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Letter of Comment No: 666
File Reference: 1102-100

From: Paul Byrne [pbyrne@cisco.com]
Sent: Tuesday, April 20, 2004 12:44 PM
To: Director - FASB
Subject: Save Stock options to help us compete globally

Chairman Robert H. Herz,

Please stop the current proposal to expense employee stock options.

Stock options have allowed my family to participate in the ownership of a company, a great company, and participate in its success. Stock options only improve my lifestyle when the company innovates and is successful. Undoubtedly it is recognized by FASB that this helps our economy, our country, and the lifestyle of our children going forward.

As the US continues to move into the global economy, should we be expected to compete by placing unrealistic burdens on our technology companies? How should they attract and retain top talent? The US is the center of creativity, the center of innovation. I am afraid that the current proposal is a mistake and will dis-incent technology employees. Is that what we want?

What about these issues?

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 need 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'.

Executives will get stock options going forward. The people who will be hurt by this are the broad based employees of technology companies. Please consider proposals which include incenting of the innovators that have engineered the productivity gains of the past decade.

Respectfully,

Paul Byrne
Cisco Systems Employee

4/20/2004