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Letter of Comment No: 5719 -
File Reference: 1102-100

From: Ron Rappel [rrappel@cisco.com]
Sent: Tuesday, June 29, 2004 10:29 AM
To: Director - FASB
Subject: File Reference No. 1102-100

To: Chairman Robert H. Herz
From: Ron Rappel

Re: File Reference No. 1102-100

This letter is to urge you not to expense stock options as outlined in FAS 123. Although I believe many people incorrectly view stock options as a tool to reward executives within a company when that company performs well, many High Tech companies like my employer, Cisco Systems, award stock options to all employees. This benefit allows all employees to benefit from the company doing well.

Broad-based stock option plans like the one Cisco offers provide motivation for employees to work harder and more efficiently since they know their efforts will be rewarded. Stock options also benefit company shareholders by better aligning employee and shareholder interests; employees benefit only when shareholders benefit.

The method FAS 123 requires for evaluating the value of a stock option is not representative of the true value of that option and it's cost will force companies like Cisco to abandon their use of broad-based stock options as a method of rewarding innovation and productivity. Also, stock options themselves do not meet the definition of an expense because they do not use company assets. The true cost of a stock option is the dilution of the EPS and this is already accounted for when the option is exercised.

In conclusion, I urge you to rescind this exposure draft. Expensing stock options could have a very dramatic impact on America's High Tech leadership, and given our current economic problems, this is something that needs to be avoided at all costs.

Thank you for your consideration.

Ronald P. Rappel
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