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Letter of Comment No: 2030 File Reference: 1102-100

From: John Schlueter (jschluet) [jschluet@cisco.com]

Sent: Tuesday, April 27, 2004 11:19 AM

To: Director - FASB

Subject: File Reference No. 1102-100 Expensing Stock Options

Chairman Robert H. Herz,

In response to your decision to expense stock options I would like hear clear answers to some questions. How does expensing stock options give a better picture of a companies balance sheet when there is no definitive way to evaluate the options. The one thing that I have heard over and over is the the proposed methods are not an accurate reflection of the value of the stock options. I appears to me that the only way to accurately record the value of the options is to record them when they are exercised or they expire. This becomes very clear when you have shares that may never become an actual expense, i.e. an option that is "under water" and expires. What are you going to do with these options? If options are reported in the dilution of earnings per share I think they have been accounted for.

While I am not an accountant, I do understand competition. And the first rule of any competition is that we have a level playing field, especially in a global market. If Chinese companies don't expense options American companies are put at a distinct disadvantage. We will see a loss of leadership, innovation and job creation if we are required to expense our stock options. If they are taken away, which will most like be done, you will be taking away the best way for my company to reward me with ownership, which is the biggest motivating factor for any individual contributor. The stock options that we have received have contributed to the quality of my life, from the contribution to home financing, family vacations, and significant contributions to my retirement plans. If you expense them you will remove a significant portion of those contributions. Which will have a trickle down effect on the economy.

Respectfully, John Schlueter