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Letter of Comment No: 554
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From: Russ Gregory [rgregory@cisco.com]
Sent: Tuesday, April 20, 2004 9:05 AM
To: Director - FASB
Subject: FASB intent to expense stock options

Chairman Robert H. Hertz,

I am a software engineer working for Cisco Systems in Austin Texas and I would like to express my opinion that expensing stock options is a bad idea for Cisco and America. Stock options have helped US high tech companies attract technical expertise that has led to innovation, technical leadership and job creation. Forcing innovative commercial organizations to expense options would affect their perceived profitability and sharply curtail investment in these vital companies.

Beside the obvious competitive disadvantage to US companies (after all Chinese companies do not expense options) the accounting of options just does not make sense. Stock options don't even meet the definition of an accounting expense because they do not use actual company assets. The true cost of options is a dilution of earnings per share that is already taken into account when the options are exercised. Which is the only time that the value of an option is valid.

I hope you take these points into consideration and work to change the FASB's direction with regard to expensing stock options.

Sincerely,

Russ Gregory
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4/20/2004