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Letter of Comment No: 1844
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From: Patrick Finn (pfinn) [pfinn@cisco.com]
Sent: Friday, April 23, 2004 9:18 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: NO - File Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Mr. Chairman,

I am writing to express my concern over recently proposed legislation to treat broad-base employee stock options as an expense.

PLEASE DO NOT DO THIS!

Although I am generally aware of the negative business impact the proposed legislation would have, as an employee of a company that offers stock options, I have seen, first hand, how ownership in the company can drive behavior of the employee. I have also seen, first hand, how the options personally affect employees and how they plan and provide for their families. These benefits far and away exceed the perceived value of treating options as an expense.

First, I am aware of the larger "business" related issues to not treat options as currently proposed:

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 .

Second, as an owner of the company, the value derived from options is immeasurable in how it conditions and drives behavior to the betterment of the business and ultimately the shareholders. As owner's of the company, there is a common interest for all of the employees: company performance! Essentially, this drives employees to do the job right, get and keep customers happy, deliver reliable products with outstanding service and support , "go the extra mile" to get the job done right and take the extra time to deliver quality work. Come into any of our offices, be it early in the morning or late in the evening and you will find someone working on something that is focused on customer success. This is not the case at most companies that do not offer options.

Third, as a significant component of financial planning for our families, I have seen how options offer a key strategic tool to provide for an improved quality of life and raise our standard of living. Be they used for better housing, more education, travel for cultural diversity, or estate planning, stock options allow employees to build a better life for themselves and their families which leads to a more secure work force. This security incubates creativity, productivity, and teamwork -----all of which translate to shareholder value.

In short, forcing corporations to expense stock options at artificially high rates would force many companies to reduce or eliminate them; thereby having a direct and negative impact on corporate productivity, employee accountability, and shareholder value.

Please do NOT pass this legislation.

Patrick S. Finn
Global Director

4/26/2004