

## Stacey Sutay

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Letter of Comment No: 243  
File Reference: 1102-100

**From:** Steve Adachi [sadachi@cisco.com]  
**Sent:** Monday, April 19, 2004 6:19 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100, Chairman Robert H. Herz

Dear Mr. Herz,

My name is Steve Adachi and I am a Manager of Information Technology at Cisco Systems. I have been employed at Cisco for 9 years and have personally seen the benefits of stock option plans as both an individual contributor and manager.

I remember 9 years ago when my wife and I were discussing two job offers she had received; one offered a higher salary but the other also offered stock options. Neither of us was familiar with stock options at that time, as all the companies she or I had previously worked for only gave stock options to their senior executives. As we investigated and learned more about how they work, the options became a very "compelling" part of the compensation package, simply given their potential earning power. Ultimately she chose the job with the options, a decision which we have never regretted.

When I later joined Cisco, I also had the opportunity to participate in the stock option program and over time have seen the impact they can have. I have worked at other companies where they also treated the employees well, but there is an enhanced sense of company pride and "ownership" that come with stock options, that is hard to explain.

Having been first an individual contributor and then a manager, I have felt and seen how stock options can motivate employees and give them a vested interest in the success of the company. The focus on doing what is right, the long hours people will work to deliver, and the dedication to Cisco and its customers are all driven by the sense of "ownership".

If stock options are expensed, my belief is that many companies will stop giving options to all employees, and will only give stock options to top executives. Having seen the benefits of stock options for "all" employees, I feel we will have lost a valuable tool in our ability to attract, retain, and motivate dedicated employees.

I feel very fortunate to have come to Cisco and benefited from the stock option program. The options I have exercised enabled my family to move to a newer home, closer to our families. Given the cost of housing in the bay area, without the stock options this would not have been possible. Additionally, I have been able contribute money to my children's college funds, so they, too are beneficiaries of stock options.

Even though many of my stock options grants are now "under water", I still feel they are an important part of our overall compensation plan and will still provide the most benefit to the company when the competition for good employees is toughest. Granting stock options to all employees is part of the team-work culture that exists at our company. When the company does well, we all do well and that drives us to work harder for our customers and our shareholders. I firmly believe Cisco's stock option program has played a major role in the success of the company, allowing it to hire and retain the best employees in a highly competitive industry. We are already seeing a shift in innovation and jobs to countries, such as China, which employ stock options as part of their compensation package.

I hope more companies like Cisco will be allowed to benefit from stock options in the future.