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Letter of Comment No: 1092 File Reference: 1102-100

From: Sent: Brian Pitts [bpitts@cisco.com] Wednesday, April 21, 2004 8:12 AM

To:

Director - FASB

Cc: Subject: savestockoptions@cisco.com File Reference No. 1102-100



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Dear Chairman Robert H. Herz -

I am writing to you with my concerns over the issues around expensing of stock options and the impact it will have on the high tech industry in the ${\tt US.}$

As I see it the issues around the accounting of stock options are:

- \cdot 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.

In terms of competition:

- \cdot 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.)
- \cdot 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'.

Please consider leaving current accounting policies in place with respect to stock options. Stock options are a way to foster entrepreneurship and leadership and are critical for the success of the high tech industry in the US.

Sincerely, Brian J. Pitts

Brian Pitts

Systems Engineering Manager

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