

**ikon****Letter of Comment No: 4195**  
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**Sent:** Thursday, June 10, 2004 5:35 PM  
**To:** Director - FASB  
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**Subject:** File Reference No. 1102-100

Chairman Robert H. Herz,

Mr. Chairman, I'm writing you today in hopes that you will help me and my family keep and maintain the wealth we are currently trying to create.

In the American society, there should be no limits put on the individual as to what he or she is able to accomplish nor achieve (within the law) as that is the basis of our representative democracy.

Some companies have taken this idea to heart and set forth programs such that the employees responsible for making the company successful have a vested interest in the organization. Via employee stock option programs, my company helps every employee to be a partial owner in our company. What better way to enlist the efforts of the employees towards company success than by making them partial owners. I can tell you from personal experience that when I own something or have a vested interest in something I take more pride in doing what needs to be done to insure success.

Take this simple example. I purchased my first house and my wife and I turned it into a home by painting the inside and outside, spending countless days in the yard, and constantly fixing broken things because we owned the house and had a vested interest in it being nice as we knew we would be selling it at a later date. On the flip side, when I lived in an apartment, and had no vested interest. I spent no time taking care of it as I knew that at the end of my lease I would probably lose my minimal deposit as the apartment management would undoubtedly find some reason to keep my money. This is a simple example, but I think you get my point. When one owns something there is a feeling of responsibility that is inherent. When one has no ownership, the responsibility and drive to do what is right simply vanishes.

In today's global economy, America and our companies will be facing an ever expanding list of competitive countries, and companies. In most cases, I think you will find that the American companies are already at a disadvantage based on a shrinking indigenous labor force, the requirement to pay higher wages than virtually anywhere else in the world, and an absolute requirement for higher education levels as we move to a more technological economy based on productivity gains per person. Hence, artificially binding the hands of the companies that can generate technical leadership, innovation, and ultimately create more jobs in our economy would do our Nation, companies, and citizens a great disservice.

I am by no way an accountant nor a financial guru, but I understand enough to know that stock options don't truly meet the definition of an expense as they do not use any company assets, and the option costs are shown upon exercise in the dilution of EPS for the company. Hence, the true up of the options against the company takes place when the options are exercised. Another point is how to accurately represent the "value" of an option as it will change very second of every day as the market/stock price moves. I don't see that a true valuation of the stock options is capable, as the potential effect on the company can not be determined until the exercise of such options.

I bring one point to mind regarding this issue. Say I have 1000 shares in options with a strike price of \$50 issued 4 years ago on a 9 year vesting schedule. Our current stock price is \$24. How can these option truly be counted against the company as they currently hold no real value? In fact if you use the same logic of expensing the options at some artificial rate, you would have to say these options should be viewed as an asset (being that I would have to pay to exercise them) to the company. I may be simple minded in my approach, but I don't see how there is a way to represent options as either valuable or not valuable until the time of exercise. As I stated above, the option costs are then taken care of by the dilution of EPS for the company at execution time. Until an option is executed, it carries no real value in my opinion.

With the pending FASB recommendation to force expensing of stock options on US companies, you will force many companies to discontinue an extremely valuable incentive program, and hence drive a stake in the heart of innovation in our great economy. I'm a firm believer that the more you tie company success to individual employee effort, the more successful both the company and employee will be. Stock options are a great way to increase performance of employees as they have a vested interest.

In closing, I ask you to please consider the harm that will be done to innovative companies who allow their employees to

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participate in company ownership. We are risking the future of our families, and country by not allowing our companies to incent employees to be creative and help the company to grow.

Thanks,  
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"God Bless America"