Letter of Comment No: 1190 File Reference: 1102-100

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From: John Hotchkiss [jhotchki@cisco.com]

Sent: Wednesday, April 21, 2004 1:06 PM

To: Director - FASB
Cc: jhotchki@cisco.com

Subject: File Reference No. 1102-100

To the Attention of Chairman Robert H. Herz,

Please be advised that I want to express my strong feelings against the expensing of stock options. I live in Fremont, CA and our community owes its prosperity to the fact that most residents are receiving stock options which have generated wealth. They are therefore able to buy cars, homes and pay for college educations for their children. In addition stock options engender feelings of ownership by employees: I work harder and my co-workers work harder as a result of stock options and we also work as "one team".

It is incomprehensible to me that the US Government would attempt to undermine the prosperity of our economy. 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'.

There are key accounting arguments against the expensing of options. 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.

Please do not allow the expensing of stock options.

Regards, John Hotchkiss 40925 Abuelo Way Fremont, CA 94539