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Letter of Comment No: 1599 File Reference: 1102-100

From: Ken Hayes [kmhayes@cisco.com]

Sent: Friday, April 23, 2004 11:47 AM

To: Director - FASB

Subject: File Reference No. 1102-100

To: Chairman Robert H. Herz

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Dear Chairman Herze

I would like to convey to you how I view the importance of stock options and how I see them improving the productivity of the U.S. and improving the quality of life in the U.S.

First, in this day, the old idea that someone can hang a shingle out and be in business is all but gone. Corporations have taken over with a McDonalds and Starbucks on every block and a Wal-Mart in every community. The concept of a highly driven entrepreneur being successful to increase his own value, and create opportunity in his community is very limited now. This leaves us as a nation of working drones working for the large corporate enterprises and limiting our ability to attain personal success.

Employee stock options provide the only viable way to create the financial stimulus to help motivate and drive a productive workforce toward some financial gain.

I am a seasoned engineer in the high-tech sector building world class products sold around the world. The result of my work helps to keep America strong as a first-class provider of goods helping to increase the value of people's lives in America and around the world. My salary alone cannot motivate me to excel in my job. I am motivated by the financial gain from the increase in value of the stock options that I may receive as a result of my efforts. This is no different than the motivated entrepreneur opening a shop and driving value in his community in the days gone by.

Stock options have not made me a wealthy person able to retire from the work-force. Stock options have allowed me:

- to purchase a home in a high-expense area.
- to give back to my community through donations to area services helping those in need.
- to create a retirement savings so I may eventually retire with my own financial resources without relying on Social Security/Medicare or other government aid.
- to ensure my children get a proper education allowing them to be productive members of the society to come.
- to have money for investments and purchases that help to keep our economy flowing.

Changing the stock option programs will have drastic impact on the state of affairs within corporate America. It will put American businesses at a dis-advantage compared to emerging countries such as China which have robust employee ownership programs, and a very strong emerging high-tech powerhouse in India.

Let us be clear and not create artificial accounting, stock options are NOT AN EXPENSE, stock options merely dilute the earnings per share and that is financially accounted for when the options are exercised.

Expensing stock options at an artificial high valuation as proposed by FASB will virtually eliminate stock options as a motivating tool and will reduce the competitive drive within corporate America and eventually change the pattern of American ingenuity leading the world in innovation and success.

FASB shold not be the oranization that broke the back of American high-tech leadership,

innovation and job creation. The guiding principle within FASB should be to do no harm to the existing system which has been so succeful to motivate and drive productivity and innovation in America. Please leave the stock option programs alone.

Regards, Ken Hayes 1024 Nandina Way Sunnyvale, CA 94086 kmhayes@cisco.com