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Letter of Comment No: 1215
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From: David P. Ferland [dferland@cisco.com]
Sent: Wednesday, April 21, 2004 2:11 PM
To: Director - FASB
Subject: Expensing stock options(File Reference No. 1102-100)

Chairman Robert H. Herz,

Stop! Heed the warning of the devastation that will be caused by companies being required to expense stock options.

This is not a positive move for the economy, employees that are lucky enough to get a few stock options will not any longer. It will effect their performance and the desire to be innovative, ambitious, and loyal to the company goals.

These folks with a little extra money available to them helps drive the economy and this expensing of options means they will get fewer or possibly none and be unable to find that extra money to feed into the economy.

This prevents them from being able to afford some extra comforts and bring their standard of living up to the average Americans standard of living, this could be the breaking point for some folks.

Sure enough you politicians are able to figure this out or maybe you're not, this is not brain surgery. We little voices that do not have economics degrees and titles can see what this will do, why can't you?

It amazes me that very intelligent folks get into politics but once voted into an office they become very ignorant, blind, and lose all of their common sense.

Here is an analogy for you which you should be able to relate to.

A person by the name of Greenspan thought the economy was in too good of a state of health, so he thinks that raising interest rates is the answer, smart man. Then he decides to raise them not once but 6 times I recall, maybe seven times, and low and behold we're in a recession. Thousands of companies are put out of business, people lose jobs, stock market tumbles, the world economy is affected.

This is too much power for one man to have at his disposal, but what do us common folk know about all of this stuff.

Well making companies expense stock options could be considered like raising interest rates it will have a negative effect. Why should companies be penalized because they use this as a tool to be competitive and attract the best people for their needs.

Accounting Issues:

- * 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'.

Thanks David P. Ferland