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Letter of Comment No: 2272  
 File Reference: 1102-100

**From:** Mark K. Krummen [mkrummen@cisco.com]  
**Sent:** Friday, May 07, 2004 3:24 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am an employee at Cisco Systems, Inc. head quartered in San Jose, CA and I have been following the broad based stock option discussion for some time now. I would like to request that you reconsider your position and intent to treat stock options as an expense. There are (3) major areas of interest related to the expensing of stock options that I would like to address. First, the need to consider the overall impact that stock options have on companies employees. Secondly, that there is no proven method to account for these options; Black Scholes nor the Binomial Model. Lastly, why should the masses and morally ethical companies/individuals have to abide to the rules put in place because of a minority of "corporate thieves."

I have been working for Cisco for 5 years and have accumulated a nice sum of options that I hope someday will allow me to put a down payment on a house for my family. Living in the San Jose area is not the easiest place to gain entry into the housing market. A modest single family dwellings easily start at the \$450-500K range! The ability for my family and I to take part in Cisco's broad based employee stock options plan can allow a family like ours the ability to gain access to that dream (market conditions of course permitting.) It also gives me pride in knowing not only do I get a base salary, bonus's, attaboys, etc for a job well done, but a future impact of my work is directly realized not only in corporate and investor gain's, but mine as well. For every extra amount of energy I put into my daily job I not only get to keep my job, but realize the fact that as small or large my impact it ultimately will help other employees and myself realize there dreams. By making Cisco expense their stock options via the Black Scholes or the Binomial Model will most assuredly kill this dream.

The Black Scholes and Binomial model as you know basically treat Employee Stock Options as a Market Traded Option. The Black Scholes model would require an employee stock option to have a predicted future value (Stock Price) This price is to remain fixed over the course of the stock options life. How can one predict the future value of that stock option say 9 years from now. If we all had our crystal balls out we wouldn't be complaining about the collapse of the market in April 2000. Employees need to ability to control there own destiny and as options vest have the ability to trade those options as they see fit and/or need. The Binomial model attempts to measure an employee options value by inputting possible future scenarios, each with its own probability. The more iterations/scenarios you input into the model the closer and closer the numbers reflect the Black Scholes option value. With all the scenarios how can one predict the assumptions needed to calculate such a value due to differences inherent to foreign tax laws, gender/age behaviors, closed trading windows, black out periods for employees and specifically executives, unknown levels of future company success, etc... We cannot let the minority of thieves at Enron and MCI be the deciding factor to control and implement laws for the masses.

To many times in this nation do we listen to and establish laws based on a minority decision. I hope my fellow colleagues write to you and speak from the heart and voice a majority opinion that stock options are essential to our lively hoods. I am just a common man trying to make ends meet. The realization that options will help me for retirement, getting into my first house, possibly paying for a child's education, etc is very real for me. Without options, talented people will disband into other professions to reach there dreams, large corporations will lose highly talented individuals who move into markets where they can attain the same financial power and dreams. To many times in this country do we react to issues without fully thinking through our decisions. It is time to settle down and make a rational and broad based decision that affects millions of Americans. Honestly, I would be pissed to if I was an Enron shareholder, but I would not make a decision that could affect millions of Americans without having listened to both sides of the argument and coming to the best decision. I do think there are better ways to account for executive abuses than to alienate and make the little guy pay for these actions.

Sincerely,

Mark Krummen  
 Cisco Systems, Inc.

5/10/2004