

ikon

Letter of Comment No: 1862  
File Reference: 1102-100

---

**From:** Wael Kamel [wkamel@cisco.com]  
**Sent:** Friday, April 23, 2004 8:19 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** Stock options as an expense

Chairman Robert H. Herz,

I'm sad to hear that the draft plan from your committee has recommended expensing stock options. This will be devastating to me personally and will be even more devastating to the industry and the country.

One of the primary reasons I moved to Cisco was the unbelievable generosity they exhibit through stock option programs. This is a very motivating factor for me and my colleagues to work hard at solving problems across the company even if it does not impact our specific product line directly. This fosters a collaborative work environment and drastically improves productivity.

Bill Hewlett and Dave Packard introduced this method when they formed HP in 1939. This has been a long standing tradition ever since and has been adopted by companies all over the world and a key motivating factor that drives innovation and creativity.

CEOs inflating company revenues to increase their own net worth was very unfortunate. If this is the issue we are trying to solve, I have to say you and your committee are heading in the wrong direction. The consequence of this plan will be that the granting of options will be limited to executives. The CEOs will still receive their fair share of options as usual. To cut down on the company expenses they will dramatically or completely eliminate broad-based employee stock option programs. In essence you will be punishing the average employee for the mistakes of a few CEOs.

This plan will also have the unwanted side effect of losing American high tech leadership, innovation and job creation. American 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). In today's economic environment, the number one rule should be 'first, do no harm'. In addition 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.

I sincerely hope for the sake of this great nation and its motivated work force that you reconsider this dreaded plan. Thank you for your consideration.

---

*Wael Kamel*  
Program Manager  
IPCBU  
Cisco Systems

4/26/2004