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**Letter of Comment No: 868**  
**File Reference: 1102-100**

**From:** Joshua Goldenhar [josh@cisco.com]  
**Sent:** Tuesday, April 20, 2004 3:48 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100, Stock Option Expense Accounting

Attention:  
Chairman Robert H. Herz,

Chairman Herz,

As I have followed the debate on whether or not to force companies to expense stock options I have grown more and more deeply concerned. Truth be told, I do not have the financial background to fully recognize the complete ramifications of such requirements but I do know how these new rules (if enacted) would affect me. I can also relate to you and the Financial Accounting Standards Board (FASB) how Employee Stock Option grants have influenced my attitude, direction and life-altering decisions.

As mentioned above, I do not have the qualifications to debate how or even if Employee Stock Option grants should be expensed. What I do know (as an employee that has received Grants in the past) is that if the draft plan being considered by the FASB is put into place, my employer would greatly reduce or discontinue altogether broad-based stock option grants.

I find this action unacceptable and to some degree irresponsible on the part of the FASB.

I have been an employee of Cisco Systems, Inc. for nearly nine years. Upon starting, I received a stock option grant. At the time, I had no idea what that really meant. In a relatively short period of time I learned what this meant; it meant that if the company did well the stock price should appreciate and hence my options should become worth something. It was clear to me (as a layman) that unless the stock price went up, the options were valueless. It was in my best interest to do the best job I could so that company value would increase and I would receive more options based on job performance.

I worked hard and was rewarded. I did get promotions and/or raises (and even bonuses) but these other incentives paled in comparison to the value I had obtained in stock options. Cashing out some of these options (in part) allowed my family to purchase a new home. When I exercised the options, I obtained a quantifiable amount of money. I paid a significant and equally quantifiable amount of money in taxes at regular income rates. To me, this is when the options became real - when I obtained tangible assets and was taxed on that income. Before exercise, the options were nothing more than nebulous numbers on a spreadsheet that held promise but no more.

Nothing exemplified the last statement in the paragraph above more than the devaluation in stock price that occurred a few years ago. My spreadsheet that told me potential value (of my vested options) went from green to zero, or at least to a substantially lower potential value than in previous times.

Over this period, I have also been promoted to a position in which I feel I might have the power to affect the companies bottom line (at least in that I can affect ways in which we can work smarter and cut costs). Why am I motivated to do so? I'm motivated because I have a fair number of options that are priced just a little below the current stock price. I have also received additional grants at lower prices (which had zero value at grant time) which have a greater chance of having some value. If I can help make Cisco cut costs and/or perform better there is a better chance that the stock price will rise. A rise in stock price would have a direct impact on the potential value of my options and hence I'm motivated to do whatever I can to improve the bottom line.

In the current economical climate we've been told that raises are still on hold (as they have been for the last 4 years) and bonuses have never been guaranteed. Over the last few years I have seen Cisco stock price from its low and hence I once again have greater potential value in my stock options.

The question is: "When is the right time to say Options have some value and force that value to be accounted for?" From my perspective, it is solely upon exercise when I can see the value as a definite dollar amount, transfer that value, utilize that value in a real money based transaction.

Your decision will impact me in that it will impact the actions of my management. If the draft FASB plan (regarding Stock option Grant Expense) goes into effect I will no longer receive, or will receive greatly diminished Stock Option Grants.

As I see it you would be responsible for removing a motivating factor which has greatly affected my career, goals and aspirations. I urge the FASB to reconsider its stance on expensing employee stock options.

Sincerely,

Joshua D Goldenhar

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"Experience is what you get when you don't get what you want."