

From: Ken Bulkin [kbulkin@cisco.com]
Sent: Tuesday, April 27, 2004 12:47 PM
To: Director - FASB
Subject: File Reference No. 1102-100; Attn: Chairman Robert H. Herz

Chairman Herz -

Re: File reference #1102-100

I am currently an employee with Cisco Systems and I am writing to you to urge you and FASB to reconsider your directions relative to expensing stock options. I and others urge you not to do support the expensing of stock options and especially ont at unrealistically high valuations.

I have worked at a number of large US-Based companies in my career including EDS/GMAC, United Technologies Pratt and Whitney Aircraft's Government Engine and Space Propulsion business, and Motorola. Stock options were never a part of my compensation packages at any of these companies, even as an outstanding performer considered on a 'fast track' to be successful within these organizations.

My first experience with this type of vested interest in the performance of my company was here at Cisco and I cannot describe the motivation it provides to me to keep focused on our companies objectives to not only make a profit, but to positively impact our communities and the way we live. Every time I make a decision, I am thinking that the out come could not only impact the corporation, but myself and my community. In doing so, I am a better performer with a moral interest improving my team, myself and my community.

I personally view any impact to this incredible motivation mechanism is a negative one for more than just myself and Cisco and urge you to reconsider your organization's position.

As I seek to learn more I'm lookign at FASB's position and have concerns in a number of areas. I believe there are core issues including:

* The artificially high valuation for a stock option required by FASB will eliminate stock options as a motivating tool. This will have a negative impact on innovation and productivity.

* Stock options do not meet the definition of an expense because they do not use company assets.

* The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

* U.S. companies need stock options to compete with other countries on a global basis. Chinese companies use stock options and they do not treat them as an expense.

* Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, this is an incredibly important point. Companies like Cisco are key to enabling the youth of our country to catch up from a technology standpoint. While we clearly lead in many areas, we are dangerously close to having a shortage of educated, skilled resources in our youth who can step in and provide this country with the next technology revolution to impact our world. It is more than critical that my 3 children have this opportunity and are provided the resources they need to make that a reality. Companies like Cisco are key to that success, as they are key to my success in providing opportunities for them.

Again, I urge you to reconsider the direction of expensing options.

Thank you for your consideration.

Ken Bulkin

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