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Letter of Comment No: 3695

File Reference: 1102-100

From: Johnny Roland [jroland@cisco.com]
Sent: Thursday, June 10, 2004 3:35 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Employee Stock Options

Attn: Chairman Robert H. Herz

I urge the FASB not to expense stock options, especially at the high valuation methods proposed in your recent draft.

I have worked at Cisco Systems for almost six years, and one of the key benefits I have counted on are my employee stock options. They add another measure of motivation to my work, and I consider them a critical part of my retirement nest egg. I am not an executive nor a senior manager. I am an individual contributor working directly with customers. I don't know how many times I have proudly stated to customers that Cisco awards stock options to all employees, not just executives. In my previous job, I worked for American Express, and I was a senior manager who received stock options. But I know that this caused resentment from the employees who didn't, and it created a gulf between the privileged "few" and the ordinary employees. Part of what I love about Cisco is that we spread the wealth around, and everyone has a chance to partake of our business success.

I have watched the value of my options carefully over the years, and I have exercised them only once so far to help pay for some extraordinary expenses that came up for my family. To lose them would mean more financial insecurity for me since I would have to depend more on my 401-K (which has a cap on annual contributions) and questionable Social Security benefits for my retirement.

When I exercise my options, they are treated as income for that year, and I feel the bit that income taxes take. I believe that the true cost of a stock option is a dilution of earnings per share, and this is already accounted for when options are exercised.

Silicon Valley and America's high tech industry face severe competition from lower-cost countries like China and India. We have been able to generate innovation and creativity by sharing the risk, and the rewards, via employee stock options. Is this really the time to stifle employee motivation in the high tech industry by effectively shutting off the use of employee stock options? We are hurting enough as jobs are being outsourced to other countries.

I urge you to consider the "soft" side of this issue--how it affect us as employees working for innovative companies. Please do not expense stock options.

Respectfully,
Johnny Roland
Cisco Systems, Inc.
Tel: 408-525-4397