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Letter of Comment No: 1490 File Reference: 1102-100 From: Michael Zhou [xmzhou@cisco.com]

Sent: Thursday, April 22, 2004 10:41 AM To:

Director - FASB

Subject: Not to Expense Stock Options (File Reference No. 1102-10u)



mp.txt (296 B... Dear Chairman Robert H. Herz,

My name is Michael Zhou and I am working for Cisco Systems. I am strongly against expensing stock options.

Employee stock options make me feel like I have a stake in the success of the company, and they motivate me to work harder. I believe that if companies are forced to expense all employee stock options, my company will no longer be able to grant them to the majority of employees. This would negatively impact morale, productivity and innovation.

I believe that mandatory expensing of all stock options is bad accounting. The potential dilution of each investor's share of company ownership is the real cost of employee stock options. A cost that is already reflected in "diluted earnings per share" is included in company financial statements. Stock options do not meet the definition of an expense because they do not use company assets.

Broad-based stock option plans enhance productivity, increase shareholder value and benefit employees. Like many working Americans, I have personally seen the benefits of stock options to companies, employees and families. Broad-based plans should be encouraged, not eliminated. 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'.

I hope my voice can be heard.

Best Regards,

Michael Zhou 7029 Kit Creek Road Morrisville, NC 27709