Letter of Comment No: 378 File Reference: 1102-100

## **Stacey Sutay**

From: Ellen Coffey [ecoffey@cisco.com]

Sent: Monday, April 19, 2004 8:24 PM

To: Director - FASB; savestockoptions@cisco.com

Subject: Stock Option Expensing Issue

## Dear Director.

I am writing to you to ask that you preserve current policies regarding stock options. For the high-tech industry, as well as a surprising number of other industries, stock options are a valuable tool to promote productivity and employee loyalty.

Stock options have made a huge difference in my life. I work at Cisco Systems, and live in San Jose, California. The cost of living here is among the highest in the nation, but I am a 4th generation Northern Californian, and it's important to me to stay local, and close to my aging parents. Stock options have made it possible for me to stay here and support my family, allowing my husband to work at home and volunteer for a local agency that assists homeless people in the area. Without the added income that stock options have provided, I wouldn't have been available to help my parents, my husband wouldn't be home to care for our daughter, and the agency that benefits from my husband's web expertise might not run as efficiently. We don't live extravagantly, but stock options have allowed us a little cushion so we can live less stressfully.

I don't believe stock options should be expensed for several reasons:

- Employees who own a piece of the company have a vested interest in its success and are more productive.
- The expense of stock options is already accounted for in the dilution of EPS--shareholders
  approve the disposition of option shares, essentially agreeing to take a lower EPS in the short
  term, in exchange for the benefit the company—and shareholders—get through increased
  productivity in the long term.
- Expensing stock options would effectively eliminate them as a benefit to the rank-and-file
  employee (such as myself), and make it a motivator solely for senior management (who some
  would argue are already compensated adequately). I believe much of Silicon Valley's success is
  built on the egalitarian culture of offering stock options to all.

Thank you for considering the issue fairly, Ellen Coffey