Letter of Comment No: 350
File Reference: 1102-100

Stacey Sutay

From: Stephanie Pacheco [spacheco@cisco.com]
Sent: Monday, April 19, 2004 9:04 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100,

Dear Chairman Robert H. Herz,

It is unsettling to hear about the Financial Accounting Standards Board (FASB) is proposing that companies treat stock options as an expense.

From a national perspective have you considered:

- U.S. companies needs 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'.

From a personal level have you considered how some of our stock options impact our lives. There is no dependable retirement
to speak of for my generation. Longevity at one company no longer equates to a retirement fund, unless you work for the government. What does give us hope for our twilight years are stock options we earn for staying with companies that give grants.
Talking current economic conditions into consideration, for the last three to four years hardly any companies have been
granting raises. The economics struggles of the business sector have not kept my rent from going up. I personally, thank God I've had stock options to lean upon in times of financial struggle over this difficult period.

With The valuation they propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco. We are now at a critical time in the stock options fight. We need your help if we are to have a chance of continuing our broad-based employee stock option program.

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 needs 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'.