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Letter of Comment No: 3718
File Reference: 1102-100

From: Rick Lytton [rlytton@cisco.com]
Sent: Thursday, June 10, 2004 1:32 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Expensing Stock Options - File Reference No. 1102-100

Chairman Robert H. Herz,

I understand that you are considering expensing stock options. I strongly disagree with expensing stock options, as stock options are an extremely important motivator for me. Stock options help ensure that my daily business decisions and actions are in the best interest of the company, of which I am a vested owner. The knowledge that my stock options would some day be valuable again helped influence my positive behavior and improved my morale during the recent stressful economic downturn.

In addition, I also strongly agree with the following reasons not to expense stock options:

- Artificially high valuation for a stock option 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.
- 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,

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