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Letter of Comment No:781 File Reference: 1102-100

From: Sent: Jim Cardon [jcardon@cisco.com] Tuesday, April 20, 2004 9:53 PM

Director - FASB

To: Subject:

Saving Employee Stock Options... File Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Sir,

I am emailing you in regards to the Financial Accounting Standards Board (FASB) draft plan released last month regarding the expensing of stock options. I am a 6 year employee at Cisco Systems, and have greatly benefited from the generous stock option program at my company. I am an "individual contributor", with no management and certainly no executive responsibilities. Cisco Systems is proof that a well run options program both motivates and rewards the rank-and-file employees for the benefit of both customers and external share holders. This allows American companies to remain competitive in the global market place, an advantage that is being lost more and more as companies find less restrictive and alternative labor pools outside of the United States.

I strongly believe that the move to expensing stock options will only hurt non-management employees such as myself, and I do not believe that the financial reasoning behind the change is sound. The issuance and exercising of stock options is not an expense in any traditional way to the cash flow of a company. It certainly results in a dilution effect for the stock, and affects EPS as a result, but does not actually effect the earnings & liabilities calculated on the corporate balance sheet. The dilution of the stock is an issue that is worked out by supply and demand, with the market determining the worth of available stocks... it is not an issue which should be legislated or enforced from an accounting perspective.

Beyond my basic disagreement with expensing of options, the current proposals seem artificially high. By having high option valuations, the basic problems with expensing of options is amplified even further. This penalizes the American companies, trying to reward valued employees, even more than minor changes to the accounting methods would.

I urge you to reconsider the plans, and allow companies like Cisco to maintain their generous stock option programs for non-management employees such as myself.

Thank you for your time.

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