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Letter of Comment No: 1741  
File Reference: 1102-100

**From:** Brian Fady [bfady@cisco.com]  
**Sent:** Monday, April 26, 2004 11:25 AM  
**To:** Director - FASB  
**Cc:** 'Brian Fady'  
**Subject:** File Reference No. 1102-100

Chairman Robert H. Herz

I understand that last month, the Financial Accounting Standards Board (FASB) released a draft plan stating the intent to treat stock options as an expense. I am writing you as an employee at Cisco Systems and a recipient of stock options under Cisco's broad-based employee stock option program; I urge you to reconsider this position... I ask that you and the FASB not treat options as an expense across the board.

At the fundamental root of why I personally believe stock options should not be treated as an expense is they simply do not use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Tied to the fundamental definition of an expense that does not fit Stock Options, if you said they were an expense, there is no method to accurately determine what that expense dollar amount should be, nor when it should be incurred... is it the option price? is it the buy/sell price? time of grant? date of exercise? I am concerned that the intent would be to error on the side of artificially high valuations which would make the feasibility to sustain option programs impossible.

As an employee who benefits from stock options, I'd also like to share with you a few of the things options mean to me, which will likely be adversely impacted if the FASB require the expensing of options:

- Ownership of the company that I work for.
- Responsibility to myself, fellow employees (option holders), as well as fellow share holders to ensure every decision I make is the right one for our company.
- Motivation to make sound long term, lasting decisions and choices in my daily work, knowing that I have the greatest personal gain over time - not in the short run.

I can fully understand, and appreciate what I believe the intent of FASB's action to expense options - I want to believe that the larger issue is truth in numbers. It is critical to the global economy that we do not continue to enable the next Enron because of unorthodox or creative accounting. At the same time, it is imperative to American high tech leadership, innovation and job creation, the number one rule should be 'first, do no harm' when trying to address the larger issue.

Stock options not only motivate, encourage, and drive responsibility in the corporation, they provide personal benefit to the families of those receiving options as well. It is a self managed cycle of success - the better the company does, the more I personally gain for my family's financial stability. Financial stability enhanced by options affords me the opportunity to own a home, drive my family around in a safer (newer) car, see my retirement and investment strategy grow into something promising (not discouraging), and perhaps most important to me personally, provide for my child's future & education beyond the means that I had. Undoubtedly, these personal gains I have as a direct result of Stock Options do motivate me to be a better, more effective employee at Cisco.

In closing, I urge you and the FASB to evaluate and further consider the impacts your decision will have; to corporations financial statements (in)accuracy, to employees ownership and contributions to the corporation, and personally to the families & loved ones of the workforce. I am asking you make your decision based upon the tenant "first, do no harm."

Thank you,  
Brian Fady

Employee & Stock Option Holder at Cisco Systems Inc.