## ikon

From: Sent: Greg Kall [gkall@cisco.com] Thursday, April 22, 2004 2:36 PM

To: Director - FASB
Subject: Stock Options ruling

Letter of Comment No: /465 File Reference: 1102-100



InterScan\_SafeSta mp.txt (296 B...

Chairman Robert H. Herz

Re: File Reference No. 1102-100

Dear Mr. Herz,

 ${\rm I}$  am writing to you because of my concern over the draft FASB ruling regarding the expensing of stock options.

I am an five year employee of Cisco Systems. This ruling will have a very negative impact on Cisco's ability to hire and motivate employees to the level of commitment and work ethic that has allowed us to be so successful in our globally competitive environment.

Stock options create a sense of ownership and commitment that cannot be duplicated with other methods. Expensing options will create a dramatic negative impact on our financial statements, thus driving down our stock price. This will further result in the lack of building employee ownership used to drive higher levels of commitment, work ethic, and loyalty.

I understand the concern about other companies abusing stock options to the benefit of a few high level executives. Please focus on the offenders. A broad based remedy of expensing of stock options is hurtful to not only Cisco, but to the Silicon Valley culture of driving innovation.

The valuation of options using Black-Scholes, or any other known method, does not fairly value stock - we all know that. Add to it the issue of vesting periods and the inability to freely trade the options and it quickly becomes evident that the expensed value is not relevant and will only confuse our financial statements, making it even more difficult for investors to understand our true value and compare us with other investments.

Stock option grants are not a method of compensation, but rather, a consensual transfer of ownership from shareholders to employees. Investors vote to approve a dilution to allow stock options for employees. Those options are clearly presented in the notes of the Cisco financial statements. Investors can get a clear understanding of the potential impact on their investment, while making their employees their partners in their joint success.

I believe that FASB has overstepped its bounds with this draft ruling in that the impact goes beyond reporting. I believe that this ruling will lead to a drastic reduction in the use of stock options to create ownership among employees. This will result in a less innovative environment, particularly in high tech, where the United States must continue to lead.

Please, do not push forward this draft ruling to expense stock options.

Sincerely yours,

Greg Kall Cisco Systems Channel Account Manager - Strategic Planning 408-853-8546