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From: Karyn Corbett [kcorbett@cisco.com]
Sent: Friday, April 23, 2004 2:14 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Letter of Comment No: 1634 -
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Chairman Robert H. Herz,

I am writing because late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that you intend to treat stock options as an expense. The valuation you propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco.

Since you work for a government agency, it may not be very easy to understand how stock options affect my employees and myself, so I thought I would give an explanation a shot...I run a 20 person Operations organization that supports a 1700 person delivery organization. We are responsible for all of the business processes, systems, and tools that the 1700 people use to do their jobs every day. As you can imagine, with such a small team, we all work very long hours -- an average of 60 - 70 hours a week for salaried workers (no overtime). Our salaries are targeted at the 65th percentile for our area, so you certainly couldn't say we're overpaid. A lot of the motivation that my team uses to keep going is the fact that, #1, we believe we're working for the best company in the industry, and #2, we are all long-term shareholders, with a stake in the overall performance of the company.

Given that California is such an expensive place to live, many of us bought our houses using either money from our options, or options as collateral. One of my guys sells a chunk of his options every year to take his entire family on a two-week vacation over the Christmas holidays, to try to make up for the guilt of working so many hours. Another of the women who works for me, at the age of 30, just bought her first house with her husband, who also works at Cisco, using their options. I use discretionary stock options as surprise rewards for my team, for my top performers I want to retain, and you have no idea how excited they get when they receive these! Options are a very valuable, important, and POTENT reward.

I have to be frank, I'm really confused by the push to recognize options as an expense. We don't use company assets to grant them, so they don't seem to meet the definition of an "expense". The real cost occurs when those options are exercised, which is already recognized in the dilution of EPS, even today. When it is already so difficult to find employees who have the necessary skills to work in our high technology environment, why would the government want to put a ruling in place that makes it even tougher to compete for the best talent in the industry in the US? Not to mention that it cripples our ability to compete with companies overseas who have no such rulings... This will have a very undesirable impact on the US's ability to maintain high tech leadership and innovation, and will impede job creation.

Is this the type of legacy the FASB wants to leave?

Sincerely,

Karyn A. Corbett