

Len Tatore

Letter of Comment No: 1405
File Reference: 1102-100

From: Roger Malone (romalone) [romalone@cisco.com]
Sent: Wednesday, April 21, 2004 3:39 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Chairman Robert H. Herz

Here are concerns and issues concerning the valuation of stock options under your proposed plan:

- 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.

The impact on my company will be to eliminate most employee participation in option compensation due to the great cost to the company. This form of compensation allows me to be more aligned to shareholders of the company in my day to day business activity.

Regards,

Roger Malone

4/22/2004