

ikon**Letter of Comment No: 110****File Reference: 1102-100**

From: Tony DiBenedetto [tonyd@cisco.com]
Sent: Tuesday, April 20, 2004 12:36 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Herz,

I am writing to request that you do not enact a requirement to expense stock options. Options are a huge incentive for me and many of the best, most creative associates with whom I work. Loss of options as a motivational tool will certainly impact productivity and innovation here at Cisco.

I am new to Cisco, hired last summer. I have been in my industry for 20 years at 3 other firms. I can unequivocally attest to the fact that personnel at Cisco are on average, brighter, more driven, more productive and more passionate about success for themselves and their company than at any of my previous employers. I attribute eligibility to earn stock options as the largest contributor to that clear difference.

From an accounting standpoint...

- 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.

From a competitive standpoint...

- 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'.

My clear request is that you don't squelch the single most effective driver to that enhanced level of productivity.

Do not enact a requirement to expense stock options.

Thank You
Tony DiBenedetto

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