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Letter of Comment No: 652
File Reference: 1102-100

From: Joan Zhu [jozhu@cisco.com]
Sent: Tuesday, April 20, 2004 2:04 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

As an employee who has worked at Cisco and benefited from employee stock options ownership since 2000, **I am writing to you and the FASB board to urge NOT to expense stock options. I am deeply concerned about the account issues and economic impact that expensing stock option may bring.**

Economic impact:

- 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'.
- On a personal level, many hard-working Bay-Area hi-tech workers like myself have been able to support the economic recovery and sustain the harsh recessional environment by cashing out stock options and spending on large ticket items such as cars and houses. If we discontinue to receive stock option, it will be difficult for us to continue the level of spending and may set back the economy recovery again.

Accounting issues:

- 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.

thanks for allowing me the opportunity to express my concerns,

Joan Zhu