

From: Doug Starr [dostarr@cisco.com]
Sent: Thursday, June 10, 2004 1:27 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz,"



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Dear Mr Herz:

As a long time employee of Cisco Systems, Inc, I'm afraid you are about to make a HUGE mistake in corporate America in the proposed legislature regarding the expensing of stock options.

Among the many benefits stock options provide, and the FASB proposal would hamper innovation in this country would include:

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 would encourage you to reconsider the FASB proposal and look at alternatives to this. The true future of America's innovative leadership is truly at stake. Thank you for your time and attention to this matter. /Doug Starr Systems Engineer Cisco Systems, Inc.