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From: John Pohl (jpohl) [jpohl@cisco.com]
Sent: Wednesday, April 21, 2004 3:31 PM
To: Director - FASB
Cc: avestockoptions@cisco.com
Subject: Expensing Stock Options

Letter of Comment No: 1280
File Reference: 1102-100

Dear Chairman Robert H. Herz,

I am writing today to express my concern over the issue of expensing of stock options. I am quite concerned that the current direction you are pursuing to mandate the expensing of options will have severe negative impact on the high tech industry, the US economy, and personally, my family.

Stocks options drive innovation in the technology industry. This is proven. It was probably the single most important decision that Hewlett Packard made which resulted in a whole culture of ownership, establishing the US as the global technology leader.

From an accounting perspective expensing of options does not make sense as options don't use company assets, therefore they are not an expense. They do dilute earnings per share when issued, so they are accounted for properly when they are exercised.

Your proposed method of valuation of options creates an artificially high expense that will cause companies to limit, or worse eliminate, the issue of options stifling innovation and competitiveness. The US needs options to be competitive with other countries as not all countries mandate expensing of options. The impact will ultimately be loss of US jobs.

From a personal perspective, stock options are a significant part of my retirement planning. I have worked in the technology industry for 24 years. I do not have a pension that I can rely on for retirement. While I have contributed the maximum to my 401K over the years it is not sufficient to provide for my retirement. Stocks options provide the only viable plan for my retirement. As a result, stock options provide me incentives directly aligned with the interests of the stockholders. I believe I am not alone when I say if stock options are eliminated as a result of changes to FASB regulations, I will consider a career change away from the technology industry.

I am not in favor of expensing options. I respectfully request that you make no change to require expensing of stock options.

Sincerely,

John Pohl
Director, Services Marketing
Cisco Systems