

Letter of Comment No: 133
File Reference: 1102-100

Stacey Sutay

From: David Adams [davadams@cisco.com]
Sent: Monday, April 19, 2004 4:50 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Mr. Chairman Robert H. Herz,

I am must share with you my strong difference with your proposed plan to treat stock options of general employees as an expense.

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'.

Personal Testimony:

Thankfully I DO NOT have a touching story to share with you about how the money saved our home or paid emergency medical bills. Rather the proceeds have helped me provide a comfortable life style for, my wife and three young kids. (Not to mention my Parents and In-Laws who have benefited both directly and indirectly) This definitely would not been possible without the stock options that I received through my company. I don't have yachts or luxuriously homes, but rather we are just enjoying the American dream more and better through the hard work of others and myself at my company. This hard work to return value to our company and share holders was and is recognized and rewarded through the stock price of our company.

I implore you to reconsider your approach to expensing stock options.

Sincerely,

David Adams