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Stephenson, Mark [marsteph@cisco.com]

Sent: Tuesday, April 20, 2004 12:32 PM

To: Director - FASB

Cc: savestockoptions@cisco.com Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz:

I am a Regional Manager for Cisco covering our largest accounts in Silicon Valley. Living and working at the foot of our Country's source for technology innovation I am deeply concerned with FASB's latest draft plan for expensing stock options. Moreover, as a holder of a Masters in Business Administration, I also see no technical accounting basis for this treatment nor do I see the proper methodology for expensing stock options, even if you were compelled to do so.

Letter of Comment No: 986

File Reference: 1102-100

While I would imagine you have received many such notes, let me be brief in stating my case for NOT expensing stock options.

- TECHNICALLY NOT VALID: As stock options do not meet the definition of an expense as they do not use company assets;
 ALREADY ACCOUNTED FOR: The true cost of a stock option is dilution of EPS and is already accounted for when options are exercised:
- 3. VALUATION METHOD OUTDATED/OVERSTATED: "Black Scholes" is taught in our Nation's MBA class rooms as an antiquated method for stock valuation that often sets an artificially high valuation for a stock option as potentially required by FASB. Even if you we agree to disagree with items 1-2, then let's agree to find a more consistent and realistic valuation methodology.

These 3 reasons alone should be enough for a review of Reference No. 1102-100. Moreover, it is the main charter of our government's institutions to do no harm in governing our nation. Again, being in the center of innovation in our Country, Silicon Valley, I am deeply concerned with the potentially damaging effects this FASB accounting change can have on our Region and Nation's ability to continuously innovate and compete. Innovation is the engine that makes right or focus on outsourcing whether it is within our boarders or abroad.

Thank you for your careful consideration and action to stop FASB's stock options expense plan.

Sincerely,

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For assistance please contact Tricia Wells at 408.853.8258 or trwells@cisco.com