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From: Rich, Gregory M. [grich@cisco.com]
Sent: Thursday, April 22, 2004 3:49 PM
To: Director - FASB
Subject: Stock Options as an Expense is a Bad Idea

Letter of Comment No: 1546
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To Chairman Robert H. Herz:

My name is Greg Rich and I am an Account Manager with Cisco Systems. I have been working for Cisco in the Pittsburgh, PA market for 6 years. I consider Cisco to be a leader not just in how we bring solutions to our customers every day, but in how the company values the contributions of its employees. A key example of this is the concept of employee ownership at Cisco. I am certain that I am not alone when I say that every day I feel I make a key contribution to the success of our company. This contribution is recognized in several ways, not least of which are stock options. As such, I am highly motivated to make every effort to impact shareholder value.

The reason for my letter is to ask you, as a representative of FASB, to reconsider any position that would treat stock options as expenses, especially at unrealistic valuations. Stock options are an extremely important competitive driver in ours, and I'm sure many other industries. Its the promise that if we all work together toward a common goal, we will all benefit as shareholders on a merit basis. During the boom years in tech these rewards could be financially life changing very quickly, but I point to the recent downturns an example where employers were given the opportunity to reset the bar and retain their most talented employees even when many had significant numbers of shares "under water". This benefit is a key motivator to generating innovation and growth in good times and bad.

I fear that, should this policy come to fruition, it will serve to harm corporate America's ability to compete and survive. "Compete" in the sense that other countries, like China, do not treat stock options as an expense and "Survive" in the sense that employee performance, innovation and retention will have nothing to do with company performance and there will be a very definite ceiling on the financial prospects of all employees. A government induced restriction on the potential of any corporate employee lucky enough to have this benefit doesn't seem to be the American way.

I thank you for your consideration.

Best Regards,

Gregory Rich
Cisco Systems

Gregory Rich
Cisco Systems, Inc.
Global Account Manager
Four Gateway Center
Suite 800

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