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Letter of Comment No: 619
File Reference: 1102-100

From: Scott Curtis [scocurti@cisco.com]
Sent: Tuesday, April 20, 2004 10:33 AM
To: Director - FASB
Subject: Stock Options - , File Reference No. 1102-100
Importance: High

Dear Chairman Robert H. Herz,

Please do NOT follow though with the proposal to expense stock options! This will effectively eliminate my ability to continue to benefit from being an owner in Cisco Systems. Without the stock option plan (which we will be forced to curtail sharply) my income will also drop.

I work my ass off to try to make my stock as valuable as possible. Without the carrot, innovation will suffer. Believe me, I call on a very large software company and have seen the difference this makes now that they have eliminated stock options.

Accounting is only a model to try and reflect reality. Does your new proposed rule better reflect reality?

I say no because:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. The outstanding number of shares is known.

When you change a rule, you trade one set of problems for another. What is the effect of this new rule?

More innovation happens offshore (again!) because they can lure talent with stock options - and have their employees share in the risk of doing business.

American jobs get lost. Why tie our hands! This will DAMAGE US competitiveness, without a major benefit.

With times as tough as they are, I see this proposed policy as a misguided attempt to improve accounting. It is just another way to reflect reality in the world at the cost of US jobs and competitiveness!

Please reconsider!

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