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Letter of Comment No: 3899 .  
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From: Kenneth Faircloth [kfairclo@cisco.com]  
Sent: Wednesday, June 16, 2004 3:30 PM  
To: Stacey Sutay  
Subject: Concern over FAS 123

To Whom It May Concern,

I am one of 2000 local employees of Cisco Systems (total of who benefits from a broad based employee stock options program and am opposed to the exposure draft released on FAS 123. A large reason that lured me to and incented me to stay with this company is the stock option program. My concern is that if implemented, FAS 123 will likely bring an end to broad-based employee stock option plans.

Broad-based employee stock option plans have not only motivated me to work harder and more efficiently, but also benefit shareholders by better aligning employee and shareholder interests. With stock options, I benefit only when the shareholders benefit.

Employee stock options are not freely trade-able and are subject to forfeiture if I leave the company and are impossible to value. How can you value something that has no market value? Under this exposure draft, FASB will somehow come up with a value-- however inaccurate-- and force companies, like mine, to put inaccurate information on the financial statement. Indeed, financial statements will become less to the individual investor. On top of that there appears to be no true-up to adjust to market conditions causing a possible unfair hit to the company that would be unrecoverable.

Please reconsider and rescind this exposure draft.

Sincerely,  
Ken Faircloth

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