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**Letter of Comment No:** 559  
**File Reference:** 1102-100

**From:** Raymond Henderson [rahender@cisco.com]  
**Sent:** Tuesday, April 20, 2004 9:14 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

**Importance:** High

To: Chairman Robert H. Herz

Dear Chairman Herz,

I've worked in the Technology Industry for 19.5 years. The past 3 plus years with Cisco Systems. Prior to Cisco, I worked for IBM Corporation. I'm writing to you because I'm very concerned regarding FASB's draft plan to treat Stock Options as an expense.

I benefited in 2 of my last 3 years of employment at IBM, where I was awarded Stock Options. Those options helped my family financially because they became the foundation for my childrens' college funds.

One of the many reasons I joined Cisco Systems was because of our broad based Stock Options program. It was, and it still is, a tremendous motivator for me (even though my options in these past 3 years haven't significantly increased in value - yet!). My belief in Cisco - and in our company's innovation and leadership - strengthens my commitment. But much of my belief is based on anticipated Financial Return, which in turn is based primarily on the Stock Options I am awarded each year. I know that most of my colleagues feel the same. If that changes, then many individuals and their families - and many companies (some not even created yet!!) - will be very negatively impacted.

I don't understand the deep detail all of the financial arguments by the two sides. But I do understand, for example, that our country's technical/technological leadership is at risk if FASB implements this plan. How can we continue to drive innovation and productivity if we are treating Stock Options as an expense with artificially high valuations (thereby eliminating them as broad based employee motivator programs) when China, for example, does not treat them as an expense? American companies will have difficulty competing longer term with such a competitive disadvantage.

Please consider the implications and impact of treating Stock Options as an expense - especially at the unrealistically high valuation proposed. I urge you and FASB to reconsider this plan.

Thank you for your consideration.

Sincerely,

Ray

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