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From: Bob Watkins [bwatkins@cisco.com]
Sent: Friday, June 18, 2004 4:59 PM
To: Director - FASB
Subject: An Employee Against Expensing Stock Options

Letter of Comment No: 5216
File Reference: 1102-100

To the Honorable Chairman Robert H. Herz
 Financial Accounting Standards Board (FASB)
 File Reference No. 1102-100

Dear Mr Herz

I have not written a letter like this before to my senator, or representative in congress, but this issue got my full attention, and I hope it merits your careful consideration.

My family and I urge you and your team to decide to not force companies to expense stock options.

I am not a company director, or officer. I am an individual contributor, a non-manager at Cisco. Based on my contribution to the companies success , I have been fortunate enough to receive stock options to purchase Cisco stock. As I understand, the majority of Cisco options are given to people like me, not just to the officers or directors of the company.

Options motivate me to do better for Cisco, and for my family, because I believe that options will appreciate. In the future, I will exercise them, and be able to help pay for college educations for my three sons. My family gives up time with me, their Dad, because I work hard. While that's a conscious choice we make, I promise them that all hard work will be rewarded.

If my company , because of mid-stream rule changes, must expense options that it decides to award to its employees, it will award fewer options, and have less ability to keep the best people.

Mr Kerz, I have considered, as I'm sure you have, the many reasons for not expensing -

- valuation required by FASB will eliminate stock options as a tool which has driven 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. (Example: 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, the number one rule should be 'first, do no harm'.

I'll add one more. If FASB changes its policy for how companies must account for stock options, it will be like breaking a promise. Companies work hard for their employees, and they need to keep the promises - ability to award stock options for rewarding hard work - they make.

Mr Herz, my family and I ask you and the FASB, to not force companies to expense options.

Thanks for your time.

Bob Watkins

6/21/2004