

**From:** Russell Smoak [rsmoak@cisco.com]  
**Sent:** Tuesday, April 20, 2004 5:31 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Mr. Herz,

I'm writing you this note to express my violent disagreement to the proposal by the FASB to force US companies into expensing stock options. I've been an employee of Cisco Systems for 10 years, and in that time, the incentives and wealth created for me via stock options were key in my personal and business success.

By allowing everyone to share in the ownership of Cisco, it has created a culture of accountability, responsibility, innovation, and most importantly customer success. This has translated into value to our current shareholders and the economy of the United States.

There is no fair way in my estimation for the consistent valuation of stock options. They are options to purchase and the cost of those options are accounted for when I choose to exercise the option. The company should not be forced to expense something that has no value until the time of sale.

To remain competitive in the global economy, companies need programs like stock options to drive employees productivity and contributions to the company.

I feel that the FASB is taking these steps to punish the greater community in response for some poor decisions that very few companies have made in the last few years regarding public financial reporting. Imposing a unilateral rule that squelches innovation to address a few rotten apples is not the solution to the problem.

The solution to in-consistent financial reporting is to prosecute and imprison those who break the law. We do not need new rules to that restrict innovation and punish companies who report fair and honestly to their shareholders. I can assure you that any new rule that is imposed will be broken by some company by exploiting another loophole or by dishonest behavior. The FASB needs to make recommendations for enforcement of the current rules and ensure a fair playing field for all US corporations.

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