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From: Jeff Zirker [jzirker@cisco.com]
Sent: Tuesday, April 20, 2004 12:26 PM
To: Director - FASB
Cc: savestockoptions@cisco.com; Jeff Zirker
Subject: Stock Options Expensing Comments

Importance: High

Chairman Herz,

I am writing to you today to ask for your patience. I am an employee at Cisco Systems, Inc. and have been for more than 10 years. In those 10+ years, I have been driven by a number of motivating factors each day I get up and go to work. First and foremost, I want the people who work for me to have a challenging, rewarding, and fun place to work. Secondly, I want to feel challenged, and then recognized, in the work that I do myself. Third, I want the people I come in contact with from outside the company - customers, partners, competitors, etc. - to look at Cisco and want to work here themselves.

While there are many reasons this company is so successful, one extremely important factor has been the ability of the company to leverage employee-based stock option plans to recruit, retain, and recognize the best people in the networking industry. Stock options have been used at Cisco to make sure the rank-and-file employees share not only in the ownership of the company, but also in the success, the challenges, and the culture.

Every day, regular employees at Cisco make decisions based on the premise that they are using their own resources to get their job done. They spend the company's money "as if it were their own". Frugality has been the mantra at Cisco for a long time. And it was clear early in my career that this was so because we were all part-owners of this great company. We were living a culture that ensured we were all doing all we could, every day, to increase the value of the company. What a unifying force that is!

I must admit, I'm still confused over the proposed options expensing guidelines issued by FASB. It seems there are many suggestions on how to value options, but none are very precise. I don't recall ever hearing a suggestion for what happens if you make companies expense options at the time of grant, then the value of the options goes down over the term, and they expire being worthless, or worth LESS than when they were granted? Does the company get some credit? What if the company expenses options they give to me today, then I quit next week? If the company effectively received no service, no value in return, do they get to claim a credit for my options? It's all so very confusing. And honestly, it's not the accountants, or the lobbyists, or the lawyers that need common sense explanations from FASB. It's the workers. The everyday people who might be just a little better off today because of stock options.

I had the chance of a lifetime a couple years ago to pay off nearly all of my parents' debt, thanks to some of the options I received from Cisco. For the middle child, high school graduate, Air Force enlisted guy who was lucky enough to be given a chance and some options by Cisco, I can't tell you what an incredibly humbling, yet rewarding, experience that was, watching my father cry for the first time since I can't remember when. I can tell you that without options, I wouldn't have been able to make that gift. Without options, parents might make different choices about education. Without options, companies like Cisco wouldn't have been able to make the contributions it has to the country, to the impact of education around the globe, or to their employees and their families.

I applaud your desire to bring increased accountability to corporate finances. I ask for your patience, though. Please take time to study valuation methods, risk scenarios, impact to employees, and impact to the U.S. economy, so that any eventual method of accounting for options is fair, accurate, and still enables employee ownership like we have today.

Thank you for your time,

Jeff Zirker