

ikon

Letter of Comment No: 2175
File Reference: 1102-100

From: Michael Ziebron [mziebron@cisco.com]
Sent: Monday, May 03, 2004 3:43 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz:

I am writing to you about the expensing of stock options. I want to voice my deep concern about the possibility that stock options may be treated as an expense. My concern is based on the fact that stock options have been a real source of motivation to me in my work and have helped me financially meet many obligations. If stock options are expensed, it would be very unlikely that my company, Cisco Systems, would continue its broad-based employee stock option program.

I am a first line manager and the fact that I receive options motivates me to perform at my very best. Because I am a recipient of options, I feel like I have a true financial stake in the performance of the company. If we do well, and the stock reflects our performance, employees are rewarded beyond their regular paychecks. This performance incentive helps propel the stock forward, which is very positive for all shareholders of the company.

I have two sons, one who is entering college in the Fall, and another who will be entering college in three years. With the rising cost of upper education, I am counting on my options to help pay for both of my sons' college costs. I know others who do the same thing with their options. If the option program we currently have is discontinued, the cost of upper education could become a real challenge for me.

I also have used my options to help pay for the mortgage on my house and hope to continue using them for this purpose. My sense of home ownership is certainly more secure now with the knowledge that I have stock options to help me with this debt. Without future options, paying off my home mortgage will take much longer and may extend beyond my retirement age. Additionally, I have used options to pay for improvements to my home, such as adding a swimming pool that all of my family enjoys.

I am also concerned about the possible impact of expensing options on America's high tech leadership and innovation. Options have always been a driving force for innovation, especially in Silicon Valley, where companies with new products often use options as a way to reward employees. I believe if options are expensed, this ability to drive innovation will be reduced.

If you multiply my situation by all the people who are currently entitled to options, and the impact that options have on innovation in the U.S., it is easy to see the ripple effect that expensing options could have throughout our economy.

Please take into consideration these concerns when you are making your decisions about this important subject.

Respectfully yours,

Michael Ziebron
Documentation Manager, Cisco Systems