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Letter of Comment No: 788
File Reference: 1102-100

From: Catherine Edwards [caedward@cisco.com]

Sent: Tuesday, April 20, 2004 10:30 PM

To: Director - FASB

Subject: Chairman Robert H. Herz, File Reference No. 1102-100,

## Dear Chairman Herz:

## PLEASE RECONSIDER YOUR POSITION AND SAVE STOCK OPTIONS.

Specifically, I am writing in response to the FASB's draft plan, released in March, stating your intention to treat stock options as an expense. Though I understand your motives, I respectfully disagree with your arguments and planned resolution. I ask you to reconsider your plan to expense options because of the negative impact it could have on US companies, job creation, global competition, and our economy.

For the past few decades, stock options have put corporate ownership in the hands of people who never held stock before. They have given ordinary folks an opportunity to achieve a level of monetary success they could not achieve before. This is the American Dream personified!

I would suggest that stock options founded Silicon Valley. Why else would you leave a comfortable, good paying job at an established firm to take on the long hours, hard work and high risk of a start-up if not for the stock options and the chance to become "rich" on the back end?

Look to Intel, AMD, National Semiconductor, and all of the other pioneering companies of Silicon Valley. Stock options have always been the heart of high tech entrepreneurship. Ending stock options will jeopardize the creation of entrepreneurial start-ups, which are a dominant force for economic health and job creation in this country. Without options, how can an inevitably cash-poor new company ever recruit the kind of talent it needs to succeed?

Moreover, expensing doesn't make accounting sense. There is no cost incurred by companies when they issue stock options to employees. They represent "capital income" and not compensation. Therefore, the basic expensing plan is misguided -- The true cost of an employee stock option is dilution of earnings (EPS) and is already accounted for when the option is exercised.

For the past 20 years I have worked for several companies where stock options were provided, and this was a key deciding factor in my joining each company. Stock options have been, and still are, a huge incentive and reward to rank-and-file employees. And the work and productivity that results from this incentive aligns with shareholder's interest.

Large and small businesses alike, which are increasingly using stock options to innovate, grow and survive in our competitive economy; would end up paying the price for this controversial "reform" enacted to clean up the actions of a few bad players. U.S. companies need stock options to compete with other countries on a global basis. 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'.

I respectfully ask you and the FASB to reconsider treating Stock Options as an expense.

Thank you for your consideration.

Sincerely, Cathy Edwards