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From: Sent:

To:

Andrea Schlupp [aschlupp@cisco.com] Thursday, June 10, 2004 3:11 PM

Director - FASB

Subject:

File Reference No. 1102-100

Dear Chairman Robert H. Herz -

Treating stock options as an expense is a wrong move for the following reasons:

Letter of Comment No: 3701

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- 1) The high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity
- 2) Stock options do not meet the definition of an expense because they do not use company assets
- 3) The true cost of a stock option is dilution of earnings per share and is already accounted for when options are exercised
- 4) U.S. companies need stock options to compete with other countries on a global basis. Chinese companies use stock options and they do not treat them as an expense  $\frac{1}{2}$
- I know that stock options are a key motivator for myself and many, many other employees.

Sincerely, Andrea Schlupp Cisco Systems, Inc