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Letter of Comment No: 671
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From: Jerry Ludwig [gludwig@cisco.com]

Sent: Tuesday, April 20, 2004 7:01 PM

To: Director - FASB

Subject: Please do not to expense stock options, especially at an unrealistically high valuation.

I do not think it wise to consider expensing employee stock options at this time, in this economic enviroment. We already have a declining number of engineers enrolling in our nations universities. This is not the time to make America less competitive in the high tech arena.

Please also consider these arguments.

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 need 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'.

Sincerely,

Jerry Ludwig