

ikon

Letter of Comment No: 532
File Reference: 1102-100

From: Roger Volgstadt [rogerv@cisco.com]
Sent: Tuesday, April 20, 2004 11:53 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Expensing stock options

To: Chairman Robert H. Herz, Financial Accounting Standards Board (FASB)
Subject: File Reference No. 1102-100; Accounting of Stock Options

Dear Chairman Robert H. Herz,

I am writing concerning the FASB's draft plans to treat stock options as an expense. The valuation the FASB proposes would make it very difficult to continue broad-based employee stock option programs. I would like to urge the FASB not to expense stock options, especially at an unrealistically high valuation.

The stock options that my current and past employers have offered have enabled my family and I to share in the success of our company in ways that otherwise would not be possible. Living in Silicon Valley is very expensive. With the high price of homes, it is all many can do just to live here; home ownership is often just a dream. By offering stock options, the common employee struggling to get by can have the hope of purchasing a home and securing a place to raise a family and retire. Stock options spread out the wealth typically reserved for upper management.

Stock options also motivate me to do all that I can personally to see that our company succeeds in the market place. They have reminded me to be frugal with the company's resources, and to be as innovative as possible in my own work to improve productivity. As my co-workers and I strive for these and similar objectives, spurred on by the stock option incentive, it creates a successful company where all can be motivated and all can enjoy the rewards of success. Stock options are an effective team motivator.

Other countries such as China have recognized that stock options are a source of motivation and consequently offer non-expensed options. How can we compete effectively against such countries if we implement the stock option expense plan? This plan and similar restrictions effectively create a hostile business environment for our own companies. Not only will company employees suffer, but the entire nation will suffer as a result. With jobs in the IT industry going overseas at an alarming rate, our country needs to do all it can to make this country a positive business environment to retain jobs and inspire the innovation needed for us to continue being the technology leader we have been.

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. Expensing stock options can and 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'.

For the above reasons, I again urge you not to follow through on the FASB's plans to expense stock options. Please keep America the world's technology leader and the home where dreams can be fulfilled by rejecting stock option expensing.

Very truly yours,

D. Roger Volgstadt
engineer, Cisco Systems Inc.

4/20/2004