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From: Donna Fawcett [dfawcett@cisco.com]
Sent: Tuesday, May 04, 2004 2:31 PM
To: Director - FASB
Subject: Stock Options

FASB:

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'.

Regards,
Donna Fawcett