

Len Tatore

From: Neal Rubin [nrubin@cisco.com]
Sent: Thursday, April 22, 2004 6:21 PM
To: Director - FASB
Subject: Expensing of Stock Options

Letter of Comment No: 1452
File Reference: 1102-100

Chairman Robert H. Herz
Federal Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. 1102-100

Dear Chairman Herz:

I write to express my concern regarding FASB's recent report indicating that it intends to treat stock options as an expense. For a variety of reasons, I believe forcing American companies to expense stock options would harm the U.S. economy and its work force.

First, employee stock ownership is a necessary tool to help American companies compete in a global economy. As Thomas Friedman pointed out in this morning's New York Times, "one of America's greatest assets [has been] its ability to skim the cream off the first-round intellectual draft choices from around the world and bring them to our shores to innovate." Employee ownership, and the concomitant hope of greater financial security, has been a critical factor contributing to this influx of capable people from around the world. It has also enticed many bright Americans to work for promising American companies, which has led to innovation and increased productivity.

Second, on a more personal note, I work at Cisco Systems, the only publicly held company for which I have ever worked. When I joined the company, I immediately noticed -- indeed, it is impossible not to notice -- the pride that Cisco's employees take in their jobs and their company. The fact that all of Cisco's employees receive stock options as part of their compensation fosters an extraordinary work ethic and a culture of supporting one another. Even more importantly, employee ownership leads to higher job satisfaction, which in turn translates into a higher quality of life. Stock options also provide a realistic way for many employees (myself included) to save enough money to provide a quality education for their children. The forced expensing of stock options would jeopardize this reality, at considerable cost.

Finally, there is simply no way properly to value the option to purchase company stock at a fixed price at a future date. Therefore, I do not believe that forced expensing will lead to more accurate financial accounting, and it could well have the opposite effect.

I sincerely hope that FASB considers these arguments as it grapples with this important issue. Thank you.

Very truly yours,

Neal A. Rubin
Cisco Systems, Inc.