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Ling (Zhi-Ling) Zhang [zlzhang@cisco.com]

From: Sent:

Monday, June 14, 2004 6:35 PM

To:

Director - FASB

Cc:

savestockoptions@cisco.com

Subject; File Reference No. 1102-100- FASB 123: expensing stock options

## Dear Chairman Robert H. Herz:

In March 2004, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation they propose would make it very difficult to continue broad-based employee stock option programs like the one I currently enjoy at Cisco Systems, Inc.

Letter of Comment No: 4267

File Reference: 1102-100

FASB's purposely deeply concerns me as the options I receive is one of the main income resources, especially in a high-cost area like the Silicon Valley. The broad-base stock option program also empowers me to work harder as I know that my work really matters and I will benefit from the increase of stock price.

Especially, I have the following concerns related to the FASB 123 proposal:

• The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.

• The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options

are exercised.

• Until the rest of the world treats the stock options the same way, doing so in the U.S may hurt the

competitiveness of the U.S. companies on a global basis.

• Expensing stock options could have a dramatic impact on American high tech leadership, especially for the Silicon Valley. The Silicon Valley is just crawling out of the bottom of a three-year recession started in 2000. Expensing the stock options now will hurt the job creation and recovery of the valley.

Thanks for your consideration of our opinion.

Ling Zhang Cisco Systems, Inc.