Letter of Comment No: 276
File Reference: 1102-100

Stacey Sutay

From: tonyhong [tonyhong@cisco.com]
Sent: Monday, April 19, 2004 6:42 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I am writing to you regarding File Reference # 1102-100 and am concern with last month Financial Accounting Standards Board (FASB) released draft plan. I am assuming this plan intends to treat stock options as an expense. This proposal would make it very difficult to continue broad-based employee stock option programs, like the one we currently have at Cisco, for the reasons below:

- 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.
- U.S. companies needs 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'.

Please reconsider your stance on stock options. I consider my stock options an important part of my financial well-being and the above plan would be counterproductive.

Sincerely yours
Tony Hong