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Sent: Thursday, April 22, 2004 8:55 PM
To: Director - FASB
Subject: Save Stock Options for all employees

Letter of Comment No: 1425
File Reference: 1102-100

Yesterday I read an article how a major US company will be reinstating Stock Options...for its Senior Management only, awarding the CEO hundreds of thousands of options. I reflected on the FASB drive to expense options and how this will become the model of corporations in the future. This frustrates me since I sincerely believe the fortunes, or misfortunes, of a company should be shared by all employees of the company.

By expensing options, rather than allowing their impact to be represented in EPS through dilution, broad based stock option programs in the US will become a thing of the past. Only top executives will be included and the incentive to the entrepreneurial minded employees will be gone. If options are no longer available, who in their right mind would leave a comfortable position to go to a start-up? Maybe the founders, but as the company grows, it will have a terrible time attracting talented folks since they will not be able to offer competitive salaries and won't have options to compensate for the risk. Even for large companies, instead of offering stock options that act as a compensation buffer, rewarding in the good times, and acting as incentives in the bad times. Companies will be forced to increase salaries and result in higher fixed costs. Meanwhile, companies in other countries, such as China, are compensating their entrepreneurs and risk takers through broad based stock options. With all the other competitive advantages around lower cost of labor, US companies will suffer and lose market share.

I have been at Cisco for 7 years, I have seen the good times and the bad. In the good times, I used the options to help me buy a home and save for my sons' college. Now I view stock options as a long term investment in the fortunes of my company. In either case, I accept a lower salary and higher risk because I feel that my personal financial success is directly linked to the companies and my work ethic reflects it. I want this company to succeed, because I share in the rewards.

If you have your way, there will be the CEOs with their stock options and there will be everyone else. There will be companies that drive innovation and there will be the rest. In this economic environment we need to focus on creating growth not reclassing expenses.

Lance