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Letter of Comment No: 1085
File Reference: 1102-100

From: Chris Pelland [cpelland@cisco.com]
Sent: Wednesday, April 21, 2004 11:07 AM
To: Director - FASB
Cc: Chris Pelland
Subject: File Reference No. 1102-100

To: Chairman Robert H. Herz,

Dear Chairman Herz,

The company in which I am employed, has made their employees aware of the FASB's intention of treating stock options as an expense. I have known about this for quite a few months. I wrote a letter to my congressman here in New Hampshire stating my displeasure with the taxation of stock options. Their reply was basically saying that expensing stock options was a benefit to employees because it protected us from scams such as WorldCom. I am not in agreement with this at all. The expensing of stock options is grossly unfair. Many companies haven't given salary increases for a few years now due to the slow economy. The only thing that employees can look forward to not only for motivation but for financial reasons is receiving stock options. Now, the FASB wants to tax the stock options? The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. I don't think that I need to tell the FASB that corporations will most likely stop giving out stock options if they are taxed since it will be too costly for them. This is clearly not beneficial but detrimental. I urge you to seriously consider taxing stock options.

Regards,
Chris Pelland