Len Tatore

Letter of Comment No: 1444
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From: Goroshko, Natalie [ngoroshk@cisco.com]
Sent: Thursday, April 22, 2004 5:16 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: I oppose expensing stock options

Hello,
I am writing to express my strong opposition to the idea of expensing stock options for two reasons:
1) there is no fair valuation methodology. I have an MBA in finance from UC Berkeley and I understand ***shortcomings of valuations models*** for derivatives very well.
2) I believe that expensing stock options will have a very ***detrimental effect on motivation and innovation spirit*** of employees. The key to success of capitalist economies is based on ownership and expected reward. Expensing options will significantly decrease both.

I have been with Cisco Systems for 5 years. Stock options is a very important part of compensation and motivation in our company. Stock options make employees committed, they encourage decisions based on long term objectives. Take them away and you take away hope.

I was born and raised in Russia, I know all too well how important ownership and motivations are. Millions of peasants in post revolutionary Russia quickly realized that there is no need to work hard, that it is sufficient to produce as much as to not to die from starvation, because there was no motivating factor to produce excess.
It may very well happen in America - people may chose to work only as hard as not to get fired, because there is no reason to work 12-14 hours a day simply for a cash bonus.
Please take psychology of employees and all other driving factors behind American productivity and innovation before making such an important decision.

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