Letter of Comment No: 331 File Reference: 1102-100

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From: Jim Coyne (jcoyne) [jcoyne@cisco.com]

Sent: Monday, April 19, 2004 10:17 PM

To: Director - FASB
Cc: icoyne@cisco.com

Subject: Stock Option Concern - File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I'm urging you <u>not</u> to expense stock options, especially at an unrealistically high valuation. Stock options have helped influenced my work in a positive way. They motivate me to make the right decisions on my customer's and companies behalf, first and foremost. My stock options will help me and my family financially, as a means to pay my children's tuition. They align me with shareholders' interests, by encouraging me to focus on customer satisfaction, keeping my expenses low, and working efficiently.

The importance of stock options and their impact are highlighted in the following ways:

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 needs 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'.

Regards,

Jim