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Letter of Comment No:646
File Reference: 1102-100

From: Ted Phipps [tehipps@cisco.com]
Sent: Tuesday, April 20, 2004 11:17 AM
To: Director - FASB
Subject: Stock Options: File Reference No. 1102-100

Chairman Robert H. Herz,

It is with great dismay to hear that the FASB is considering expensing stock options. With all the talk about preventing out-sourcing and saving American jobs, I am surprised that you would take an action that makes it even more likely that jobs will go overseas because of the increased costs to American employers.

I am not a CEO or high level executive with millions of stock options at stake. I am a rank-and-file Software Engineer at Cisco Systems and I can attest to Cisco's commitment to give a relatively large percentage of options to employees like me. Options that can be used to buy a first home or invest in the future. Unlike the high profile corruption at some companies, Cisco uses stock options in the right way; as a long term motivation tool for all employees....not just the ones at the top.

Aside from my own circumstances, I am worried about how your proposal will impact innovation. Start-up companies would not exist without stock options because the only thing they have to offer their employees is a stake in the future. Without stock options, it is quite possible that the Internet revolution would have been delayed or quite possibly have originated in China where stock options will never be expensed.

I understand that the FASB has a responsibility to make sure that accounting standards are fair and ethical but please do not destroy the U.S. high tech industry because of a few bad apples. Please find a way to have fair accounting standards AND stock options for rank-and-file employees...Our high tech industry is too important.

Thank you,
Ted Phipps
Software Engineer, Cisco Systems