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From: Adil Haque [ahaque@cisco.com]
Sent: Friday, April 23, 2004 2:13 PM
To: Director - FASB
Cc: Adil Haque
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

Late last month, the FASB released a draft plan stating that they intend to treat stock options as an expense. I personally feel that this would be a backward step and would set the tone for the loss of American innovation and leadership in emerging markets.

Stock options for me personally have helped not only financially but also motivationally. Silicon Valley's culture is based on the theory of innovate and reward. If the reward portion is taken away it will have severe impacts on innovation which will lead to a detrimental impact on the overall US economy. The last few growth spurts in the US and global economy were founded on "new and disruptive" technologies of the Personal Computer and the Internet. The next growth may never occur in the US if one of the key enablers of innovations is taken away - stock options. This may give opportunities to other countries to overtake the US in innovation. In a recent article by Thomas Friedman in the New York Times, he highlights how the United States is already losing its innovative edge. Please do not make matters worse by over-killing this legislation.

High tech innovation relies on new ideas and new people. With the proposed rule change, lots of immigrants who laid the foundation for the high technology boom will decide to go to other countries where it is financially more rewarding. I was once an immigrant to the US and can vouch for how stock options have helped me personally but also professionally in my development. Stock options have helped me pay for not only the home I live in, but also towards education for my wife and future education of my kids. At the same time, I have worked very hard to enable these stock options to be worth anything. This is not just my story, but the story of so many others in the Silicon Valley.

More than that I also believe that expensing stock options in the way that it is planned is incorrect. 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.

So why do something that is not only technically wrong, but also may have significant economic & social impacts?

Regards,

Adil Haque
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