

Stacey Sutay

Letter of Comment No: 273
File Reference: 1102-100

From: David S. Laube [dslaube@cisco.com]
Sent: Monday, April 19, 2004 6:41 PM
To: Director - FASB
Subject: Message for Chairman Robert H. Herz - File Reference No. 1102-100

To: Chairman Robert H. Herz
 Re: File Reference No. 1102-100

Chairman Herz,

I was very disappointed to learn that the FASB has released a draft plan to treat stock options as an expense. I am 100% certain that if you push for adoption this will mean that individual contributors, like me, will be excluded from the broad-based stock options that are a huge contributor to the feeling of company community and driving the success of companies like Cisco. You will be forcing a corporate cultural evolution that will take this country, and especially the high-tech industry, backwards by leaps and bounds! And, you will be putting us, the United States, at a competitive disadvantage. Perhaps you should consider a tenet from the Hippocratic Oath... First Do No Harm?

In addition to the virtually certain negative impact on individual contributors like myself have you considered what I have learned from speaking with experts inside and outside of Cisco?

-FASB has drafted what are almost certainly artificially valuation criteria that will, as noted above, virtually eliminate stock options as a tool which has driven innovation and productivity – especially at the individual contributor level (most of corporate America).

-I thought use of company assets is a criteria for expense treatment and stock options do not meet the definition of an expense because they do not use company assets.

-The true cost of a stock option is dilution EPS and is already accounted for when options are exercised.

-As mentioned above, companies in other countries (China, India) use stock options to create a sense of corporate community, culture and effort to a common goal and are not forced/coerced to treat options as an expense.

-Last but not least, when I wrote my senators one of them (Elizabeth Dole, I never hear from Edwards) actually tried to compare the broad-based stock option approach employed to encourage US-based innovation and corporate community in the US high-tech industry to companies that already expense stock options. Two of the examples used were General Motors and General Electric. Chairman Herz, I worked for General Electric as a VP of one of GE Capital's smaller businesses and I can assure you that I never received "Option 1" – with rare exception options are "reserved" for the "executive elite". I admit I cannot comment on General Motors. Another example used was Microsoft. Comparing Microsoft to Cisco is patently absurd and I am sure (hopeful?) you would agree with this perspective given the trials and tribulations of Microsoft.

Chairman Herz, I am a 51 year old "baby boomer" and have a sense of reality with respect to social security – that is, if I ever draw on it, this will be a miracle, and if not a miracle "gravy" in terms of my retirement planning (translation, I am not counting on it). With respect to the broad-based options I currently have the opportunity to receive based on my performance and the performance of Cisco – I don't "count" on these for retirement but believe, under current FASB rules, they will contribute. Taking this away from me and the hundreds of thousands if not millions of other hard working US Citizens would be short sighted and destructive to the US economy – especially in light of our jobless recovery. At best... candidly I cannot think of an "at best" scenario.

If you are concerned about transparency and governance, this is good. If you need to institute rules to accomplish better transparency and governance around broad-based stock options, fine. Forcing companies, especially companies like Cisco that are so conservative with respect to accounting already, would be doing more harm than good.

Please, First Do No Harm.

Sincerely,

/David/

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