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Letter of Comment No: 2067 File Reference: 1102-100

 From:
 Troy Grooms [tgrooms@cisco.com]

 Sent:
 Wednesday, April 28, 2004 4:42 PM

To: Director - FASB

Subject: Stock Option Expensing (re: File Reference No. 1102-100)

Honorable Chairman Robert H. Herz,

bad idea just waiting for implementation.

It has come to my attention that FASB intends to mandate that stock options be an expense to the provider. A policy of this magnitude deserves closer consideration.

I understand there were companies grossly negligent with accounting practices over the last several years and I further understand this governing board wanting to minimize these abuses in the future. My employer however, has shown consistent, high standards of accounting principles as they have in every aspect of their business. It is how Cisco does business. Blankedly forcing all companies to show stock options as an expense may have an initial political attractiveness but the fact is, most people simply don't understand its negative ramifications. Cisco's primary intention of offering stock options to its employees is motivation to those employees. One doesn't become the fastest growing company in global history (market share gained in the 1990s) by simply asking its employees to work hard. It happens by a company developing and implementing creative ideas as a way of showing employees a true measure of its appreciation. As in any market-driven society, successful ideas begets successful employees, bringing top talent together, allowing the greatest ideas and inventions to prosper. Cisco has its pick of employees and the creative compensation packages are still a big part of that draw.

Other countries around the world offer these same incentives to their employees. By taking away these incentives for US companies, it lessens our ability to remain a leader in the global economy. China, arguably the next superpower, offers these incentives without filing them as an expense. China understands stock options do not utilize company assets and thus, don't meet the definition of an expense. The true cost of an option is dilution of FPS and is accounted for when options are exercised, rendering this measure completely unnecessary.

I truly believe that if this is passed as a standard, Cisco will cease disbursement of stock options to its individual contributors, allowing executives the sole right to any remaining options (my opinion). This is a

If there is concern about political appearances, I might suggest offering interested parties the calculation on how to tabulate the stock options as an expense if they so desire, but making this a requirement does not make sense. Because some prefer this method, doesn't make it right. Cisco has never hidden their handling of stock options.

A Company should be allowed to disburse funds the way they see most beneficial to the stockholders, as long as they are forthright (with full disclosure) of their dealings. I know you are aware Cisco is a company with a long-standing, well-deserved reputation of being an ethical leader in their accounting practices, with their stockholders and to its hard-working, long-term employees, who deserve a large portion of credit and compensation for its success.

My salary is meager and I rely on those options to live in silicon valley. My incentive to do everything from cutting costs to improving processes is linked to the lure of those stock options and the feeling that I am a part of something big and successful. Taking away those stock options takes away not only motivation, but the feeling of being directly linked to the success of this company.

Thank you for your time as I hope you consider this most important decision that directly impacts many US companies that currently practice a high level of accounting integrity and would be devastating to its employees. If this passes, rest assured large numbers of employees would leave this company diluting its success. The current stock option disbursement system is not broke, please do not try to fix it.

Most Respectfully, Troy Grooms EFT Programs Manager 250 W Tasman Dr Cisco Systems, Inc San Jose, CA 95134