Letter of Comment No: 1888 File Reference: 1102-100

From: Sent:

Brian J Graham [brgraham@cisco.com] Saturday, April 24, 2004 12:46 PM

To:

Director - FASB

Subject:

File Reference No. 1102-100, addressed to "Chairman Robert H. Herz



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Sir:

In regards to your offices recent comments to treat stock options as an expense I want to express my opinion and strongly ask that you reconsider such an action. Reasons for my request are stated below .

1. Stock options are considered a key compensation to the engineers that work for Silicon Valley based companies such as Cisco,NT, Sun, Juniper, WebEX. It is our way of sharing in the victory of being a successful company. Please keep in mind that America is not the only technical hot spot in the world and you can bet that international companies in Japan, China , and India are offering stock options as enticement to their employees . So it is also a competitive tool to keep the best technology development coming out of Silicon Valley(san jose west coast , raleigh, NC east coast) . Unlike many blue chip companies in America whom give out stock options to their top managers as rewards technology companies do it differently . Stock options at Cisco are given not only to upper managers but also to the bottom rung full time employees . Doing so fuels a corporate cultural mantra that makes everyone proud to work for (in my case Cisco) the company and its in their best interest to go the other yard ! In Cisco's case we have been very fortunate ! So you see that stock options are treated quite differently in technology companies than blue chip companies such as GE , Proctor & Gamble , AIG etc...

Another point is that stock options are already accounted for in the shares of the company(dilution) and therefore are already valued in against EPS .

The FASB treating stock options as an expense will ultimately hurt many more workers . I know that certain FASB folks feel it is all about ethics but you have to understand the mindset of good technology companies when these options are given out . The idea is everyone (not just a few high level managers and directors as in many blue chip companies (GE, AIG, P&G, Cendent etc..)) gets to join in the value of the company . It is a very fair way and the best that I know of considering that these same companies (technology companies in Silicon Valley) don't offer pension plans as in the days of old companies where you stayed for 20 plus years !

> regards Brian Graham

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