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Letter of Comment No: 2029
File Reference: 1102-100

From: Alper Savas [asavas@cisco.com]
Sent: Tuesday, April 27, 2004 10:16 AM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am an employee in Cisco Systems, Inc. I have been informed about the draft plan stating that stock options to be treated as an expense for the company. I do NOT think that would be a good plan because of the following 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 for us as the employee in Cisco Systems Inc.
- 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.

For the competition among the other companies

- 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'.

Best regards,

Alper Savas