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Letter of Comment No: 19/8
File Reference: 1102-100

From: 1

Paul Merlitti [pmerlitt@cisco.com] Monday, April 26, 2004 12:22 AM

Sent: To:

Director - FASB

Subject: File Reference No. 1102-100, Chairman Robert H. Herz

Dear Mr. Herz and Financial Accounting Standards Board,

I understand the need to punish those who have recently tarnished the good name of American business, but the recent move to expense stock options will only punish the innocent and damage our US companies' ability to motivate and reward their employees.

First, I probably don't have to tell you that expensing a stock option does not make accounting sense. A stock option already dilutes the value of the shares lowering the Earnings per Share and thus counts against the value of the company when it is issued. Expensing it would make it count against the company twice. By forcing corporations to expense options, you will basically stop all corporations from using stock options as compensation. Foreign companies will still have this tool, and will have an unfair advantage at recruiting talent and motivating their employees. This could effect America's corporate leadership, particularly in the High Tech industries.

On a more personal level, I am a perfect example of how stock options motivate. I've been working for Cisco Systems for the past 4 years and even though I'm not an executive or even a manager, I have been granted many options over the years. As a result I don't just go to work to collect a paycheck. Instead I try every day to improve the company I work for and help build innovative new products and solutions for my customers.

Please don't let a knee-jerk reaction to a few corrupt business executives punish me and my fellow HONEST employees or risk damaging our US companies' ability to innovate. Please stop the proposal to expense stock options.

Thank you, Paul Merlitti Systems Engineer - Cisco Systems CCIE #6050

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