

**ikon****Letter of Comment No: 1179**  
**File Reference: 1102-100**

**From:** David J Cote (dacote) [dacote@cisco.com]  
**Sent:** Wednesday, April 21, 2004 9:02 AM  
**To:** Director - FASB  
**Cc:** Savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100  
**Importance:** High

Chairman Robert H. Herz,

I would like to share my personal feeling about the importance of Stock Options "NOT" being expensed by US companies. As an employee of Cisco Systems today, and other companies in the past, there is no more powerful incentive than being able to have some ownership in the companies that I work for.

On a personal level stock options have allowed me to make the down payment on the house I own, and cushion the blow for some of my family's unexpected medical bills. On a National level, the US is going to face increasing competition from countries like China and India. How else can the US compete if we can't offer the most powerful incentive to US citizens to work here in the US instead of overseas.

In addition, there are some other issues I have with the new FASB proposal:

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".

Thank you for your help on this extremely important issue.

Regards,

David J.C. Cote  
Global Account Manager-AIG  
**Cisco Systems**  
One Penn Plaza, 5th Floor  
New York, NY 10119  
Phone: (646) 674-7019  
Cell: (917) 647-9218  
Pager: (800) 365-4578  
Fax: (212) 714-4005

4/21/2004