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Letter of Comment No: 2080
File Reference: 1102-100

From: Tim R. Jones, II [timjones@cisco.com]
Sent: Wednesday, April 28, 2004 6:31 PM
To: Director - FASB
Subject: File Reference No. 1102-100

To: Chairman Robert H. Herz
Re: File Reference No. 1102-100 - Expensing Employee Stock Options

Mr. Chairman,

If you have perused the letters from my fellow Cisco employees as I have I think you get the point. As individuals our motivations to work and contribute to our companies, our families and our communities are very much tied to the equity stake we hold in our companies. Stock options serve as the highest motivation for people to perform and thus enable their companies to succeed.

Another perspective I offer is the example of when the bubble popped a few years ago. You heard a lot about "Do your part for the economy, buy something" and that is exemplified in these letters too.

Aside from the corporate accounting treatment which will kill this form of compensation it is important to note the employee's perspective. Stock options are not given out freely, they are not winning lottery tickets. When my start-up company was acquired by Cisco many people said to me "Wow, what are you going to do now that you've won the lottery?" I haven't done anything different, I'm still here working hard. We pay for this equity in two ways: sweat as well as cash. We pay the strike price to exercise these options and on top of that we pay the taxes on the gains.

The real benefit of stock options is time. Work, gain, reward, reinvest and repeating that cycle is what sustains success. The bottom line is if you pass the proposed changes that equity and motivation will go away and it will be detrimental at every level - personally, for the companies, for communities and for the economy.

Please, reconsider your actions.

Sincerely,

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