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From: Michael Munro (mmunro) [mmunro@cisco.com]
Sent: Tuesday, April 20, 2004 12:41 PM
To: Director - FASB
Cc: savestockoptions(mailer list)
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I wanted to send you a brief note regarding your intention to treat stock options as an expense. I would sincerely urge you to reconsider. I'm am sending this letter to communicate my experiences with stock options as a long-time holder of broad-based stock options.

The company I work for, Cisco Systems, has provided stock options since my hiring in Jan 1997, with an ongoing grant given to performing employees, regardless of job level. This is important to me, as I only recently got promoted to the level of Director, where I would receive them if you proceed with your intentions.

The stock options that I have received from my employer over the past seven years have provided my family with a level of security that I would have been unable to achieve without them. I'm not getting rich from them, but they do relieve some stress associated with long-term financial security, especially in the face of rising education and healthcare costs.

With the changes that you are proposing, this opportunity will disappear, as it will be too expensive for companies to issue stock to everyone in the company. This would have many knock-on effects to the morale and attractiveness of employment at some companies.

Setting aside any macro-economic impacts on job growth and such, I wanted to share other thoughts on options and their personal impact on my job and life.

* Stock options help create a culture of ownership in my company, leading to my enhanced desire to see the company do well. Not in an Enron, "cook the books to make a quick buck for the top guys" good, but in a "I want to make this a successful company in the long term" good for the rank-and-file. I want to spend the companies money well because it's essentially my money. It also gives me a sense that this is less about US vs. THEM and more about WE.

* The stock option program was a clear decision point for me determining where I work. I chose Cisco over it's competition because I thought it's program was better (more options shared at all levels). I am a strong performer, promoted from project manager to director over my six years here. Cisco has benefited from me working here vs. at our competition.

* I have been lucky with Cisco and have benefited from the culture and long-term approach to management that broad ownership brings. I'd like others to have that same opportunity to know that if they work hard and the company does well, their hard work will be rewarded through accelerated returns. I work for more than just my next paycheck.

* My stock options are not all valuable...while they were worth something when issued, I have many options at Cisco that are now worthless. The entire high-technology (and other industries) are cyclical in nature, and broad swings of stock price are common. If they are expensed (or taxed to me at issue time), you would have a very skewed value of what they are actually worth to me (what I can sell them for). Likewise, I have options that are worth much more than they were when issued. But both these "losses" and "gains" are theoretical until I exercise my vested options. It would seem to me to be most fair to tax and expense them when the transaction (profit/loss) actually exercised, rather than when they are issued.

Again, I'd like to encourage you to reconsider your intentions to treat stock options as an expense. Loosing broad-based stock option programs will diminish the sense of ownership and "family" within the company and be a bad thing for the rank-and-file in every company that gives them.

Sincerely,

Michael Munro
Director, Internet Business Solutions Group
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