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Letter of Comment No: 568  
File Reference: 1102-100

**From:** Connie Watts [cwatts@cisco.com]  
**Sent:** Tuesday, April 20, 2004 9:25 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

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addressed to "Chairman Robert H. Herz,"

Late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation they propose would make it very difficult to continue broad-based employee stock option programs.

I urge you not to expense stock options especially at an unrealistically high valuation. Stock options have allowed me to have ownership in the company. It has allowed me to feel pride and work harder to make this company a success. It has helped my family financially to be able to have a higher life style and afford the best for my children. As a shareholder I have a vested interest in the success of this company. Expensing the stock options will limit the options to a good portion of the employees which will financially hinder a lot of employees. It will also impact some of the following issues:

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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.

Competition:

- 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 strongly urge you to vote this down and not pass this referendum.

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