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Letter of Comment No: 563
File Reference: 1102-100

From: Ken Schroeder [kschroed@cisco.com]
Sent: Tuesday, April 20, 2004 9:18 AM
To: Director - FASB
Subject: File Reference No. 1102-100

Chairman Robert, H. Herz,

It has come to my attention that as Chairman of the Financial Accounting Standards Board you recently released a draft stating that you intend to treat stock options as an expense. I am writing to urge you not to do this as it will have a great impact on myself, others I work with and employee's from any company that uses stock options as a form of Compensation/Benefits.

The Company I work for, Cisco Systems, use's stock options partially so employees are more motivated to work, as it makes them a share holder in the company. I feel that this approach is very effective and as you should know our company is a leader in productivity.

Not only does this help motivate employees, but helps build a foundation for the employees future that we may not otherwise have. I consider the stock options I receive as a benefit and retirement fund, but is viewed by my company as 20% of my compensation package. Currently my wife and I have already started to make plans for stock options that I am vesting, such as putting our kids through college and buying a more suitable house to raise a family in.

If stock options are going to be treated as an expense, especially at a high valuation, it is going to be very difficult for the company I work for and other companies to continue to provide this benefit to their employees. I strongly urge you to reconsider this draft and the effect it will have on employee's from all companies in the US.

Thanks you for you time,
--ken

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