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From: Gina Balunas [gbalunas@cisco.com]
Sent: Monday, June 28, 2004 2:49 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Letter of Comment No: 5714
File Reference: 1102-100

Dear Chairman,

I am strongly against the current position FASB is taking on expensing stock options. It will not lead to improved clarity of financial reporting, but will in fact create more problems than those you are trying to solve.

- 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 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'.

I urge you to reconsider your position.

Sincerely,

Gina Balunas
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