Letter of Comment No: /58 File Reference: 1102-100

Stacey Sutay

From: Robin Penn [rpenn@cisco.com]

Sent: Monday, April 19, 2004 5:08 PM

To: Director - FASB

Subject: File Reference No. 1102-100

Attn: Chairman Robert H. Herz

Re: Stock Options Issue

Dear Chairman Herz:

It is with great distress that I continue to read of the plan by FASB to expense stock options. On a personal level, the benefits that stock options have provided those of us in Silicon Valley who are not executives, are clearly not understood by you and many others. For example, I am a homeowner on a single salary in Silicon Valley. And I pay taxes on that home. In this time of fiscal difficulty in California, home ownership is certainly a benefit to that tax base that has decreased of late. It is also extremely important to allow the individual employee to feel a sense of true contribution to, and sense of ownership in, one's place of employ.

Additionally, please consider the following:

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'.

Chairman Herz, please reconsider. And as many in Washington erroneously view stock options a benefit of the executives, perhaps the average employee should be polled as to the substantial and positive impact stock options have had on our success.

In the mean time I strongly urge you, FASB and all elected officials to weigh the possible damage your decision will have on US industry and employees.

Regards, Robin D. Penn