

Len Tatore

Letter of Comment No: 1426

File Reference: 1102-100

From: Douglas Kay [dkay@cisco.com]
Sent: Thursday, April 22, 2004 8:59 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Please stop considering to treat stock option as an expense (File Reference No. 1102-100) to the high-tech companies

Dear Chairman Robert H. Herz,
I am a technical professional, electrical engineer, who has worked in Silicon Valley for about two decades.
I have witnessed that the stock option has been one of incentives to many working professionals in high tech industry for creating innovations without being bothered to do hard works despite the less favorable living and working environment.

It is my regret to hear that you are considering to treat stock option as an expense. I am afraid that your decision may kill the technical leadership of America among fierce global competition because it will remove the motivation to work harder. Who would want to work harder in a little unfavorable living conditions (high cost of living, low income, not so good education environment, and etc.) compared to the other part of country and the world without having dreams that they will be rewarded some other way?

Besides, the true cost of stock option is dilution of earnings per share and is already accounted for when options are exercised. I do not understand why you are trying to double charge to the expense. Also stock option does not belong to expense category because it has nothing to do with company assets.

If you think America should play the leadership role in high tech, please stop expensing it because we have to compete against newly developed countries (for example, China) who are fiercely competing against us. Silicon Valley already lost about 30% of population since depression started from 2000. Please do not add any additional penalty to the already broken economy.

Thank you for your listening and I hope you make a right decision for the future of America.
Sincerely,

Douglas Kay, Ph.D.
Technical Leader
Design For Excellence