Letter of Comment No: 950 __ File Reference: 1102-100

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From: Mintz, Gary [gmintz@cisco.com]

Sent: Tuesday, April 20, 2004 1:37 PM

To: Director - FASB

Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am writing you this letter to urge you not to adopt the plan which would require that companies treat stock options as an expense. Alternatively, if the FAST does impose such a requirement on American companies, I urge you to be sure that you can properly value that expense.

Over the years, I have worked for a varitey of industries, both for public companies and for private ones. And I can tell you from personal experience that a big draw of public technology companies is the competitive compensation packages that they offer, which packages are designed to incent employee-owners in an unparalleled manner.

Especially for those of us who live in and around Silicon Valley, where down payments on houses are more expensive than the purchase price of houses elsewhere in the country, the potential that broad-based employee stock option programs offer is critical. I use the word 'potential' purpsoefully, though, because of all the companies who have also failed to realize the potential. Imagine if we had required those companies, who failed anyway, to treat their options as an expense when it turned out the options were worthless. Imagine how many more companies will fail if they are required to take on this unrealistic and overvalued expense.

I know there are a lot of arguments that the true value of options are not captured as an expense anywhere on the company's balance sheet. But in fact the true cost of a stock option is dilution of earnings per share, which is accounted for when options are exercised. And capturing an artificially-determined expense for options under the FASB plan would prevent American companies from being competitive in the global marketplace. With outsourcing of jobs already an issue, do we really want to encourage companies to move more hiring to China, for example, where stock options are not treated as an expense?

The artificially high valuation for stock options under the FASB plan will no doubt cause the elimination of broad based stock option compensation which has driven American innovation and productivity. I urge you not to contribute to the destruction of such a powerful tool.

Sincerely, Gary Mintz Cisco Systems, Inc.



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