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Letter of Comment No: 197  
File Reference: 1102-100

**From:** David Millsom [dmillsom@cisco.com]  
**Sent:** Tuesday, April 20, 2004 2:23 PM  
**To:** Director - FASB; dmillsom@cisco.com  
**Subject:** File Reference No. 1102-100 - Employee Stock Options



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Attention: Chairman Robert H. Herz

Dear Sir,

As an employee of a company which issues stock options I think it is very important that I point out to you the following:

- 1) Stock options provide an essential part of the incentive program for this company. It is based on the possibility of future rewards that employees devote themselves to ensuring the company's success. One very important part of the dynamic of this is that we are willing to forego immediate rewards because of the possibility of future growth. This empowers the company to endure economic hardship as we have experienced over the last three years of recession and it has given us the ability to reposition the company to emerge successfully when the economy strengthens.
- 2) Stock options also provide employees with the incentive to innovate within their company knowing that they will be rewarded by the future growth which their innovation enables.
- 3) Stock options provide a way for the company to provide rewards which enable employees to compete against the tide of out-sourcing.
- 4) It is important to understand that the kind of energy and commitment which has made it possible for Silicon Valley to develop the way it has, is derived from the fact that individuals can be directly involved in corporate development and decision making rather than be simply wage-earners. You need to understand that if you tamper with this mode of reward that you put this dynamic mode of participation at risk and thus the strength of Silicon Valley and other similar areas of high technology.
- 5) It seems to me that the problem with stock options is largely a result of abuse at the senior levels of management and that this problem of inappropriate use should be addressed directly rather than penalizing many other legitimate recipients of these options.

Yours Sincerely,

David Millsom  
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