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From: Brad Murphy [bramurph@cisco.com]
Sent: Monday, April 19, 2004 8:59 PM
To: Director - FASB
Subject: Expensing of Stock Options - File Reference No. 1102-100

Dear Chairman Herz,

I have recently become aware of a draft plan recommending the expensing of stock options. This would most likely eliminate the ability of my employer to continue this extremely valuable incentive program.

As an individual contributor at Cisco Systems, Inc., the thought of losing stock options is a significant threat to my future financial security. The benefit of stock options were a major factor in my decision to work for Cisco and continually serve as a motivator for me to do my best work possible.

I have no pension from Cisco or any other benefit that extends beyond retirement. I will be responsible for my own health care insurance and I don't have a tremendous amount of faith in the future of social security, which will only provide a modest stipend if still solvent. Stock options are my only real possibility to accumulate a reasonable amount of financial security.

Please consider the following points and reconsider your position of recommending the expensing of stock options:

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'.

Cordially,
Brad Murphy

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