

**Letter of Comment No: 1500**  
**File Reference: 1102-100**

**ikon**

---

**From:** Mike Cherepov [mcherepov@cisco.com]  
**Sent:** Thursday, April 22, 2004 11:06 AM  
**To:** Director - FASB  
**Subject:** Please preserve stock options

File Reference No. 1102-100

Dear Chairman Robert H. Herz,

As a veteran software engineer, I urge you to preserve viability of stock options as a form of compensation by high-tech companies. Stock options have contributed to building and sustaining the lead of the US technology industry. Killing or eviscerating them via new accounting standards carries a number of serious risks for knowledge workers like me, and for the national economy as a whole. The risks of expensing stock options --particularly at unrealistically high valuations contemplated by FASB -- are:

- A loss of US companies' competitive edge relative to foreign companies, free from such strictures.
- A threat to innovation of startup companies, largely fueled by stock-option grants.
- Removal of financial incentives and opportunities my fellow technology workers and me.

While my grasp of accounting principles is somewhat tenuous, I see excellent considerations against expensing stock options at unrealistically high valuations.

- The markets have got used to the notion of stock options as a potential diluter of EPS. It is debatable whether expensing would be more transparent. The key issue is disclosure.
- Classifying options as an expense is counterintuitive given that they do not use company assets.
- The artificially high valuation contemplated by the current FASB plans will all but eliminate stock options. Is such a drastic remedy warranted by the existing accounting problems? I have yet to see a good justification.

Thanks for considering this opinion as you work towards a sensible way to preserve stock options as a valuable and viable tool of compensation in the service of technological progress and economic growth that have benefited all of us.

Sincerely,  
--Mike Cherepov  
Lexington, MA