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To: Director - FASB

Subject: File Reference No. 1102-100



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Dear Chairman Herz:

I have watched the debate over the expensing of stock options with growing trepidation, not actually believing that this country could be so short-sighted as to enact this legislation. I have now heard that you have issued a preliminary plan doing just that.

Letter of Comment No:1510

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I know there are many moving parts to this decision, and there are many arguments both for and against such a decision, but perhaps I can help you understand my point of view.

I am an individual contributor for Cisco Systems, and as such participate in their broad-based stock-option plan. This means that I am awarded options on an annual basis based upon my management's view of my future worth to the company. Having worked for Cisco for over 5 years now, I have been fortunate to have participated in many grants.

This affects my behavior in several ways. Most significantly, it places a high bar on any decision to leave the company, as any new company would have to match the money I would lose from near-term appreciation of the company stock. This helps Cisco and me to plan a longer career path, benefiting Cisco, me, and our customers. As an aside, it also becomes income I use to pay for my kids college tuition, and is taxed as income accordingly. Beyond that, however, it enables me to take a corporate view of short-term decisions. A case in point is the recent incentive plans around quarter-end sales numbers. I am encouraged by my compensation plan to drive dollars into this quarter, and have cash bonuses associated with that behavior. The company has another plan in place to establish some booking linearity across quarters, which obviously helps Wall Street and its view of overall sales. On face these plans compete, and without a stake in the ownership of the company I have little incentive to care about annual linearity. As I do have a stake, I am paid to care about BOTH objectives and can model my behavior accordingly. This benefits me, Cisco, our customers, and our investors.

It is my firm belief that investors already understand the costs associated with incentive stock plans, especially the institutional investors that make the majority of buying decisions regarding stocks. Thus, expensing them provides no additional meaningful information. What expensing options DOES do is significantly raise the cost associated with these option plans. What Cisco, and many others in the industry, have made very clear is that when you raise the cost of these plans the behavior you will get is not clearer accounting but a move away from the plans.

Is that what you want? It seems pretty clear it's what you will get.

At a time in American history where we clearly need to encourage innovation and the value of the American worker why would you raise the cost of training and retaining such a worker? Especially if companies outside America will not measure costs in this fashion and will then have a competitive advantage.

I urge you to think beyond the knee-jerk reactions of corporate activists and carefully consider the affects your actions will have on workers like me. These activists are using the abuses of a few companies as fodder to drive a political agenda that hurts America, and clearly hurts me. I have heard of a proposal to expense only the options of the top percentage of corporate executives, which to me seems a decent proposal. This directly addresses the "abuses" chronicled in recent corporate scandals while preserving broad-based incentive stock plans.

Please do what is right for America and preserve broad-based employee stock ownership.

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