

Stacey Sutay

Letter of Comment No: 386
File Reference: 1102-100

From: Joe Thelander [jtheland@cisco.com]
Sent: Monday, April 19, 2004 8:14 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Proposed FASB policy to expense Stock options

Dear Chairman Herz,

Regarding File Reference No. 1102-100, the proposal to expense employee stock options, I am writing express my strong opposition to this change. As an employee of a company which grants broad-based stock options, I can tell you first-hand how they have impacted my life and work. Every day I approach my job from the point of view of an owner/shareholder. My peers and I hold each other accountable not just as co-workers but as co-owners and business partners. This shared vision creates an incredibly productive team and an atmosphere in which all employees see their role in a very different light. This vision drives competitiveness, company performance, and shareholder value. Without options, I'm afraid that our high sense of competitiveness, accountability, and motivation will diminish.

As to the specifics of the proposed change, there is no fair and accurate way to value options at the time they are issued. Requiring companies to take a charge at the time of issue will overstate their financial impact, driving down reported earnings. I'm fully in favor of the current requirement to provide detailed information about stock option grants to shareholders. This information is material to a company's financial performance, and using this information, shareholders can make their own well-informed calculation as to the impact of option grants on company earnings. But requiring companies to use an arbitrary, rigid and inaccurate formula to report the impact of options on earnings does not serve the investment community well.

Finally, regarding the recent scandals at Enron et al: Forcing companies to expense options will not directly impact the root cause of these scandals. Addressing the real issues of integrity and good corporate governance aren't affected at all by this accounting rule change. The only likely outcome of implementing this new rule is that broad-based programs, like the one at my company, will be phased out. However, you can bet that CEO's and the board will still get their options. So I urge you not to make this change.

Best Regards,
Joe Thelander

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"You got to be careful if you don't know where you're going, because you might not get there."
- Yogi Berra
