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Letter of Comment No: 667
File Reference: 1102-100

From: Michael Lucero (mlucero) [mlucero@cisco.com]

Sent: Tuesday, April 20, 2004 1:51 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: File Reference No. 1102-100

Dear Mr. Chairman Robert H. Herz,
I am writing on behalf of the proposal to expense stock options. I am firmly against this and urge not to expense stock options, especially at an unrealistically high valuation.

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'.

I am a person who's stock options amount to a drop in the bucket for my overall income, but it is a very good way to have a nest egg that is growing and is the way that a lot of Companies reward their employee's for their hard work and dedication. This in turn, gives the employees a sense of ownership and responsibility in the company.
I think that this would be taking away a valuable tool for U.S. companies to compete with other countries on a global basis.

Thank you for your time.
Sincerely,

Michael Lucero

Michael Lucero
Customer Support Engineer
Cisco Systems Inc.