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Letter of Comment No:901
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From: Frankie Smith (frasmith) [frasmith@cisco.com]
Sent: Tuesday, April 20, 2004 2:25 PM
To: Director - FASB
Subject: Stock Options as an Expense Plan - I urge you to reconsider

To Director, FASB:

I am writing because of the recent FASB released draft plan stating you intend to treat stock options as an expense. Please reconsider expensing stock options, especially at an unrealistically high valuation.

Employee ownership at Cisco Systems, Inc. has contributed to our success and benefits the individual when the company is successful. It is a great motivator for each individual who contribute to help the company be successful which in turns helps the community.

The stock options are a great motivator and make me want to strive all the more to make a significant contribution to the company. I am motivated to do "the right thing" for both the customer and for the company. The stock options have provided financial security for my family.

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which drives 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. For 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'.

Thank you for your attention to this important issue. Hopefully you will reconsider your intent to treat stock options as an expense. I believe this is in the best interest for the American economy.

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