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Frank Corrao [fcorrao@cisco.com] From: Sent: Wednesday, April 21, 2004 1:19 PM Director - FASB Ta.

Subject: File Reference No. 1102-100

To who it may concern.

In the subject file reference number, the Financial Accounting Standards Board intends to treat stock options as an expense. The valuation proposed would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco. I urge you not to expense stock options, especially at an unrealistically high valuation. The following points should be considered.

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- 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
- 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 for your consideration on this extremely important issue.

Frank Corrao, CCIE #3531 Manager, GGSG Technical Support Cisco Systems, Inc.

Phone: 919-392-3742 Pager: 800-365-4578 Email: fcorrao@cisco.com

Epage: fcorrao@epage.cisco.com
