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Letter of Comment No: 2286  
File Reference: 1102-100

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**From:** Lauren Pierce ([lpierce] [lpierce@cisco.com])  
**Sent:** Monday, May 10, 2004 11:35 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Dear Mr Herz,

As a 40 year old female, and the head of house hold, it is with much concern that I write you this email. I am an employee at Cisco Systems, and live in the Washington DC area. I am aware of your desire to treat stock options as expense, which will really mean the elimination of them from my compensation. I would like to disagree with you and encourage you to not make this change. For the reasons bulleted below it is bad for the country, but for personal reasons, it is the elimination of a dream. Stock options to me are the one chance that I have for future financial security. I invest in my 401K, and save as many pennies as possible, but in the long run, the financial security of the education of my children, the ability to continue to live in the expensive DC area, or the dream to retire without worry are caught up in you decision. My goals relies on the ability to continue to collect stock options.

I urge you not to expense stock options, especially at an unrealistically high valuation.

- 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'.
  - 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.

Please, do not expense stock options- Lauren Pierce