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**From:** Miguel A. Figueroa [mfigueroa@cisco.com]  
**Sent:** Wednesday, April 21, 2004 12:35 AM  
**To:** Director - FASB  
**Subject:** Re: File Reference No. 1102-100

**Letter of Comment No: 805**  
**File Reference: 1102-100**

Chairman Robert H. Herz  
Re: File Reference No. 1102-100

Dear Mr. Herz,

I am writing to you because of my concern over the draft FASB ruling regarding the expensing of stock options.

I am a 4 year employee of Cisco Systems. Prior to joining Cisco, I served 13 years working for the Administrative Office of the U.S. Courts in various capacities, mostly in the technology sector. My highest level of education is high school. I joined Cisco when the opportunity arose because I felt that the government could not compete on a compensation basis. I felt honored to have been one of the many thousands of applicants around the world to have been asked to become part of this company. It has raised the standard of living for my family in a number of ways and is providing a future for my children. I feel this ruling will have a negative impact on Cisco's ability to hire and motivate employees to the level of commitment and work ethic that has allowed us to be as successful as we have been in our globally competitive environment.

I understand the concern about what other companies have done in abusing stock options which only benefit a few high level executives. I am not an executive, but a part owner of this company and I pay particular attention to how this company is extremely fiscally conservative. In the case of those companies who have abused this system, that should be the focus and not to attempt to regulate via a broad solution. Instead of correcting a potential abuse, expensing options will result in the lack of building employee ownership used to drive higher levels of commitment, work ethic, and loyalty. Cisco has always allocated its stock options across all employees with over 50% of options going to individual contributors. It has created a company of employee-owners who are highly committed, work long hours, and deliver the highest quality in the industry.

The valuation of options using Black-Scholes, or any other known method, does not fairly value stock as we all know that. Add to it the issue of vesting periods and the inability to freely trade the options and it quickly becomes evident that the expensed value is not relevant and will only confuse our financial statements, making it even more difficult for investors to understand our true value and compare us with other investments. Isn't it the responsibility of FASB to create greater transparency and ease of ability for investors to understand their investments? Expensing stock options can only blur that vision.

As for the rationale for expensing because it is a method of compensation, I would say it is not a method of compensation. It is a method for transferring ownership from the present owners to those they wish to share their ownership with. If investors vote to approve a dilution to allow stock options for employees, and if those options are clearly presented in the notes of the financial statements, as they are today in the Cisco Annual Report, investors can get a clear understanding of the potential impact on their investment, while making their employees their partners in their joint success. As a long-time Cisco employee, I can tell you that my options have created a level of commitment, work ethic, and loyalty that cannot be matched.

And what happens when options are exercised, at values far different from the original values expensed. Should correcting entries be booked? Would any investor understand the impact of these entries? Would the financial statements be more or less comprehensible? I guarantee they would be more difficult to understand. More open to potential abuse.

I believe that FASB has overstepped its bounds with this draft ruling in that the impact goes beyond reporting. I believe that this ruling will lead to a drastic reduction in the use of stock options to create ownership among employees. That this will lead to less commitment in a globally competitive environment. And that the USA, by the rulings of FASB, will create a less competitive USA. This is not a path FASB should take " not when it will have a direct impact on our ability to compete in the global economy. The USA has been a dominant factor in the high-tech sector. This one step by FASB could end up being the single most important step in destroying that position for America. Please, do not push forward this draft ruling to expense stock options.

Thanks in advance for your attention.

Sincerely yours,

Miguel A. Figueroa

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