

ikon

From: John Niemczura (jniemczu) [jniemczu@cisco.com]
Sent: Wednesday, April 21, 2004 1:08 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Stock Options, File Reference No. 1102-100

Letter of Comment No: 1184 -
File Reference: 1102-100

Dear Mr. Herz,

I am writing this email to express my concern over recent discussions regarding FASB and stock options. I have worked in the telecom/datacom industry for the past 31 years. The last 10 of those have been mostly in the area of high-tech internetworking. I speak from this experience when I say that stock options are an important tool in attracting and retaining the best talent and, therefore, help keep U.S. companies competitive in the global environment. Any changes to how they are accounted for will seriously jeopardize the ability to retain that tool. I have included below, several other points for your consideration.

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 time and consideration in this issue.

Respectfully,

John

John S. Niemczura
Manager-Advanced Services



216-643-2493 Office
216-643-2499 Fax
800-365-4578 Pager
jniemczu@cisco.com

"Perpetual optimism is a force multiplier." - Colin Powell