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Letter of Comment No:698
File Reference: 1102-100

From: John Knight [jknight@cisco.com]
Sent: Tuesday, April 20, 2004 5:16 PM
To: Director - FASB
Subject: Expensing of Employee Stock Options

Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Mr Herz,

I am an employee of Cisco Systems... a Software Engineer. It has been brought to my attention that the FASB has drafted plans to require companies like Cisco to expense stock options. From the literature I have read, Cisco management believes that the stock options will be expensed at an artificially high valuation... affording them no option but to discontinue wide-spread stock option incentives throughout the company. Stock Options are a significant motivating force within Cisco... for all, not just for those in high places. Its a way that management allows all to share the ownership of the company... that all may reap the rewards when the company does well and the stock price rises. It is a highly motivating force within the company... if we all execute well, we benefit from the Stock Options.

As an Engineer, the Stock Option program provides the lion-share of my retirement program. Over time as my options vest, this money will go to fund my retirement and hopefully make for a secure future for me and my family. Its of such an importance to me that I am writing you today for your consideration about your proposed plans to expense stock options. I believe Stock Options are very healthy for the company as well as for the employees, and for the stock holders as well. The motivational force of Stock Options drives the employees to perform... and that benefits all. Removing Stock Options from the mix of motivational forces here at Cisco will hurt Cisco as a company, will hurt its employees, and will ultimately hurt its share holders as well. And beyond that, I think all companies that have to compete globally against companies abroad that do not expense stock options will be further hurt on a global basis. As a country, we may ultimately loose our ability to compete technically.

I cannot express enough my concern about this. I do hope the FASB will reconsider expensing of Stock Options and look carefully at all the ramifications of such an action. Loosing Stock Options here at Cisco will hurt me and my family significantly. I hope this will be a consideration.

Best Regards,

John Knight
Software Engineer
Cisco Systems