

Stacey Sutay

From: Eric Eggel [eeggel@cisco.com]
Sent: Tuesday, April 20, 2004 1:01 AM
To: Director - FASB
Subject: File Reference No. 1102-100
Importance: High

I am addressing this letter to Chairman Robert H. Herz regarding File Reference No. 1102-100, in regard to the possibility of corporations being required to expense stock options.

Mr. Chairman,

For corporations to be required to expense stock options does not and would not solve situations as Enron. If you were to require the expensing of stock options you would be doing the United States of America a great disservice. You would be driving opportunity and jobs out of this country. Not just any old jobs, but jobs of people who are shaping the future of this country and the world. Do you want America or some other country to lead in the technologies of the future?

As the land of opportunity America should strive to provide the greatest possible opportunities to those that strive to meet those challenges.

Other countries are making great strides to provide better opportunities for individuals and corporations. They are making better investments in education and attracting corporations by providing them the ability to fairly issue stock options. Before long the majority of the technical elite would not reside within the United States, the great Corporations will all be performing their development, design, production and support outside of the United States. Why? Because the United States did not offer an environment in which they could attract and keep the talent they needed to grow and sustain their business.

For myself stock options are my opportunity to get ahead and make a good living. The Silicon Valley is not a cheap place to live. My salary is mostly gone to just ordinary living expenses. Stock options offer me the chance to make good on my investment in coming to this technological hot spot and helping to pave the future for myself, my employer, this Country, and the world.

Make no mistake, stock options is a chance for employees to "own" part of the company they work for. It is the old adage of renting versus owning. With options you "own", you are committed and strive for the success the company you are a part of.

Please see the benefit in allowing Corporations to continue to NOT expense options, America's future depends on it.

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Competition:

- U.S. companies needs stock options to compete with other countries on a global basis. (Example:

Chinese companies use stock options and they do not treat them as an expense.)

- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

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