

ikon

Letter of Comment No: 2012
File Reference: 1102-100

From: Robb Ross (roross) [roross@cisco.com]
Sent: Monday, April 26, 2004 2:15 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Stock Options

Dear FASB Director,

Aside from normal direct compensation and health benefits, the granting of Stock Options is the most equitable vehicle through which my employer is able to reward its workers for growing the business. History shows us that most of the fruits of a given enterprise tend to be concentrated with the principal investors and company management. In every growth industry economies of scale and workplace efficiency have produced great profits for corporate management and investors at the expense of the workers. Until very recently at most companies the majority of employees were not allowed to share in the market gains achieved from the employees working harder and smarter to grow the enterprise. This situation tended to stagnate and stifle companies over time.

At Cisco Systems all employees are capable of realizing and are granted a monetary share of the profits achieved by being frugal and growing the business to address new emerging technology opportunities. Over an extended period of time employee commitment as measure in the form of stock options results in a fair distribution of Cisco's success or failure.

The recent instances of unbelievable levels of corporate greed by corrupt corporate executives would not have been any less had they been required to expense the cost of stock options that they took. Stock and stock options are investments that can remain static, increase or decrease in value and should continue to be treated as such based on the current value when they are created. Options when created cost the corporation very little aside from administrative expenses. Expensing the cost of stock options based on current estimated value will serve little or no purpose.

The proposed accounting change that would have Cisco expensing the estimated cost of stock options is neither fair or equitable given that it is impossible to determine the future worth of the stock based on current conditions. My view is the expensing the cost of employee stock options will not give investors more insight into company future operations and will present an inaccurate view of current profitability. Changing the accounting methods will cause innovating companies to stop the use of stock options to reward employees for growing the company. Without stock option investors will have less visibility into a companies potential for future growth, this will serve to add more uncertainty to the investing process. Lastly as a Cisco employee that hopes to share in the success of the company, I feel that having part of my compensation tied to an equity share in the corporation is a practice that should be encouraged not discouraged.

Regards, Robb Ross

4/27/2004