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Letter of Comment No: 3896

File Reference: 1102-100

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**From:** Lewis Hickman (lhickman) [lhickman@cisco.com]  
**Sent:** Wednesday, June 16, 2004 1:57 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100

Chairman Robert H. Herz:

Employee ownership has been a part of corporate culture for a long time and here at Cisco Systems, Inc. since day one. We all contribute to our companies success and we should all benefit when the company is successful. I feel like you are putting this basic tenet of employee ownership under fire.

Late last month, you (FASB) released a draft plan stating that you intend to treat stock options as an expense. The valuation you propose would make it very difficult to continue broad-based employee stock option programs like most successful corporations currently have. As a U.S. voter, as corporate stock holder and individual contributor I strongly **disagree** with your direction to expense stock options, especially at an unrealistically high valuation.

My family and I depend on our employee stock options for future financial growth. It also creates a great sense of personal ownership and pride in the work I do, both as an individual contributor as well as a stock holder. It helps influence decisions that I make knowing that I could affect my own financial outcome as well as the financial outcome of my company, because I have a vested interest due to the stock options

So I urge you not to continue with the idea of expensing stock options. 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 do not use company assets. And the true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Also keep in mind that U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.) As well as, expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

So once again, I implore you to reconsider expensing stock options; I feel it will do more harm than good to my company, my family, and American Corporations.

Thank you for your time,

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