Stacey Sutay

Letter of Comment No: 290 File Reference: 1102-100 Timothy W. Smith [timsmit@cisco.com] From:

Sent: Monday, April 19, 2004 6:50 PM Director - FASB To:

File Reference No. 1102-100 Subject:

Chairman Robert H. Herz:

I am writing today against the current FASB proposal for the expensing of stock options.

I strongly believe that there is already sufficient accounting and taxation of stock options which only have real value at the time of exercise. The formulas are all arbitrary and will vary by a significant amount above or below the actual exercise price. This will needlessly cause business, the driver for jobs in this economy, real financial impact and do harm to innovative US industries.

This will impact the ability of innovative companies to use stock options as a motivational tool for their employees. This should not be the objective of the FASB.

Personally I am much more motivated by the use of stock options as part of my overall compensation package. This variable portion is directly related to the quality of work that I do for my company. Owning is truly different than renting.

In this economy, when US companies are in global competition for business and jobs, the last thing the FASB should want to do is stifle our innovative companies. The US high tech industry typically leverages stock options much more heavily than the very large corporations. Coca Cola for example has come out in favor of expensing stock options, but only a minuscule portion of their employees receive options, and they are all very highly paid executives. At Cisco a very broad base of the employees receive stock options with more than half going to the rank and file.

At the same time we have stiff competition from China and other countries where the foreign government environment will remain much more supportive of their industry. HuaWei in China for example does not have to account for options as an expense. If this move by the FASB is approved, it will create an even more un-level playing field and hurt our ability to compete around the world.

Thanks for your consideration.

Timothy W. Smith Cisco Systems 3 Svlvan Ct. Millbrae, CA 94030