Letter of Comment No: 1175
File Reference: 1102-100

From: Zain Rehan [zrehan@cisco.com]
Sent: Wednesday, April 21, 2004 2:02 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Expensing Stock Options [File Reference No. 1102-100]

Chairman Robert H. Herz

Dear Sir, I'm writing to you today to urge you to NOT to expense stock options. I, along with many of my colleagues here at Cisco believe that expensing stock options will have negative impact on our long term livelihood. I'm especially concerned of its effects on the long term productivity and longevity of companies like I work for. I see this potential step as a hindrance to the productivity and motivation of talented employees towards much needed innovation required to keep the computing industry on the cutting edge.
Please consider the following when reaching your decision:

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'.

Respectfully,

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