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From: Gabriel Smith [gss@cisco.com]
Sent: Tuesday, April 20, 2004 3:03 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Letter of Comment No: 920
File Reference: 1102-100

Dear Chairman Robert H. Herz,

I am writing in regards to the announcement that FASB intends to treat employee stock options as a mandatory expense for companies. I realize that accounting methods are under fire in the wake of the scandals that have shook the financial service sector. However, I urge FASB not to yield to the mis-directed pressure it is receiving on the matter of expensing stock options. Making options an expense is a step in the wrong direction, and jeopardizes U.S. leadership in several key markets, and in particular the high technology sector. There is simply no other way for U.S. companies to effectively compete with the labor markets of other countries when those countries can pay salaries which are a fraction of the U.S. rates. Expensing options will not clarify accounting, since the true cost of such options are in EPS dilution. Investors can decide for themselves if they want to invest in a company with a lower EPS who gives out options (and will therefore likely outperform their competition). Moreover, there is no way to effectively value a stock option due to market fluctuation.

I work at Cisco Systems, and a big part of why I work here are the broad-based employee stock options given to all full time employees. It is a cornerstone of our culture, and truly lends itself to the sense of family and ownership we have here. If you make this move, Cisco will likely have to stop distributing options or else our stock price will drop dramatically. This means we will lose much of our top talent, and be inclined to shift more jobs offshore. This means less money going into the US economy, higher unemployment, less productivity in the U.S., etc.

For the above reasons, I urge you to reconsider your plan to make stock options a mandatory expense.

Thanks and Regards,
Gabriel S Smith

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Phone: 408-853-9081 Find our Partner tools at: www.cisco.com/go/partnertools "There are people who, instead of listening to what is being said to them, are already listening to what they are going to say themselves."
-- Albert Guinon