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Letter of Comment No:1136
File Reference: 1102-100

From: Frank Grant (fgrant) [fgrant@cisco.com]
Sent: Wednesday, April 21, 2004 11:34 AM
To: Director - FASB
Subject: File Reference No. 1102-100
Importance: High

Honorable Chairman Robert H. Herz,

I am writing you to express my objection to the proposed draft plan regarding expensing stock options. Employee ownership is a vital key to a successful technology based economy for the United States. This is especially true in light of the number of technology positions that are migrating overseas.

Several years ago, when I was looking for a new company to work for, Cisco's position on stock options and sharing ownership with its employees was extremely important to me. My prior employer, Hitachi Data Systems, did NOT have this policy and I felt very disenfranchised. Cisco, and the entire technical industry, need to have the ability to attract, motivate, and retain key employees. By providing ownership through the right to issue stock options is an excellent method to do this.

Additionally, there are many business and financial reasons not to expense stock options. In a competitive world, Cisco and the U.S., need to be able to attract the best and brightest talent on a worldwide basis. If our country competitors, like China, grant stock options and don't expense them, we will be at an extreme competitive disadvantage. Also, as stock options do not use assets, they should not be treated as an expense. Finally, the true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Please reconsider your position. This is neither advantageous for the employees, the companies involved, nor the country.