

**Karen Salmansohn**

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**From:** Director - FASB  
**Sent:** Monday, February 03, 2003 11:40 AM  
**To:** Karen Salmansohn  
**Subject:** FW: MP&T Director-File Reference 110

**Letter of Comment No:** 144  
**File Reference:** 1102-001  
**Date Received:** 1-31-03

-----Original Message-----

**From:** Tony Canova [mailto:tcanova@Brocade.COM]  
**Sent:** Friday, January 31, 2003 3:01 PM  
**To:** Director - FASB  
**Subject:** MP&T Director-File Reference 1102-001



January 30, 2003

MP&T Director-File Reference 1102-001  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1102-001 Comments on Exposure Draft: Accounting for Stock-Based Compensation - Transition and Disclosure

Dear Sir or Madam,

I am the Chief Financial Officer of Brocade Communications Systems, Inc.

Located in San Jose, California, Brocade is the leader in an exciting and growing technology sector known as Storage Area Networking. Our technology allows companies to more effectively and efficiently manage the terabytes of data that are resulting from a web-enabled world. Storage Area Networking is one of the many technologies where the United States currently enjoys a leadership position and we believe that Storage Area Networking will contribute to the growth of the US economy in the years to come. The total market for Storage Area Networking today is in excess of \$1 billion and is expected to exceed \$6 billion by 2006. Brocade has a 60% market share of this market today.

I write to you today on behalf of Brocade's 1200 employees to express our strong support of the American Electronics Association's (AEA) position on Accounting for Stock-Based Compensation. The AEA's position is detailed in the attached letter.

While there are many reasons we oppose mandating that companies expense the "cost" of employee stock options, we wish to highlight two specific points.

First, existing stock option valuation models cannot accurately estimate the "cost" of employee stock options. In fact, the true "cost" of employee stock options has yet to be well defined or agreed to by the accounting literature and the financial

community. In addition, existing models, such as the predominately used Black-Scholes model, produce arbitrary and significantly different results depending on what inputs are used in the calculations. Accordingly, the use of these models to measure and record the cost of employee stock options will serve to decrease financial statement comparability, transparency and reliability.

Second, expensing the cost of stock options will likely result in companies reducing the number of stock options given to employees. We believe this will detrimentally impact the ability of the technology industry to attract and retain the key talent that will keep the US in a position of technological prominence. At Brocade, we attribute a substantial part of our economic success to our ability to allow ALL employees to share in the rewards of creating the products the world demands.

We strongly support clear and full disclosure of employee stock option transactions. However, we do not feel the current FASB proposal is the most equitable and appropriate solution, and urge FASB to explore other alternatives.

Very Truly Yours,



Antonio Canova

Vice President Finance and Chief Financial Officer

Brocade Communications Systems, Inc.