. Forcing companies to expense stock options at unrealistically high valuations will probably lead to a termination of broad-based employee stock option programs and all the good that comes from it.

Having lived and worked in the U.S. high tech industry for over 15 years, my family and I have been beneficiaries of stock ownership, mainly due to employee stock option programs. I have no doubt that employee motivation, retention, and performance are closely tied to this unique form of compensation. Stock options promote employee ownership, and "owners" have a different mindset than "renters", and are far more motivated to make companies enduringly great. With stock options, I feel I have a personal stake in the success of the company, and try my hardest to keep it at the forefront of quality and innovation. Without stock options, I fear that employees will seek to maximize their short-term benefits.

Further, I've heard from many accounting experts that: (1) Stock options do not meet the definition of an expense because they do not use company assets, and (2) The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. The current expensing proposal has many flaws and shortcomings.

At this time, and in this economy, surely the important thing is "to do no harm". 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.

To summarize, I thank you for your time, and the opportunity to express my opinion. Please save the future of US High Tech industry by not expensing stock options.

Sincerely,
Vasmi Abidi
San Jose, CA 95129