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From:

Mike Drabkin [mdrabkin@cisco.com] Monday, June 28, 2004 5:16 PM Letter of Comment No: 5716

File Reference: 1102-100

Sent: To:

Director - FASB

Cc: Subject: savestockoptions@cisco.com File Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Mr. Herz,

As a long-time employee of Cisco Systems, I am greatly saddened by the FASB's plans to move forward with requiring corporation to treat their broad-based stock options as an expense. Although I can probably surmise the FASB's reasons, what with all the corporate governance blunders in the recent news, based on my research into the subject matter, I can't help but point out that:

a) People like me, who do not belong to the ranks of top executives, will be effectively cut off from owning a piece of our companies;

b) The sumptions inherent in the mathematical models used to calculate employee stock option valuations do not fit our environment, making the models themselves unfit for the purpose;

c) This treatment of broad-based stock options in the US will make us less competitive against countries like China that are already grabbing a huge piece of the outsourcing pie;

d) This treatment of broad-based stock options does not do much to improve corporate governance and may have an opposite effect.

Owning Cisco's stock options played a very important part in my life. About three years ago, I had exercised a number of fully-vested options to help purchase a suitable house for my family within a reasonable driving distance from Cisco headquarters. Housing in Silicon Valley is expensive by any standard, and I don't think I would be able to do what I'd done at that time without the stock options. As a result, not only did I provide good living quarters for my family, but I also get to spend more time with my wife and kids on a daily basis, since I don't have to spend 2-3 hours per day in the Bay Area's traffic.

That was just a real-life example. My personal financial goals are far from being satisfied yet, as I am sure is the case for many employees of companies. In these uncertain economic times, broad-based stock options increase company loyalty and provide a ray of hope for the future. I sincerely hope the FASB will reconsider pushing corporations and smaller companies towards expensing employee stock options.

-Mike Drabkin