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Letter of Comment No: 2064
File Reference: 1102-100

From: Scott Koliander [skoliand@cisco.com]
Sent: Wednesday, April 28, 2004 2:14 PM
To: Director - FASB
Subject: File Reference No. 1102-100 - Expensing Stock Options

Chairman Robert H. Herz,

I am writing this letter to urge the FASB to not expense stock options. Having been an employee at Cisco Systems, Inc. for over 5 years now, stock options have been one of the primary motivators and incentives for me to give 110% in my area of expertise; new product design. It is the ultimate empowerment to know that my dedication, hard work, and commitment to excellence could some day be rewarded through the stock option program by company success and resulting increasing share prices. Fully eighty percent (80%) of options awarded at Cisco are distributed to non-executive employees like myself. Stock options have offered myself, my wife, and my future children (first one due in September) the possibility of a chance to improve our quality of life by providing a means to higher education, travel, and participating in charitable functions to name just a few. Employee stock options also help add value for the non-employee share holders in that the engineers, accountants, customer support personnel, etc. are inspired to give their absolute best and to approach their jobs as company owners rather than feeling like the company owns them.

By implementing the expensing of stock options, especially at unrealistically high valuations, I have no doubt that this highest form of employee empowerment, innovation, and productivity will be taken away. Furthermore, ultimately and unarguably, the expensing of stock options will lead to an increased rate of outsourcing of jobs (including mine) from the U.S. to countries overseas. The employment playing field is already heavily weighted towards the market in the Far East and India. Forcing stock options to be company expensed would be one more chink in the U.S. employment armor. Clearly U.S. companies need employee stock options to compete with other countries on a global basis - currently Chinese companies use employee stock options without treating them as an expense. It is apparent that Chinese government, like many people in the United States, know that stock options do not meet the definition of an expense since they do not use company assets. In short, expensing stock options will have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Thank you in advance for your time and serious consideration in not expensing stock options.

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