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From: Steve Mullet [smullet@cisco.com]
Sent: Wednesday, April 21, 2004 10:49 AM
To: Director - FASB
Subject: Expensing of Stock Options

Chairman Robert H. Herz:

Mr. Herz, the purpose of this note is to encourage you to reconsider your draft plan to treat Stock Options as an expense. While I am sure there are many points of interest on this issue, I think the most critical points are the competitive disadvantage this measure would have on U.S. based High Technology companies and the impact this measure would have on the domestic technology job market.

Without an effective stock option program, most U.S.-based technology companies will not be able to compete for the best and brightest technical talent. Technology companies have been one of the most critical sectors of our economy for the last 50 years, and as we migrate from an industrial economy to an information economy their importance will increase. With the stagnation of technology stocks over the last two to three years we have already begun to see some of these jobs move off shore - in particular to China and India. Forcing U.S. based companies to change their accounting practices to expense stock options will, without a doubt, be the single biggest factor in pushing more of the technology jobs and companies off shore.

While I am sure there are political reasons for this change in the FASB rules, I would encourage you to take a step back and consider what is best for U.S. based technology companies and U.S. based technology employees. Again, I encourage you to reconsider your stance on this important issue.

Thank You
Steve Mullet

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