Stacey Sutay

Letter of Comment No: 224
File Reference: 1102-100

From: Bloch, Kevin [kbloch@cisco.com]
Sent: Monday, April 19, 2004 6:05 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100 - Stock Options

Importance: High

Chairman Robert H. Herz

This email is to urge you not to expense stock options, especially at an unrealistically high valuation. In my personal situation, there is no doubt that stock options is what lured me to Cisco from a major competitor and is one of the main reasons that makes it attractive to continue working at Cisco. In addition, I would like to highlight my other concerns and issues with the proposal to expense options:

* 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.
* 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'.

Once again I urge you not to expense stock options.

Sincerely, Kevin Bloch

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