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From: William Fletcher [tfletche@cisco.com]

Sent: Monday, April 26, 2004 1:54 PM

To: Director - FASB

Subject: Employee stock options

Employee stock options are a major reason U.S. companies continue to acquire and retain highly qualified employees. Please take into account the reasons below that I wish for employee stock options to not be expensed.

Letter of Comment No: 2007 File Reference: 1102-100

Thank you!

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'.

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