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From:

Gordon Shales [gshales@cisco.com]

Sent: Thursday, April 29, 2004 1:46 PM

To: Director - FASB

Subject: Expensing Stock Options

To the atten of: Chairman Robert H. Herz

Sub: Expensing Stock Options

Dear Mr. Herz,

The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity. Stock options do not meet the definition of an expense because they <u>do not</u> use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

As a member of corporate middle management given today's economy and rising cost of living my family and I continue to experience additional financial challenges as every quarter passes. By way of offering some personal information, we are a simple family of 4 and in order to support our family both my wife and I work. She works in the education sector and I work in the technology sector. Because even in combination we do not realize a substantial income we are unable to make significant contributions towards important "life" expenses such as our children's college education or our retirement. We simply need our baseline income to currently support us.

We now fear that the artificial valuation you are proposing will eliminate the one attribute (stock options) we are relying on to help us satisfy those and other necessary expenses (the majority of our stock is currently worth less than the grant amount). Please reconsider your stance on this subject and don't forget that the people this impacts the most are not the few supposed corporate "fat cats" but the thousands of us working below the executive level who have an earnest need for these options to be available to us.

Thank you for your time.

Regards, Gordon Shales