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Letter of Comment No: 589
File Reference: 1102-100

From: David Ellis (davellis) [davellis@cisco.com]
Sent: Tuesday, April 20, 2004 10:02 AM
To: Director - FASB
Subject: Stock Options Issues.
Importance: High

To Whom:

I am writing to express my concern over your organizations pending decision to expense stock options. First, I believe that our nation as a whole is off track with regard to motivation to work and while working, do the best job possible. When a person is paid to do a job, and that job pays the same whether done very well or not so well. There needs to be incentive to do good job. A person needs to know that if they go the extra mile, not only will the company do well, but also the individual.

That said, the way I read the FASB statement, stock options will end up being over valued witch will effectively eliminate their use as a tool to drive success. Additionally, stock options should not be looked at as an expense as they do not use corporate assets. The cost of a stock option a watering down of EPS and is already accounted for when exercised.

On a larger scale, U.S. companies need this tool to compete with other countries e.g. China uses stock options and they are not treated as expense. Further, expensing stock options would - in my opinion - have a dramatic and devastating impact on leadership, innovation, and job creation. Given today's economic environment, let's not mess things up.

Respectfully,

David K. Ellis