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From: Sent: Gary Borad [gborad@cisco.com] Tuesday, April 20, 2004 2:53 PM Letter of Comment No:915

File Reference: 1102-100

To: Director - FASB

Subject: Stock Options Expensing

Folks,

A couple of guick thoughts here you should consider:

- 1. Stock options create a vested interest in the company's success. We at Cisco focus more fervently on the company's financial and business success than we would without the options. Without options, this is simply a job with a paycheck. Our focus when framed this way is on our own individual success perhaps sometimes at odds with other individuals in the corporation. WITh options, this is OUR COMPANY. I can tell you that no day goes by where we don't all work together to help our customers with a focus on what it will do for Cisco not for us individually.
- 2. Stock options are NOT ALWAYS COMPENSATION. I still own \$50 and \$54 options that will never (likely) be exercised. Expensing these options at this price at time of distribution would then have been a false expense to the detriment of earning and to the value of the corporation.
- 3. Stock options should be reflected within the earnings per share metric a metric that most stock holders look to. Today this is done through the diluted EPS...and here all outstanding options are accounted for.
- I really personally struggle with the concept that options are an expense when in fact there is no value to the option holder at distribution, there is no impact on the stock price at distribution (other than what is reflected within the diluted EPS), and there is no expense to the corporation at distribution. So reflecting this as a cost of doing business is simply flawed in so many ways it simply doesn't make sense to me.

Please really truly consider the impact on employee commitment, global competition, and innovation before you take the rather arbitrary approach of expensing options for no real benefit to anyone... not even stock holders! Truth be told expensing options would likely retard innovation and thus growth within US corporations. Investors will sell causing more depressed valuations and thus impact on individual portfolios. We'll hear a giant sucking sound as investment dollars flow overseas. THINK PEOPLE!

Gary Borad