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From: Bruce Davie [bdavie@cisco.com]
Sent: Thursday, April 22, 2004 4:44 PM
To: Director - FASB
Subject: Stock Option Accounting

Letter of Comment No: 1537
File Reference: 1102-100

Chairman Robert H. Herz

RE: File reference 1102-100

Dear Sir,

I wish to register my voice in opposition to the recent FASB proposal to treat stock options as a corporate expense. My greatest concern is that the current proposal to calculate the value of options would frequently overestimate the true value, with the result that it would become impractical for most companies to offer options to the majority of employees. This would have a wide range of undesirable side effects on American businesses and their employees. I won't rehash the arguments about the difficulty of valuing options, but I am quite confident from what I know of Cisco that the current proposal would spell the end of options as a key part of Cisco's strategy to compensate and motivate employees. No doubt the effect would be similar on many other companies that take risks in the name of innovation.

I joined Cisco Systems in 1995, as an engineer and individual contributor, and have continued in that role. I received options when I was hired, and have received further options roughly once per year since then. One of the first things I noticed when I arrived at Cisco was the sense of teamwork - it was easy to motivate people to do the right thing for the company, rather than just looking out for their own interests, because of the direct relationship between the company's success and the stock price. Because stock options are used for all employees, not just executives, they create a great sense that everyone shares in the risks and in the rewards of success. Options are also used as a way to reward employees who have the most long term value at Cisco, because they have value only over the long term. I recall a day, about 2 years after I joined Cisco, when I was given a sizeable option grant "out of the blue". I consider that the day when I knew that I had been recognized as a key contributor to the company.

I understand that some of the excesses at other companies in the 1990s might have led to a desire to overhaul executive compensation in general and the use of stock options in particular. However, given the drastic effect that the current FASB option expensing proposal would have on the employees at all levels at Cisco and other innovative companies, I hope that the FASB will reconsider its position.

Yours sincerely,

Bruce Davie